MASSACHUSETTS
HEALTH POLICY COMMISSION

2018 Pre-Filed Testimony

Hospitals and Provider Organizations

As part of the *Annual Health Care Cost Trends Hearing*

Massachusetts Health Policy Commission
50 Milk Street, 8th Floor
Boston, MA 02109

Notice of Public Hearing

Pursuant to M.G.L. c. 6D, § 8, the Massachusetts Health Policy Commission (HPC), in collaboration with the Office of the Attorney General and the Center for Health Information and Analysis, will hold a public hearing on health care cost trends. The hearing will examine health care provider, provider organization, and private and public health care payer costs, prices, and cost trends, with particular attention to factors that contribute to cost growth within the Commonwealth's health care system.

Scheduled hearing dates and location:

Tuesday, October 16, 2018, 9:00 AM
Wednesday, October 17, 2018, 9:00 AM
Suffolk University Law School
First Floor Function Room
120 Tremont Street, Boston, MA 02108

The HPC will call for oral testimony from witnesses, including health care executives, industry leaders, and government officials. Time-permitting, the HPC will accept oral testimony from members of the public beginning at approximately 3:30 PM on Tuesday, October 16. Any person who wishes to testify may sign up on a first-come, first-served basis when the hearing commences on October 16.

Members of the public may also submit written testimony. Written comments will be accepted until October 19, 2018, and should be submitted electronically to HPC-Testimony@mass.gov, or, if comments cannot be submitted electronically, sent by mail, post-marked no later than October 19, 2018, to the Massachusetts Health Policy Commission, 50 Milk Street, 8th Floor, Boston, MA 02109, attention Lois H. Johnson, General Counsel.

Please note that all written and oral testimony provided by witnesses or the public may be posted on the HPC's website: www.mass.gov/hpc.

The HPC encourages all interested parties to attend the hearing. For driving and public transportation directions, please visit: http://www.suffolk.edu/law/explore/6629.php. Suffolk University Law School is located diagonally across from the Park Street MBTA station (Red and Green lines). Parking is not available at Suffolk, but information about nearby garages is listed at the link provided. The event will also be livestreamed on the HPC's homepage and available on the HPC's YouTube Channel following the hearing.

If you require disability-related accommodations for this hearing, please contact HPC staff at (617) 979-1400 or by email at HPC-Info@mass.gov a minimum of two (2) weeks prior to the hearing so that we can accommodate your request.

For more information, including details about the agenda, expert and market participant witnesses, testimony, and presentations, please check the Annual Cost Trends Hearing section of the HPC's website. Materials will be posted regularly as the hearing dates approach.

Instructions for Written Testimony

If you are receiving this, you are hereby required under M.G.L. c. 6D, § 8 to submit written pre-filed testimony for the 2018 Annual Cost Trends Hearing. On or before the close of business on **September 14, 2018**, please electronically submit written testimony to: HPC-Testimony@mass.gov. Please complete relevant responses in the provided template. If necessary, you may include additional supporting testimony or documentation in an Appendix. Please submit any data tables included in your response in Microsoft Excel or Access format.

We encourage you to refer to and build upon your organization's 2013, 2014, 2015, 2016, and/or 2017 pre-filed testimony responses, if applicable. Additionally, if there is a point that is relevant to more than one question, please state it only once and make an internal reference. **If a question is not applicable to your organization, please indicate so in your response.**

The testimony must contain a statement from a signatory that is legally authorized and empowered to represent the named organization for the purposes of this testimony. The statement must note that the testimony is signed under the pains and penalties of perjury. An electronic signature will be sufficient for this submission.

If you have any difficulty with the templates, did not receive the email, or have any other questions regarding the pre-filed testimony process or the questions, please contact HPC staff at HPC-Testimony@mass.gov or (617) 979-1400.

HPC Contact Information

For any inquiries regarding HPC questions, please contact HPC-Testimony@mass.gov or (617) 979-1400.

AGO Contact Information

For any inquiries regarding AGO questions, please contact Assistant Attorney General Sandra Wolitzky at Sandra.Wolitzky@mass.gov or (617) 963-2030.

HPC Pre-Filed Testimony Questions

1) STRATEGIES TO ADDRESS HEALTH CARE SPENDING GROWTH

To address excessive health care costs that crowd out spending on other needs of government, households, and businesses alike, the Massachusetts Health Policy Commission (HPC) annually sets a statewide target for sustainable growth of total health care spending. From 2013 to 2017, the benchmark rate was set at 3.6% growth. For the first time for 2018 and again for 2019, the HPC exercised its authority to lower this target to a more ambitious growth rate of 3.1%, the lowest level allowed by state law. Achieving this reduced growth rate in the future will require renewed efforts by all actors in the health care system, supported by necessary policy reforms, to achieve savings without compromising quality or access.

a) What are your organization's top areas of concern for the state's ability to meet the 3.1% benchmark? Please limit your answer to no more than three areas of concern.

We at Holyoke Medical Center have two main concerns:

1. The failure to correct the unwarranted price variance that exists within the commercial payer market continues to marginalize and threaten smaller community hospitals in the poorest of the commonwealth's areas. The most price efficient hospitals, which in most cases are also the safety net hospitals in their communities are increasingly being put in a position of being unable to retain qualified providers, renew their aging infrastructure and are constantly facing the risk of financial failure. Any reduction of services or a complete failure of any of those hospitals will automatically result in a significantly higher cost of care, with a corresponding increase in the state wide growth factor, as it will inevitably shift to a significantly higher cost provider. For example, Holyoke Medical Center's price variance index is 0.728 and our closest competitors', Cooley Dickinson's index is 1.007.

2. The proposed nurse staffing ratio being included as a ballot question in the upcoming election is what we call at Holyoke Medical Center an "extinction event". The cost of that measure if implemented as proposed approximates $6M, a number that far exceeds the entire bottom line of the hospital. Holyoke Medical Center prides itself in providing safe care with our existing system of nursing staff allocation. We see absolutely no gain in quality of safety by an implementation of the rigid nurse staff ratios proposed. On the contrary we are concerned about a deterioration of safety as capacity to care for patients diminishes. The cost burden on Holyoke Medical Center and on the commonwealth as a whole would most definitely result in spending growth beyond the benchmark but would additionally force closure of essential services.

b) What are the top changes in policy, market behavior, payment, regulation, or statute your organization would recommend to address these concerns?

Immediate relief for the bottom tier of hospitals in the price variance table to a sustainable level of 0.9 by means of legislation/government regulation. This goal can be easily accomplished within the statewide spending growth target by simultaneously slowing growth for the very top tier of hospitals (above 1.2 on the price variance table) for a defined period of time to allow the

market to reset to a more reasonable spread between low and high reimbursement. Additionally for the upcoming nurse staff ratio ballot question we strongly urge the HPC to produce analysis that shows the true financial impact of the proposed legislation would have on the commonwealth's health care spending.

c) What are your organization's top strategic priorities to reduce health care expenditures? Please limit your answer to no more than three strategic priorities.

Holyoke Medical Center continues to participate in all possible initiatives, both statewide and local that have a goal to appropriately reduce health care spending. Those include but are not limited to participating in: CHART initiatives (i.e. reduction of behavioral health ED visits, opioid crisis initiatives), MassHealth ACO (BACO), PCMH, Medicare Shared Savings (UMass ACO).

2) INFORMATION ABOUT ALTERNATIVE CARE SITES

The HPC recently released a new policy brief examining the significant growth in hospital and non-hospital based urgent care centers as well as retail clinic sites in Massachusetts from 2010 to 2018. Such alternative, convenient points of access to health care have the potential to reduce avoidable and costlier emergency department (ED) visits.

Question Instructions: *If your organization does not own or operate any alternative care sites such as urgent care centers, please only answer questions (e) and (f) below. For purposes of this question, an urgent care center serves all adult patients (i.e., not just patients with a pre-existing clinical relationship with the center or its providers) on a walk-in (non-appointment) basis and has hours of service beyond normal weekday business hours. Information requested in question (a) below may be provided in the form of a link to an online directory or as an appended directory.*

a) Using the most recent information, please list the names and locations of any alternative care sites your organization owns or operates in Massachusetts. Indicate whether the site is corporately owned and operated, owned and operating through a joint venture, or a non-owned affiliate clinical affiliate.
N/A

b) Please provide the following aggregate information for calendar year 2017 about the alternative care sites your organization owns or operates in Massachusetts, including those operated through a joint venture with another organization (information from non-owned affiliates should not be included):

Number of unique patient visits	

Proportion of gross patient service revenue that was received from commercial payers, Medicare, MassHealth, Self-Pay, and Other	
Percentage of patient visits where the patient is referred to a more intensive setting of care	

c) For the alternative care sites your organization owns or operates in Massachusetts, briefly describe the clinical staffing model, including the type of clinicians (e.g., physicians, nurse practitioners, physician assistants, paramedics, nurses). If different models are used, describe the predominant model.
N/A

d) For the alternative care sites your organization owns or operates in Massachusetts, briefly describe the method and timeliness of how the medical record of a patient's visit to an alternative care site is shared with that patient's primary care provider (e.g., interoperable electronic health record, secure email transfer, fax). What barriers has your organization faced in sharing real-time information about patient visits to your alternative care sites with primary care providers or other health care providers?
N/A

e) Besides establishing alternative care sites, what other strategies is your organization pursuing to expand timely access to care with the goal of reducing unnecessary hospital utilization (e.g., after-hours primary care, on-demand telemedicine/virtual visits).

Patient Centered Medical Home (PCMH) certification of our primary care sites which includes, among other measures, same day primary care appointments, care management, behavioral health integration and expanded hours.

f) Please comment on the growth of alternative care sites in Massachusetts, including implications for your organization as well as impacts on health care costs, quality, and access in Massachusetts.

Given Holyoke Medical Center's financial position and very limited access to capital, it is not possible for our institution to consider an alternate site strategy. Subsequently, to the extent that alternate care sites established by for-profit entities seek to serve only a select segment of the population (evidenced by where those sites are being established), and not the underserved underinsured market, the financial condition of the hospitals caring for that population is only going to deteriorate further. Ultimately a selective approach is not going to reduce overall costs and is not going to improve quality or access to care.

3) STRATEGIES TO SUPPORT PROVIDERS TO ADDRESS HEALTH-RELATED SOCIAL NEEDS

Earlier this year, the HPC held a special event entitled, *Partnering to Address Social Determinants of Health: What Works?*, where many policymakers, experts, and market participants all highlighted the need for health care systems to partner with community-based organizations to address patients' and families' health-related social needs (e.g., housing stability, nutrition, transportation) in order to improve health outcomes and slow the growth in health care costs.

a) What are the primary barriers your organization faces in creating partnerships with community-based organizations and public health agencies in the community/communities in which you provide care? [check all that apply]

- ☒ Legal barriers related to data-sharing
- ☒ Structural/technological barriers to data-sharing
- ☐ Lack of resources or capacity of your organization or community organizations
- ☐ Organizational/cultural barriers
- ☐ Other: Click here to enter text.

b) What policies and resources, including technical assistance or investments, would your organization recommend to the state to address these challenges?

Data sharing continues to present a barrier though admittedly progress is being made. We would like to see a more coordinated effort to remove any remaining legal barriers and to provide a state sponsored/operated regional or statewide health information exchange platform. Our perception is that the efforts to create a state wide health information highway have somewhat stalled.

AGO Pre-Filed Testimony Questions

1. For provider organizations: please submit a summary table showing for each year 2014 to 2017 your total revenue under pay for performance arrangements, risk contracts, and other fee for service arrangements according to the format and parameters reflected in the attached **AGO Provider Exhibit 1,** with all applicable fields completed. To the extent you are unable to provide complete answers for any category of revenue, please explain the reasons why. Include in your response any portion of your physicians for whom you were not able to report a category (or categories) of revenue.

2. Chapter 224 requires providers to make price information on admissions, procedures, and services available to patients and prospective patients upon request.

   a) Please use the following table to provide available information on the number of individuals that seek this information.

Health Care Service Price Inquiries CY2016-2018			
Year		Aggregate Number of Written Inquiries	Aggregate Number of Inquiries via Telephone or In-Person
CY2016	**Q1**		3
	Q2		2
	Q3		12
	Q4		11
CY2017	**Q1**		5
	Q2		5
	Q3		5
	Q4	1	17

CY2018	**Q1**		35
	Q2		
	TOTAL:	1	93

b) Please describe any monitoring or analysis you conduct concerning the accuracy and/or timeliness of your responses to consumer requests for price information, and the results of any such monitoring or analysis.

Holyoke Medical Center maintains an electronic tracking system for all Patient Estimate Inquiries received. The tracking system allows us to monitor/trend accuracy and timeliness of all responses. Our policy is to respond to the patient within 2 business days but most are done same day.

c) What barriers do you encounter in accurately/timely responding to consumer inquiries for price information? How have you sought to address each of these barriers?

The only barriers we encounter in responding to the patient in a timely manner is being often unable to contact the patient to provide them with the requested information. We leave voice mail messages but patients do not always call us back timely.

3. For hospitals and provider organizations corporately affiliated with hospitals:

a) For each year 2015 to present, please submit a summary table for your hospital or for the two largest hospitals (by Net Patient Service Revenue) corporately affiliated with your organization showing the hospital's operating margin for each of the following four categories, and the percentage each category represents of your total business: (a) commercial, (b) Medicare, (c) Medicaid, and (d) all other business. Include in your response a list of the carriers or programs included in each of these margins, and explain whether and how your revenue and margins may be different for your HMO business, PPO business, and/or your business reimbursed through contracts that incorporate a per member per month budget against which claims costs are settled.

We are providing a breakdown by year for the categories of payers as requested. Beyond that level of detail, Holyoke Medical Center's systems are not capable of providing additional information with enough confidence in accuracy and data integrity as to be suitable for submission and public distribution.

2017

	Mix %	Net payments	Costs	Margin
Medicare	43.22%	61,434,749	64,736,528	-3,301,779
Medicaid	31.60%	42,469,575	47,140,243	-4,670,668
Commercial	20.35%	29,993,094	30,303,477	-310,383
Other	4.83%	6,641,527	7,209,681	-568,154
	100.00%	140,538,945	149,389,930	-8,850,984

2016

	Mix %	Net payments	Costs	Margin
Medicare	43.60%	58,718,497	59,951,331	-1,232,834
Medicaid	30.77%	37,869,875	42,130,236	-4,260,361
Commercial	21.24%	29,376,229	29,013,331	362,897
Other	4.38%	5,988,784	6,014,285	-25,500
	100.00%	131,953,385	137,109,183	-5,155,798

2015

	Mix %	Net payments	Costs	Margin
Medicare	42.90%	51,950,397	52,387,874	-437,477
Medicaid	31.54%	36,102,220	38,343,600	-2,241,380
Commercial	20.63%	24,510,380	25,022,318	-511,939
Other	4.93%	5,856,050	6,001,387	-145,336
	100.00%	118,419,047	121,755,179	-3,336,132

b) For 2017 only, please submit a summary table for your hospital or for the two largest hospitals (by Net Patient Service Revenue) corporately affiliated with your organization showing for each line of business (commercial, Medicare, Medicaid, other, total) the hospital's inpatient and outpatient revenue and margin for each major service category according to the format and parameters provided and attached as **AGO Provider Exhibit 2** with all applicable fields completed. Please submit separate sheets for pediatric and adult populations, if necessary. If you are unable to provide complete answers, please provide the greatest level of detail possible and explain why your answers are not complete.

Holyoke Medical Center's systems are not capable of providing this information with enough confidence in accuracy and data integrity as to be suitable for submission and public distribution.

In attachment A, we are including data from CHIA's website which demonstrates the very low relative reimbursement received by Holyoke Medical Center which coupled with the very high proportion of governmental payers continues to put the institution at risk. Additionally in attachment B we are including data from CHIA's website showing the financial performance trend for Holyoke Medical Center for FY13-FY17

Attachment A

Calendar Year 2016 Payer - Specific Relative Price - Acute Hospitals

Note: Hospital system affiliations and characteristics are based on FY 2016 status. See "Hospital Affiliation" tab for details.

Hospital	Payer - Full Name	Product Type	Blended RP	Blended RP Percentile (100 = high)
Holyoke Medical Center	Blue Cross Blue Shield of Massachusetts	HMO and POS	0.78	10
Holyoke Medical Center	BMC HealthNet Plan	HMO and POS	0.73	6
Holyoke Medical Center	Fallon Community Health Plan	HMO and POS	0.80	35
Holyoke Medical Center	Harvard Pilgrim Health Care	HMO and POS	0.66	2
Holyoke Medical Center	Health New England, Inc.	HMO and POS	0.72	24
Holyoke Medical Center	Neighborhood Health Plan	HMO and POS	0.84	45
Holyoke Medical Center	Network Health, LLC	HMO and POS	0.76	25
Holyoke Medical Center	Tufts Associated Health Maintenance Organization, Inc.	HMO and POS	0.68	5
Holyoke Medical Center	United Healthcare Insurance Company	HMO and POS	0.66	32
Holyoke Medical Center	UniCare Life and Health Insurance Company	Indemnity	0.72	8
Holyoke Medical Center	Blue Cross Blue Shield of Massachusetts	PPO	0.76	8
Holyoke Medical Center	Cigna Health and Life Ins. Co. (EAST)	PPO	0.51	14
Holyoke Medical Center	CIGNA Health and Life Insurance Company (CHLIC)	PPO	0.91	63
Holyoke Medical Center	Harvard Pilgrim Health Care	PPO	0.56	2
Holyoke Medical Center	Health New England, Inc.	PPO	0.86	36

Attachment B

Acute Hospital Financial Performance Trends

Hospital	City/Town	County	Hospital Type	Fiscal Year End	Number of Months Data
Holyoke Medical Center	**Holyoke, MA**	**Hampden**	**Community, High Public Payer**	**09/30/17**	**12**

Financial Performance Indicators	FY13	FY14	FY15	FY16	FY17	MA Industry Median FY17	North East US Median FY16
PROFITABILITY							
Operating Margin	3.4%	4.5%	2.7%	2.8%	0.9%	1.6%	1.7%
Non-Operating Margin	0.3%	0.5%	0.1%	0.7%	1.0%	1.2%	0.1%
Total Margin	3.7%	5.0%	2.8%	3.5%	2.0%	3.2%	2.3%
Operating Surplus (Loss)	$4,157,120	$5,524,514	$3,433,653	$4,027,533	$1,423,997	--	--
Total Surplus (Loss)	$4,516,007	$6,185,448	$3,580,883	$5,018,290	$3,024,660	--	--
LIQUIDITY							
Current Ratio	1.3	1.5	1.4	1.6	1.4	1.6	1.6
Days in Accounts Receivable	36	35	34	35	39	37	48
Average Payment Period	49	46	51	45	50	57	64
SOLVENCY/CAPITAL STRUCTURE							
Debt Service Coverage (Total)	2.8	8.3	7.0	4.6	3.3	4.5	3.1
Cash Flow to Total Debt	29.7%	40.0%	29.1%	22.2%	16.9%	20.3%	11.3%
Equity Financing	13.3%	6.1%	-20.3%	-19.2%	-12.3%	53.1%	44.4%
OTHER							
Total Net Assets	$8,639,008	$3,974,069	($13,805,832)	($15,916,074)	($10,702,925)	--	--
Assets Whose Use is Limited	$2,179,014	$0	$0	$1,940,433	$2,917,486	--	--
Net Patient Service Revenue	$114,377,547	$107,329,271	$113,142,728	$127,510,076	$137,946,602	--	--

For descriptions of the metrics, please see the Massachusetts Hospital Financial Performance Technical Appendix

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For more information, please contact:
CENTER FOR HEALTH INFORMATION AND ANALYSIS
501 Boylston Street, 5th Floor | Boston, MA 02116
617.701.8100 | www.chiamass.gov

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