



COMMONWEALTH OF MASSACHUSETTS
HEALTH POLICY COMMISSION

ANNUAL HEALTH CARE
COST TRENDS
HEARING

2014

SUFFOLK UNIVERSITY LAW SCHOOL
OCTOBER 6 | OCTOBER 7

HELD IN CONJUNCTION WITH
THE OFFICE OF THE ATTORNEY GENERAL AND THE CENTER FOR HEALTH INFORMATION AND ANALYSIS

An annual public examination of health care cost trends and drivers, featuring witness testimony and discussion with national experts on the challenges and opportunities in the Commonwealth's health care system. The 2014 hearing will examine cost trends for public and commercial payers as well as hospitals and other providers. For the first time, the hearing will focus on the state's performance under the health care cost growth benchmark established in Chapter 224 of the Acts of 2012.

FROM THE CHAIR AND EXECUTIVE DIRECTOR

October 6, 2014

Welcome to the Commonwealth's 2014 Health Care Cost Trends Hearing, the second to be hosted by the Massachusetts Health Policy Commission (HPC). With our co-hosts, the Office of the Attorney General and the Center for Health Information and Analysis, we thank you for participating in this public examination of the Commonwealth's health care system.

Massachusetts is a national leader in delivering high-quality health care, but the rising costs of the current system pose an increasing burden for households, businesses, governments and the economy. The level of cost growth creates an unsustainable crowding-out effect for the public and private sectors alike, reducing resources available to spend on other priorities. Given these trends, Chapter 224 of the Acts of 2012, Massachusetts' landmark health care cost containment law, set a statewide benchmark for the rate of growth of total health care spending in line with growth in the state's overall economy. For the first time, this year's hearing will focus on the state's performance under this benchmark. More information on this first-in-the-nation approach to cost containment can be found on Pages 8 and 9.

The HPC, established by Chapter 224, is an independent state agency governed by an 11-member board with diverse experience in health care. The HPC is leading efforts to advance Chapter 224's ambitious goal of health care cost containment. We work to advance informed dialogue, evidence-based policy, and innovative delivery and payment models that will accelerate transformation in the Massachusetts health care system. Our values of innovation, accountability, and transparency are at the core of Chapter 224 and the HPC's mission.

This annual hearing provides an opportunity to present evidence and testimony to hold the entire health care system accountable. Throughout the hearing, we will hear directly from Massachusetts provider organizations, health plans, employers, consumers, and national experts about our health care delivery and payment system, factors that contribute to cost growth, and strategies to contain costs while improving patient care. With transparent information and candid dialogue over the next two days, together we can build towards higher quality health care that is affordable and accessible for the Commonwealth's residents. Your engagement and collaboration are critical to our effort. We encourage you to tweet us your questions and comments during the hearing via #CTH14.

You will find pre-filed written testimony from over 70 organizations across the Commonwealth, agency reports, and expert presentations available on our website at www.mass.gov/hpc. Thank you for your participation.

Stuart Altman
Chair

David Seltz
Executive Director

AGENDA

MONDAY, OCTOBER 6

OPENING REMARKS 9:00 AM
Stuart Altman, Ph.D.
Chair, Health Policy Commission
Renée Landers, J.D.
Director of the Health Law Concentration, Suffolk University Law School
Representative Jeffrey Sánchez
Chair, Joint Committee on Public Health

PRESENTATION 9:30 AM
Center for Health Information and Analysis

KEYNOTE ADDRESS 10:00 AM
Governor Deval L. Patrick

POLICY FOCUS: HEALTH CARE COST GROWTH BENCHMARK

EXPERT SPEAKER 10:15 AM
Michael E. Chernew, Ph.D.
Harvard Medical School, Department of Health Care Policy

BREAK 11:00 AM

WITNESS PANEL 1: MEETING THE COST GROWTH BENCHMARK 11:15 AM
Beth Israel Deaconess Medical Center, Blue Cross Blue Shield of Massachusetts, Miller Dyer Spears, Partners HealthCare System, UMAss Memorial Medical Center

LUNCH 1:00 PM

POLICY FOCUS: TRANSFORMING THE PAYMENT SYSTEM

EXPERT SPEAKER 1:45 PM
Alan Weil, JD, MPP
Editor-in-Chief, *Health Affairs*
Former Executive Director, National Academy for State Health Policy

WITNESS PANEL 2: ALTERNATIVE PAYMENT METHODOLOGIES 2:30 PM
Beacon Health Strategies, Blue Cross Blue Shield of Massachusetts, Harrington Hospital, Steward Health Care System, Tufts Health Plan

PUBLIC TESTIMONY 4:30 PM

AGENDA

TUESDAY, OCTOBER 7

OPENING REMARKS	9:00 AM
Stuart Altman, Ph.D. Chair, Health Policy Commission Senator James Welch Chair, Joint Committee on Health Care Financing Senate President Therese Murray State Auditor Suzanne Bump	
PRESENTATION	9:45 AM
Office of the Attorney General	
PRESENTATION	10:15 AM
Health Care for All	
BREAK	10:35 AM
EXPERT SPEAKER	10:45 AM
Dr. Thomas Lee, M.D. Chief Medical Officer, Press Ganey Associates, Inc.	

POLICY FOCUS: CHALLENGES AND OPPORTUNITIES FOR COORDINATED CARE

WITNESS PANEL 3: BEHAVIORAL HEALTH	11:15 AM
<i>Commonwealth Care Alliance, Gosnold Addiction Treatment Center, Lynn Community Health Center, Southcoast Hospitals Group, Tufts Medical Center/American Psychiatric Association</i>	
WITNESS PANEL 4: POST-ACUTE CARE	12:35 PM
<i>Atrius Health, Baystate Medical Center, Brockton Visiting Nurse Association, Beaumont Rehabilitation and Skilled Nursing Center</i>	
LUNCH	1:30 PM

POLICY FOCUS: PROMOTING A VALUE-BASED MARKET

WITNESS PANEL 5: INSURANCE MARKET TRENDS	2:15 PM
<i>Aetna, Group Insurance Commission, Harvard Pilgrim Health Care, Mestek</i>	
WITNESS PANEL 6: PROVIDER MARKET TRENDS	3:30 PM
<i>Beth Isreal Deaconess Care Organization, Lahey Health System, Hoyaloke Medical Center, St. Vincent Hospital/Tenet Health Care</i>	
PUBLIC TESTIMONY	4:30 PM

EXPERT PRESENTATIONS

MICHAEL CHERNEW, PH.D.



Michael Chernew, Ph.D., is the Leonard D. Schaeffer Professor of Health Care Policy at Harvard Medical School. Dr. Chernew's research activities focus on several areas, most notably the causes and consequences of growth in health care expenditures, geographic variation in medical spending and use, and Value Based Insurance Design.

Dr. Chernew is a member of the Congressional Budget Office's Panel of Health Advisors and of the Institute of Medicine's Committee on National Statistics. Dr. Chernew is the former Vice Chair of the Medicare Payment Advisory Commission. In 2000, 2004, and 2011, he served on technical advisory panels for the Center for Medicare and Medicaid Services that reviewed the assumptions used by the Medicare actuaries to assess the financial status of the Medicare trust funds. Dr. Chernew is a Research Associate of the National Bureau of Economic Research.

ALAN WEIL, J.D., M.P.P.



Alan Weil became the Editor-in-Chief of *Health Affairs* on June 1, 2014. A multidisciplinary peer-reviewed journal dedicated to the serious exploration of domestic and international health policy and system change, *Health Affairs* is the nation's leading journal at the intersection of health, health care, and policy.

For the previous decade he was the executive director of the National Academy for State Health Policy, an independent, non-partisan, non-profit research and policy organization. Previously, he directed the Urban Institute's Assessing the New Federalism project, one of the largest privately funded social policy research projects ever undertaken in the United States; held a cabinet position as executive director of the Colorado Department of Health Care Policy and Financing; and was assistant general counsel in the Massachusetts Department of Medical Security.

THOMAS LEE, M.D.



Dr. Lee is Chief Medical Officer for Press Ganey Associates, Inc. He is an internist and cardiologist, and practices primary care at Brigham and Women's Hospital in Boston. Prior to assuming his role at Press Ganey, he was Network President for Partners Health-care System, the integrated delivery system founded by Brigham and Women's Hospital and Massachusetts General Hospital. He is a graduate of Harvard College, Cornell University Medical College, and Harvard School of Public Health. He is on leave from his roles as Professor of Medicine at Harvard Medical School and Professor of Health Policy and Management at the Harvard School of Public Health.

Dr. Lee is a member of the Boards of Directors of Geisinger Health System, the Board of Overseers of Weill Cornell Medical College, the Special Medical Advisory Committee of the Veterans Administration and the Panel of Health Advisors of the Congressional Budget Office, and the Editorial Board of *The New England Journal of Medicine*.

WITNESS PANELS

Panel 1: Meeting the Health Care Cost Growth Benchmark

Beth Israel Deaconess Medical Center	Dr. Kevin Tabb	CEO
Blue Cross Blue Shield of MA	Mr. Andrew Dreyfus	CEO
Miller Dyer Spears	Mr. Myron Miller	Principal
Partners HealthCare System	Dr. Gary Gottlieb	President and CEO
UMass Memorial Medical Center	Dr. Eric Dickson	President and CEO

Panel 2: Transforming the Payment System

Beacon Health Strategies	Mr. Tim Murphy	CEO
Blue Cross Blue Shield of MA	Dr. Dana Safran	Senior VP
Harrington Hospital	Mr. Ed Moore	President and CEO
Steward Health Care System	Dr. Ralph de la Torre	Chairman and CEO
Tufts Health Plan	Mr. James Roosevelt, Jr	CEO

Panel 3: Challenges and Opportunities for Coordinating Care: Behavioral Health

Commonwealth Care Alliance	Dr. Robert Master	CEO
Gosnold of Cape Cod	Mr. Raymond Tamasi	CEO
Lynn Community Health Center	Ms. Lori A. Berry	Executive Director
Southcoast Hospitals Group	Dr. Keith Hovan	President and CEO
Tufts Medical Center/APA	Dr. Paul Summergrad	Psychiatrist-in-Chief

Panel 4: Challenges and Opportunities for Coordinating Care: Post-Acute

Atrius Health	Dr. Rick Lopez	Chief Medical Officer
Baystate Medical Center	Dr. Mark Keroack	President and CEO
Brockton VNA	Ms. Beverly Pavasaris	President
Beaumont Rehabilitation and Skilled Nursing Center	Mr. Edmund Taglieri	Executive Director

Panel 5: Promoting a Value Based Market: Insurance Market Trends

Aetna	Ms. Martha Temple	Regional President
Group Insurance Commission	Ms. Dolores Mitchell	Executive Director
Harvard Pilgrim Health Care	Mr. Eric Schultz	President and CEO
Mestek	Ms. Joanne Berwald	VP of Human Resources

Panel 6: Promoting a Value Based Market: Provider Market Trends

Beth Israel Deaconess Care Organization	Ms. Christina Severin	President and CEO
Lahey Health	Dr. Howard Grant	President and CEO
Holyoke Medical Center	Mr. Spiros Hatiras	President and CEO
St. Vincent Hospital/Tenet Health Care	Mr. Steven MacLauchlan	President and CEO

MEASURING AGAINST THE HEALTH CARE COST GROWTH BENCHMARK

Seven years ago the Massachusetts state legislature enacted Chapter 58 of the Acts of 2006, a law designed to provide near universal health insurance coverage for state residents. Today, approximately 439,000 additional Massachusetts residents have health insurance coverage, giving Massachusetts the highest insurance coverage rate in the country.

Following the passage of Chapter 58, health care policy efforts in Massachusetts focused on enhancing the transparency of the state's health care system and identifying health care cost drivers. While Massachusetts is a national leader in innovative and high-quality health care, it is also among the states with the highest health care spending. The rapid rate of growth in health care spending has contributed to a crowding-out effect for households, businesses, and government, reducing resources available to spend on other priorities.

Given these trends, in 2012 the state enacted Chapter 224 of the Acts of 2012, a new law with the ambitious goal of bringing health care spending growth in line with growth in the state's overall economy by establishing the health care cost growth benchmark, a statewide target for the rate of growth of total health care expenditures.

What is the measure of Total Health Care Expenditures?

Total health care expenditures (THCE) is a measure of state health care spending by private and public payers, such as Medicare and MassHealth. THCE includes three components:

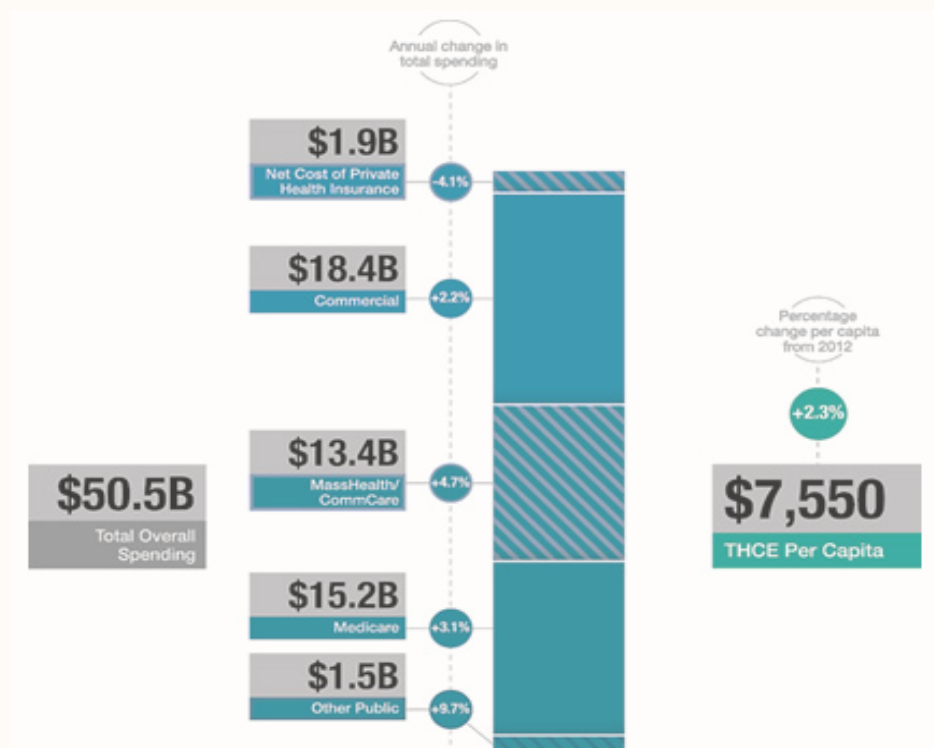
- All medical expenses paid to providers by public and commercial payers,
- All patient cost-sharing amounts (for example, deductibles and co-payments),
- The net cost of private insurance (for example, administrative expenses and operating margins for commercial payers)

THCE is calculated on a per capita basis to control for increases in health care spending due to population growth. The inclusion of public and private payers in the measure is intended to reduce the likelihood of "cost-shifting" among different payer types and ensure that gains are shared with both public and private purchasers.

The Commonwealth's THCE is measured annually by the Center for Health Information and Analysis (CHIA). This data is then used to measure the state's health care expenditures against growth of the Commonwealth's economy.

This year, for the first time, the Commonwealth measured the total health care cost growth benchmark. Aiming for sustainable growth, the 2013-2017 benchmark is set at the growth rate of potential gross state product of the Commonwealth. For 2013 and 2014, the health care cost growth benchmark was set at 3.6%.

In September 2014, the Center for Health Information and Analysis released the first report on the Commonwealth's performance under the 2013 health care cost growth benchmark. They found that total health care expenditures in the Commonwealth increased by 2.3% per resident, or 1.3% below the 2013 benchmark. They also report that overall spending for health care increased to \$50.0 billion statewide (\$7,550 per resident).



Source: Center for Health Information and Analysis, 2014

OTHER KEY FINDINGS

Commercial Payers

- Spending increased to \$18.4 billion (+2.2%)
- Net cost of private health insurance decreased to \$1.9 billion (~4.1%)

Public Payers

- Combined spending increased to \$30.1 billion (+4.1%)
- Accounted for nearly 60% of THCE

ABOUT HPC

Since its inception in late 2012, the Massachusetts Health Policy Commission (HPC) has been working to reduce overall health care cost growth by promoting informed dialogue, recommending evidence-based policies, and identifying collaborative solutions. An independent state agency, the HPC was established through Chapter 224 of the Acts of 2012, the Commonwealth's landmark health care cost containment legislation.

Chapter 224 sets the ambitious goal of bringing health care spending growth in line with growth in the state's overall economy. The HPC's various policy committees work to advance this goal by engaging in market research, monitoring, regulation, and investment. Through these work streams, the HPC strives to meet the health care cost growth benchmark while improving quality and access to patient care. HPC milestones to date:

- Established the health care cost growth benchmark for calendar years 2013 and 2014 at 3.6%. The Commonwealth met the first year of the benchmark with health care growth of 2.3%.
- Issued guidance on the prohibition of mandatory nurse overtime.
- Transferred the Office of Patient Protection from the Department of Public Health.
- Administered the first two years' collection of a \$225 million industry assessment.
- Initiated the first analysis of the all-payer claims database (APCD) to inform health care cost trends research and analysis.
- Held the HPC's first annual hearing on health care cost trends in 2013.
- Issued two landmark health care cost trends reports, detailing new insights and analyses of the Massachusetts health care system.
- Issued a report on consumer-driven health plans.
- Released \$10 million in funds to 28 community hospitals in Phase 1 of the Community Hospital Acceleration, Revitalization, Transformation (CHART) Investment Program.
- Received 27 proposals in September 2014 for a \$60 million funding opportunity for Phase 2 of the CHART Investment Program.
- Approved Office of Patient Protection regulations to enhance consumer protections and ensure compliance with the federal Affordable Care Act and new state law.
- Established a robust advisory council made up of a diverse group of health care leaders to advise on the HPC's work.
- Received and reviewed over two dozen of providers' notices of material change regarding provider transactions. Initiated and published comprehensive, objective, evidence-based reports on four cost and market impact reviews, including Partners-South Shore Hospital-Harbor Medical Associates, Partners-Hallmark Health, and Lahey-Winchester Hospital.
- Promulgated regulations and launched the Registration of Provider Organizations Program, through which certain providers will submit information on their organizational and operational structure and governance to the HPC.
- Issued proposed regulations governing Notices of Material Change and Cost and Market Impact Reviews.
- Developing Patient-Centered Medical Home certification program.

HPC BOARD MEMBERS



Stuart Altman, Ph.D., Chair

Chapter 224 requires one member, designated as chairperson, with demonstrated expertise in health care delivery, health care management at a senior level or health care finance and administration, including payment methodologies (appointed by the Governor to an initial term of 3 years).

Stuart Altman, Ph.D., is the Sol C. Chaikin Professor of National Health Policy at The Heller School for Social Policy and Management at Brandeis University. He is an economist with five decades of experience working closely with issues of federal and state health policy within government, the private sector, and academia.

Wendy Everett, Sc.D., Vice Chair

Chapter 224 requires one member with demonstrated expertise in the development and utilization of innovative medical technologies and treatments for patient care (appointed by the State Auditor to an initial term of 2 years).

Wendy Everett, Sc.D., is the President of NEHI, a national health policy research institute focused on enabling innovation to improve health care quality and lower costs

Carole Allen, M.D.

Chapter 224 requires one member who is a primary care physician (appointed by the Governor to an initial term of 5 years).

Carole Allen, M.D., is a retired pediatrician with 37 years of experience in general pediatrics.

David Cutler, Ph.D.

Chapter 224 requires one member who is a health economist (appointed by the Attorney General to an initial term of 3 years).

David Cutler, Ph.D., is the Otto Eckstein Professor of Applied Economics at Harvard University.

Paul Hattis, M.D.

Chapter 224 requires one member with expertise in health care consumer advocacy (appointed by the Attorney General to an initial term of 2 years).

Paul Hattis, M.D., J.D., M.P.H., is the Senior Associate Director of the MPH Program at Tufts University Medical School.

Rick Lord

Chapter 224 requires one member with demonstrated expertise as a purchaser of health insurance representing business management or health benefits administration (appointed by the State Auditor to an initial term of 3 years).

Richard C. Lord is President and Chief Executive Officer of Associated Industries of Massachusetts (AIM).

Secretary John Polanowicz

Secretary of Health and Human Services (appointed by the Governor, Ex-Officio).

John Polanowicz serves as the Secretary of the Executive Office of Health and Human Services. In this role, Secretary Polanowicz oversees 15 state agencies, serving in the Cabinet of Governor Patrick.

Secretary Glen Shor

Secretary of Administration and Finance (appointed by the Governor, Ex-Officio).

Glen Shor serves as Secretary of the Executive Office for Administration and Finance. He is responsible for managing state finances. He also oversees the state agencies that provide core administrative services.

Marylou Sudders

Chapter 224 requires one member with expertise in behavioral health, substance use disorder, and mental health services (appointed by the Attorney General to an initial term of 1 year).

Marylou Sudders, M.S.W., is an Associate Professor of Macro Practice and chair of the Mental Health & Health Program at Boston College's Graduate School of Social Work general pediatrics.

Veronica Turner

Chapter 224 requires one member with demonstrated expertise in representing the health care workforce as a leader in a labor organization (appointed by the State Auditor to an initial term of 4 years).

Veronica Turner is the Executive Vice President of 1199SEIU, the state's largest union of health care worker. Ms. Turner is also an Executive Vice President of the Massachusetts AFL-CIO.

Jean Yang

Chapter 224 requires one member with demonstrated expertise in health plan administration and finance (appointed by the Governor to an initial term of 4 years).

Jean Yang is the Executive Director of the Commonwealth Health Insurance Connector Authority (Health Connector) general pediatrics. In this position, she oversees the programs, policies, operations and staff of the public health insurance Exchange

PUBLIC MEETINGS

Please join us at one of our upcoming public meetings.

BOARD MEETINGS

October 22, 2014 at 2:00 PM
150 Mount Vernon Street

December 17, 2014 at 12:00 PM
50 Milk Street, 8th Floor

COMMITTEE MEETINGS

October 29, 2014 at 9:30 AM
Care Delivery and Payment System Transformation
Two Boylston Street, 5th Floor

October 29, 2014 at 10:30 AM
Quality Improvement and Patient Protection
Two Boylston Street, 5th Floor

October 29, 2014 at 11:30 AM
Public Listening Session on ICU Nurse Staffing
Two Boylston Street, 5th Floor

December 3, 2014 at 9:30 AM
Community Health Care Investment and Consumer Involvement
Two Boylston Street, 5th Floor

December 3, 2014 at 11:00 AM
Cost Trends and Market Performance
Two Boylston Street, 5th Floor

December 10, 2014 at 9:30 AM
Quality Improvement and Patient Protection
50 Milk Street, 8th Floor

December 10, 2014 at 11:00 AM
Care Delivery and Payment System Transformation
50 Milk Street, 8th Floor

For more information on the Health Policy Commission, please visit our website at www.mass.gov/hpc. To contact us, email us HPC-Info@state.ma.us or tweet us @Mass_HPC.

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