

**MINUTES OF THE COST TRENDS AND MARKET PERFORMANCE  
COMMITTEE**

**Meeting of November 14, 2013**

**MASSACHUSETTS HEALTH POLICY COMMISSION**

**THE COST TRENDS AND MARKET PERFORMANCE COMMITTEE OF THE  
MASSACHUSETTS HEALTH POLICY COMMISSION**  
Minihan Hall, Charles F. Hurley Building  
19 Staniford Street, 6<sup>th</sup> Floor  
Boston, MA 02114

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**Docket: Thursday, November 14, 2013, 1:30 PM – 3:00 PM**

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**PROCEEDINGS**

The Massachusetts Health Policy Commission's (HPC) Cost Trends and Market Performance Committee held a meeting on Thursday, November 14, 2013 in Minihan Hall at the Charles F. Hurley Building located at 19 Staniford Street, 6<sup>th</sup> Floor, Boston.

Members present were Dr. David Cutler (Chair), Dr. Paul Hattis, and Dr. Stuart Altman, Commission Chair.

Mr. Rick Lord arrived late to the meeting.

Dr. Wendy Everett, and Mr. Glen Shor, Secretary for Administration and Finance, were absent.

Chair Cutler called the meeting to order at 1:33 PM.

**ITEM 1: Approval of minutes**

Chair Cutler made no changes to the minutes and asked for a motion to accept the minutes. Dr. Hattis made the motion and Dr. Altman seconded. Members voted unanimously to approve the minutes.

Before moving on to formal business, Chair Cutler reviewed the goals of the Committee and the day's agenda. He stated that the Committee had not met since September to allow the staff time to complete work on two major projects: the annual cost trends report and the framework for the review of notices of material change. He noted that the day's meeting would allow committee members to check in on the progress in these two areas and engage in dialogue on the work being done.

At this point, Mr. Rick Lord arrived at the meeting.

**ITEM 2: Update on the annual cost trends report and APCD analysis**

Chair Cutler turned the meeting over to Mr. David Seltz, Executive Director of the HPC. Mr. Seltz stated that an important function of the HPC is to understand what is driving health

care costs in Massachusetts. He noted that the HPC's work is grounded in data and evidence.

Mr. Seltz announced the HPC's first annual cost trends report, projected to be released at the end of the calendar year. He stated that the report is informed by research completed by the staff, data collected at the annual cost trends hearing, and the all-payer claims database (APCD).

Mr. Seltz introduced Dr. Marian Wrobel, Director of Research and Analysis, to discuss the APCD. Dr. Wrobel reviewed the HPC's interest in the APCD and the work completed to analyze data from the database. She noted that the APCD is an invaluable resource because of the level of detail contained within the records. Dr. Wrobel highlighted collaboration with the Center for Health Information and Analysis (CHIA), consultants, and stakeholders. She also discussed the future work that could be completed with the APCD.

Dr. Wrobel detailed the APCD data that will be included in the 2013 cost trends report. Mr. Lord asked whether self-insured employer data would be included in the report. Dr. Wrobel responded that it would not be included unless it was through one of the three major carriers.

Dr. Hattis asked whether future analysis would include Medicare ACO data. Dr. Wrobel responded that it would, stating that the APCD analysis would increase in all directions. Dr. Hattis asked whether staff would be able to discern the roll of ACOs. Dr. Wrobel responded that the staff will be studying the impact of ACOs in the market.

Dr. Wrobel reviewed the APCD analyses for the 2013 cost trends report. She noted four areas of study: (1) total expenditures with a focus on per member per month; (2) analysis of episodes; (3) analysis of most costly patients; and (4) adherence to evidence-based guidelines. She noted that the staff would only include the most relevant data from these analyses in the report.

In anticipation of the APCD analysis, Chair Cutler reiterated the three questions asked at the annual cost trends hearing:

1. Are we on track to meet the cost growth benchmark?
2. What steps do we need to take in order to meet the benchmark?
3. Are we accounting for quality of care?

He asked Dr. Wrobel what types of conclusions the HPC could draw on these questions from the APCD analysis. Dr. Wrobel responded that the APCD's data will always be historical, but will have high value in its ability to look at trends in the market. She noted that it is difficult to look at quality of care in APCD data.

Dr. Hattis asked about the level of detailed analysis available in the APCD. Dr. Wrobel responded that the staff was working to refine the data in the APCD, but that a very detailed analysis would mandate increased stakeholder involvement to decrease the amount of error. Dr. Hattis asked whether this type of analysis would be possible in two years. Dr. Wrobel responded that it would.

Dr. Altman urged committee members to be realistic about the APCD's limitations in the short-term. He noted that the staff would have to rely on mostly non-APCD data for the 2013 cost trends report. He warned his fellow commissioners against overpromising data from the APCD.

Dr. Wrobel echoed Dr. Altman stating that the data from the APCD are older (only spanning to 2011). She also noted that trends occur over time and that the HPC only has three years' worth of data from the APCD.

Mr. Seltz stated that he views the APCD as one of the resources that the HPC has to complete analysis. He commented that building the capacity of the APCD requires a long partnership with CHIA. He stated that the HPC's goal was to take research questions that could lead to policy recommendations and move them forward with research in the APCD.

Chair Cutler stated that he is impressed by the staff's efforts to move data towards actionable steps.

Mr. Seltz stated that the 2013 cost trends report is an opportunity for the HPC to set informed goals for 2014.

Chair Cutler asked for any questions. Seeing none, he moved to the next agenda item.

### **ITEM 3: Review of framework for reviewing notices of material change (MCN)**

Chair Cutler introduced Ms. Karen Tseng, Policy Director for Market Performance, to discuss the framework for reviewing notices of material change (MCN).

Ms. Tseng discussed the timeline for the review of material changes, highlighting the short window for Commissioner feedback and staff review. She discussed the statutory factors for review of material changes, emphasizing a focus on cost, quality, access, and market functions. She stated that staff is working to create a focused list of factors for the legislatively mandated 30-day initial review.

Ms. Tseng noted that there are three categories of impact review: cost, quality, and access. She stated that the types of questions that the staff will ask during the initial review period will be both quantitative and qualitative. She commented that the staff is not able to anticipate all of the questions for each MCN because of the diversity in the market. She stated that staff will work with commissioners to identify questions for a given MCN. She emphasized the importance of looking at a baseline when considering a change. The end goal is to combine historic performance with details of the transaction and the parties' plans to project the impact of the transaction.

Ms. Tseng reviewed the questions that can be answered from the terms of the transaction. Chair Cutler asked if staff could assess the impact on TME with the data on price and

quantity. Ms. Tseng responded that the staff has information on prices and other indicators of TME. Chair Cutler confirmed that the documents provided to staff show impact of TME.

Chair Cutler commented that there is no similar metric to compare quality and access. Ms. Tseng responded that some of the questions are easier to answer qualitatively during the initial 30-day review window.

Dr. Altman asked staff to discern what information they glean from the data provided by the parties and what information was obtained through analysis. Ms. Tseng responded that staff uses publically available quality measures. She noted that the staff looks at changes in quality during the initial 30-day review period, but is not able to assess all aspects.

Ms. Tseng next reviewed the staffs' questions on how provider and market structure will change with respect to cost, quality, and access. Dr. Altman noted that the HPC has responsibilities that require it to anticipate what impacts restructuring will have on the market. Ms. Tseng responded that staff has the benefit of abundant baseline data to better understand such changes.

Ms. Tseng then reviewed the ongoing evaluation of the parties' goals and plans. She reviewed major questions asked, including whether cost savings would likely be passed to consumers. Mr. Lord stated that the staff should change the word "consumers" to "purchasers" to also include businesses.

Ms. Tseng reviewed the main questions that the HPC is able to address during the initial 30-day quantitative analysis. She stated that this analysis is based on publically available data.

Dr. Hattis asked whether he should vote a MCN on to a full cost and market impact review (CMIR) if he has concern over a question that is not addressed during the 30-day review. Ms. Tseng responded that she welcomes additional questions on areas of concern during the initial period.

Ms. Tseng then reviewed the model for a quantitative analysis, providing an example of how to take quantitative items and organize them during the 30-day review period. She detailed situations in which the results of the MCN would tend towards the initiation of a CMIR.

Dr. Hattis asked whether the initial 30-day MCN review period signified that there was cause to worry about the transaction. Dr. Altman stated that this was his understanding. Dr. Altman noted that, at the end of the 30-day MCN review period, commissioners must ask whether the transaction reaches a threshold of concern which would merit a full CMIR. Chair Cutler commented that the CMIR gives staff time to explore different information that is not available during the 30-day review. He views the CMIR as a way to add dimensions of review.

Ms. Tseng reviewed the recommended updates to material change submission's interim guidance form and next steps in the framework process. She anticipated the proposal of regulations during the first quarter of 2014.

Mr. Lord asked a question surrounding the modeling definition of materially higher prices. Ms. Tseng responded that staff would come back to the Commission and provide context for the numbers on prices to allow for increased understanding. Mr. Seltz stated that a part of Chapter 224 requires the HPC to refer CMIRs to the Office of the Attorney General if certain numbers are met. As such, the staff needs to provide more definitions on these numbers to create criteria for referral.

Mr. Seltz stated that the ultimate goal of the HPC is transparency. He noted that there is an ongoing conversation on the role of the HPC after the completion of a CMIR to monitor whether the parties have met their outlined goals.

Dr. Hattis commented on care design. He noted that care design leads to changes in finances. He stated that the discussion of efficiency by providers is another way to discuss their in-house costs. He encouraged staff to press back on efficiency options as they look at expenditures and urged staff to look at expenditures if the data is available.

Ms. Tseng noted that the goals of increased transparency are to (1) provide a sense of accounting benefits and concerns with the best data and (2) to flag where data can be better. She commented that what sets the HPC's CMIR process apart from other states is that it issues a report and asks questions about the transaction.

Dr. Cutler asked for any other questions on the framework for MCN. Seeing none, he opened a period of public comment.

#### **ITEM 4: Public Comment**

Mr. Joe Alviani, Vice President of Government Affairs, Partners HealthCare System, asked how the statutory factors for material change notices are weighed during the review process. Ms. Tseng responded that all the factors are important. She stated that the relative weighing of the factors is an ongoing process.

Dr. Altman asserted that the HPC does not have to decide how the factors are weighed since it issues a report rather than saying yes or no to the transaction. Dr. Hattis emphasized the importance of looking at the whole picture of a transaction rather than just certain factors in isolation. Mr. Seltz noted that the factors provide directional information during the 30-day initial review period.

Chair Cutler stated that the purpose of the day's meeting was to look at the list of criteria and turn it into actionable questions for the review of material change. He noted that the next step in this process is defining the judgment for qualitative questions.

Mr. Matt Veno, a representative from Harvard Pilgrim Health Care, commented that a combination of modest impacts could have a large aggregate effect. He asked how staff anticipated gauging the modest impacts and long-term effects in their analysis. Ms. Tseng noted that the modeling presented during the meeting was merely an example and that the staff is still discussing the actual process. She noted that it is the HPC's responsibility to think of the changes in dynamic ways.

Dr. Hattis echoed this point, noting that staff will look at the aggregate effect on the market, not just the transaction.

Ms. Jennifer Gallay asked about the role of the referral to the Office of the Attorney General in the HPC's recommendation on CMIRs.

Ms. Tish McMullen, a representative from Beth Israel Deaconess, asked how the HPC will value providers shifting from a fee for service contract to a global payments contract. Ms. Tseng responded that there are both qualitative and quantitative aspects to that question. She discussed the data that would be used to answer such a question and the extended timeline that would be needed to do so.

#### **ITEM 5: Adjournment**

Chair Cutler announced the next meeting of the Cost Trends and Market Performance Committee (February 5, 2014) and adjourned the meeting at 3:13 PM.