MASSACHUSETTS
HEALTH POLICY COMMISSION

HPC Board Meeting

December 13, 2023

Agenda

CALL TO ORDER

Approval of Minutes **(VOTE)**

Private Equity in Health Care

Notices of Material Change and Determination of Need

Recap of 2023 Health Care Cost Trends Hearing

2023 Year in Review

Executive Director’s Report

Executive Session **(VOTE)**

Agenda

Call to Order

APPROVAL OF MINUTES (VOTE)

Private Equity in Health Care

Notices of Material Change and Determination of Need

Recap of 2023 Health Care Cost Trends Hearing

2023 Year in Review

Executive Director's Report

Executive Session **(VOTE)**

VOTE

Approval of Minutes from the September 13, 2023 Board Meeting

MOTION

That the Commission hereby approves the minutes of the Commission meeting held on **September 13, 2023**, as presented.

Agenda

Call to Order

Approval of Minutes **(VOTE)**

PRIVATE EQUITY IN HEALTH CARE

- Guest Presentation: *Private Equity in Health Care: Trends, Impact, and Policy – Dr. Zirui Song*
- Trends in Private Equity in Massachusetts Health Care

Notices of Material Change and Determination of Need

Recap of 2023 Health Care Cost Trends Hearing

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Call to Order

Approval of Minutes **(VOTE)**

Private Equity in Health Care

- **GUEST PRESENTATION: PRIVATE EQUITY IN HEALTH CARE: TRENDS, IMPACT, AND POLICY – DR. ZIRUI SONG**
  - Trends in Private Equity in Massachusetts Health Care

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Recap of 2023 Health Care Cost Trends Hearing

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Executive Session **(VOTE)**

2023 Health Care Cost Trends Report Policy Recommendations

7 Strengthen Tools to Monitor the Provider Market and Align the Supply and Distribution of Services With Community Need.

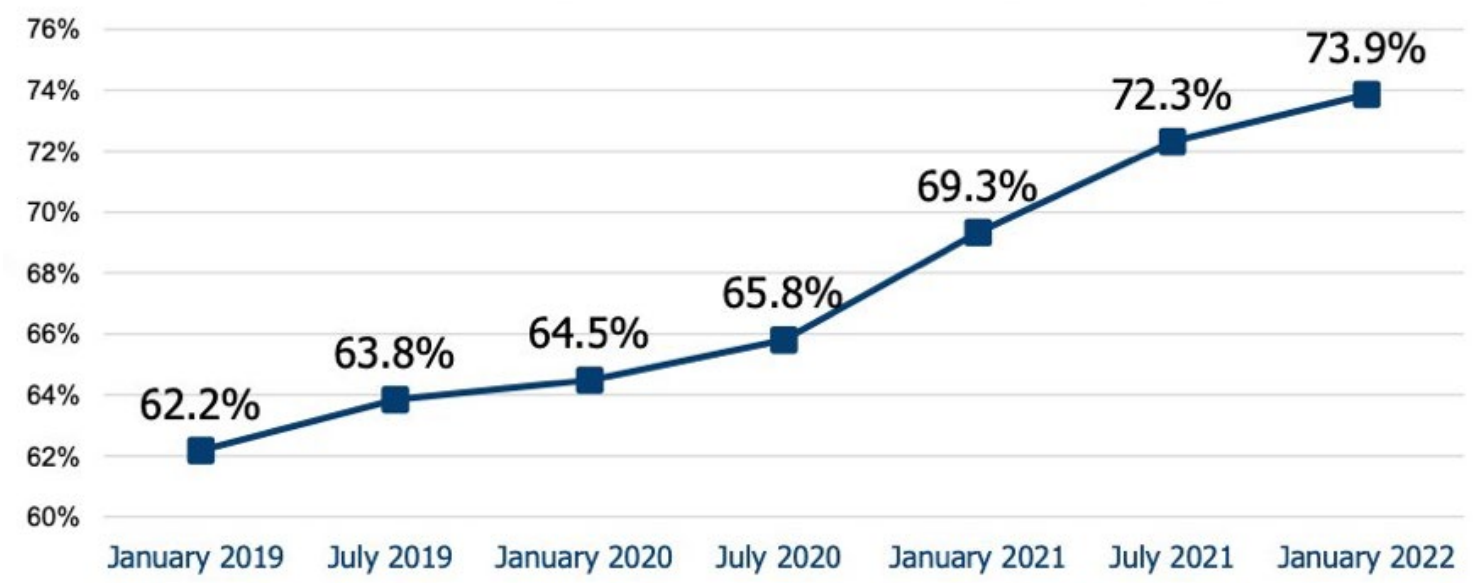
- **A. Conduct Focused Assessments of Need, Supply, and Distribution**
- **B. Strengthen Tools to Monitor and Regulate Supply of Health Care Services**
- **C. Enhance the HPC's Market Oversight Authority of For-Profit Investment.** The requirement that providers and provider organizations file notices of material change before engaging in certain transactions **should be updated to reflect the increasing role of private equity and for-profit investment in health care**. All new and significant for-profit investments in a provider or provider organization, including private equity investment, should require a material change notice filing.

Private Equity in Health Care: Trends, Impact, and Policy

MA Health Policy Commission
December 13, 2023

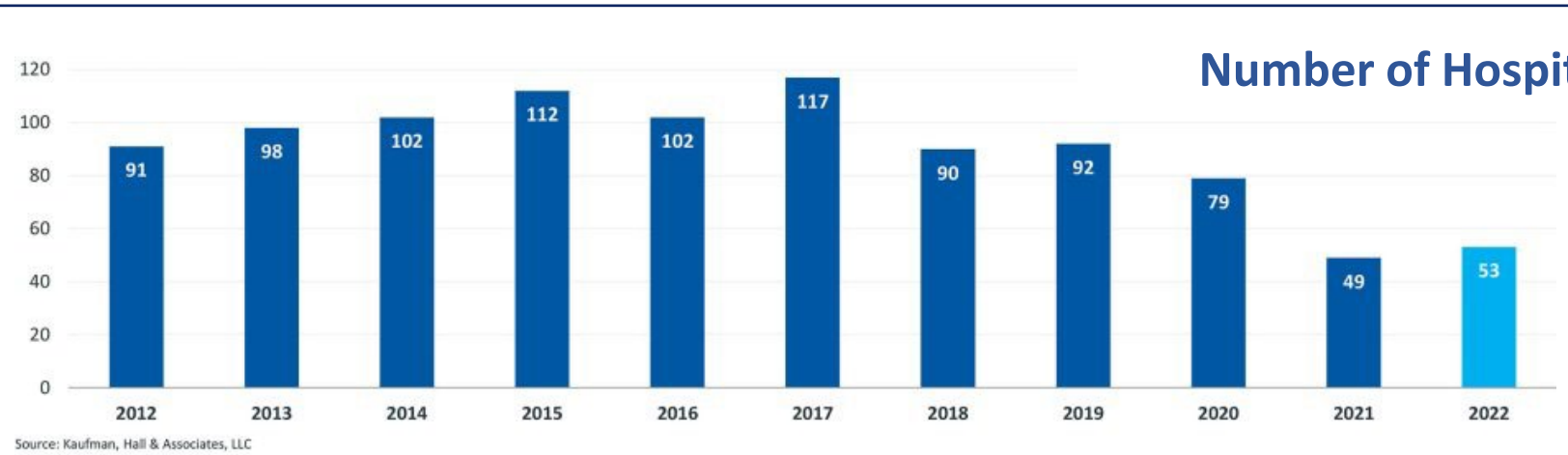
Zirui Song, MD, PhD
Harvard Medical School
Massachusetts General Hospital

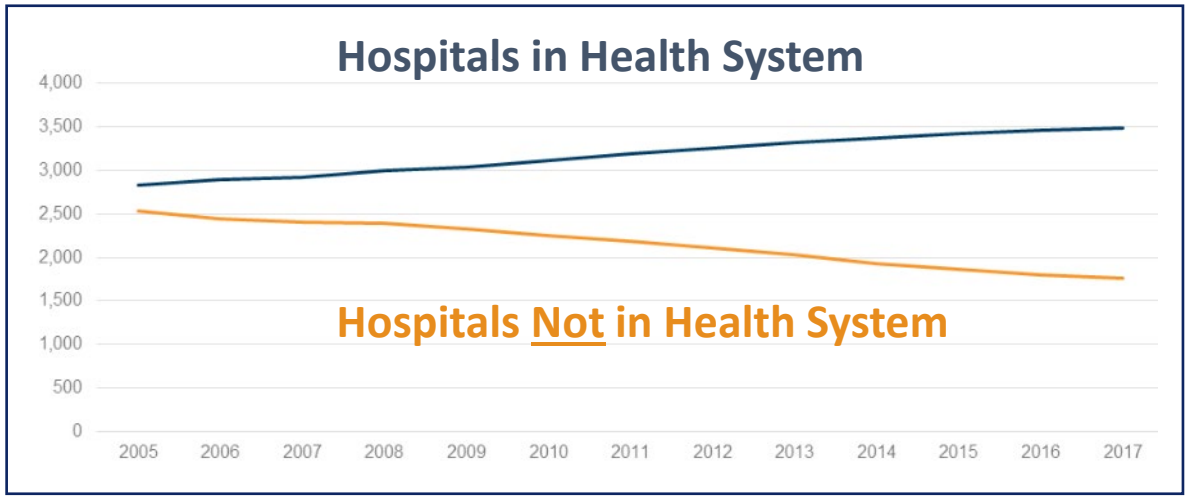
Current Era of Consolidation in Health Care



MDs employed by hospitals or corporations

Avalere Health (2022)





Examples of Cross-Market Mergers Announced Since June 2021 With Combined Operating Revenues of at Least $5 Billion

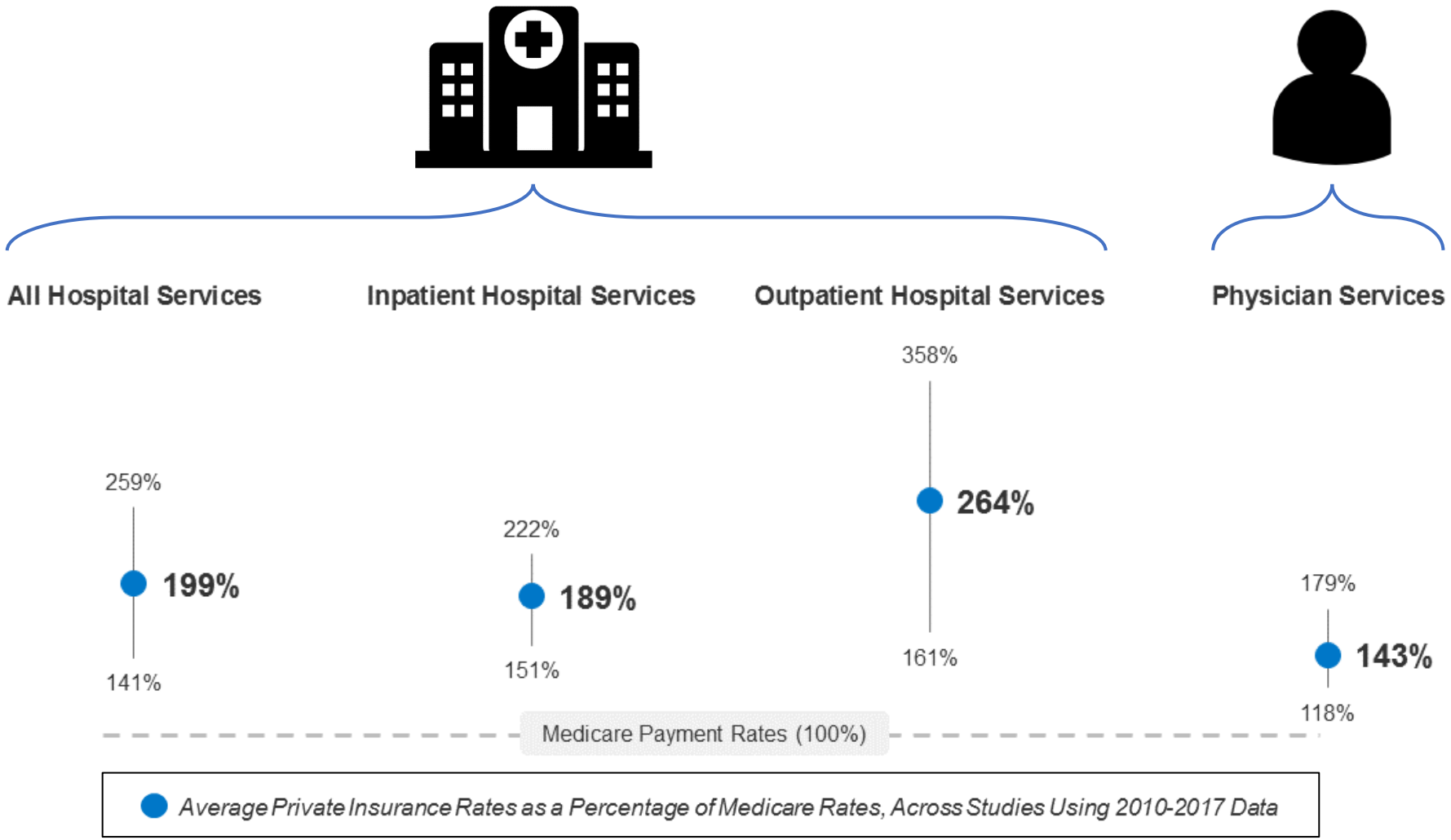
Year Announced	Larger system	Operating Revenues ($B)	Smaller system	Operating Revenues ($B)	Combined revenues ($B)
2023	BJC Healthcare (MO)	$6.3	St. Luke's Health System (MO)	$2.4	$8.7
2023	Kaiser Permanente (CA)*	$95.4	Geisinger (PA)*	$6.9	$102.3
2023	Presbyterian Healthcare Services (NM)	$5.5	UnityPoint Health (IA)	$4.3	$9.8
2022	University Of Michigan Health (MI)**	$5.6	Sparrow Health System (MI)	$1.5	$7.1
2022	Marshfield Clinic Health System (MI)	$2.8	Essentia Health (MN)	$2.6	$5.4
2022	Sanford Health (SD)***	$7.1	Fairview Health Services (MN)***	$6.4	$13.5
2022	Advocate Aurora Health (IL)	$14.1	Atrium Health (NC)	$9.0	$23.1
2021	Intermountain (UT)	$7.7	SCL Health (CO)	$2.9	$10.6
2021	Spectrum Health (MI)	$8.3	Beaumont Health (MI)	$4.6	$12.9

NOTE: Operating revenues come from audited financial statements covering the fiscal year prior to the merger announcement. State abbreviations reflect the corporate headquarters of a given health system. *Kaiser Permanente and Geisinger are both integrated health systems that include both insurance plans and health care providers. Revenues reflect all sources of operating income. **Reflects patient care revenues only. The University of Michigan does not separate out additional operating revenues related to its health system. ***Fairview Health Services and Sanford Health abandoned their plans to merge in July 2023.
SOURCE: KFF analysis of news releases and audited financial statements.

KFF

Kaiser Family Foundation (2023)

Consequences of Consolidation: Commercial Price Growth



SOURCE: KFF analysis of 19 published studies comparing private insurance and Medicare payments to providers. Because some studies analyze payments to providers in multiple service categories, the number of studies across all categories is greater than 19.

KFF
HENRY J KAISER FAMILY FOUNDATION

Two Types of Commercial Prices – Out-of-Network is Higher

	Medicare Price	Commercial Insurer Price			
		In-Network		Out-of-Network	
		Price	Ratio	Price	Ratio
Office Visit	$73	$80	1.1	$100	1.4
Hernia Repair	$540	$771	1.4	$1523	2.8
ECG	$9	$17	1.9	$28	3.3

No differences
in vs. out of network

Song Z. JAMA (2019)

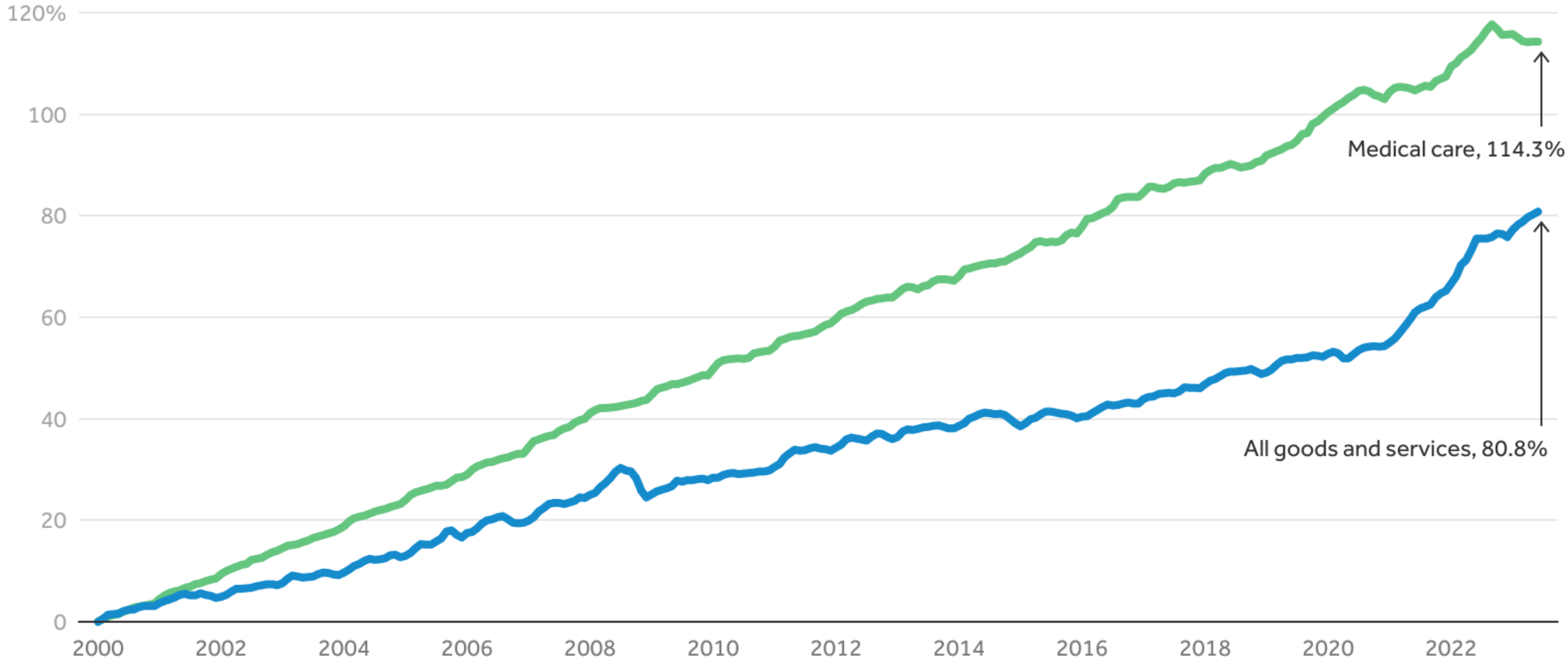
Geography Matters – Rural Commercial Prices Are Higher

Selected Commercial Prices as a Percentage of Traditional Medicare Fee-for-Service Prices, 2015.*

Service Code	Metropolitan Statistical Areas in the United States by Quartile of Population Size (Average Population in 2015)				Medicare Fee-for-Service Price
	Smallest Quartile (112,452)	Second Quartile (188,239)	Third Quartile (408,414)	Largest Quartile (2,022,512)	
	Rural	*percent*		**Urban**	*$*
Hospitalizations (DRG code)					
Major hip replacement (470)	228	180	159	132	21,977
Sepsis (871)	218	210	213	157	19,515
Digestive disorder (392)	242	183	154	140	8,297

Song Z. N Engl J Med (2017)

Prices of Medical Care vs. All Else – Last 23 Years

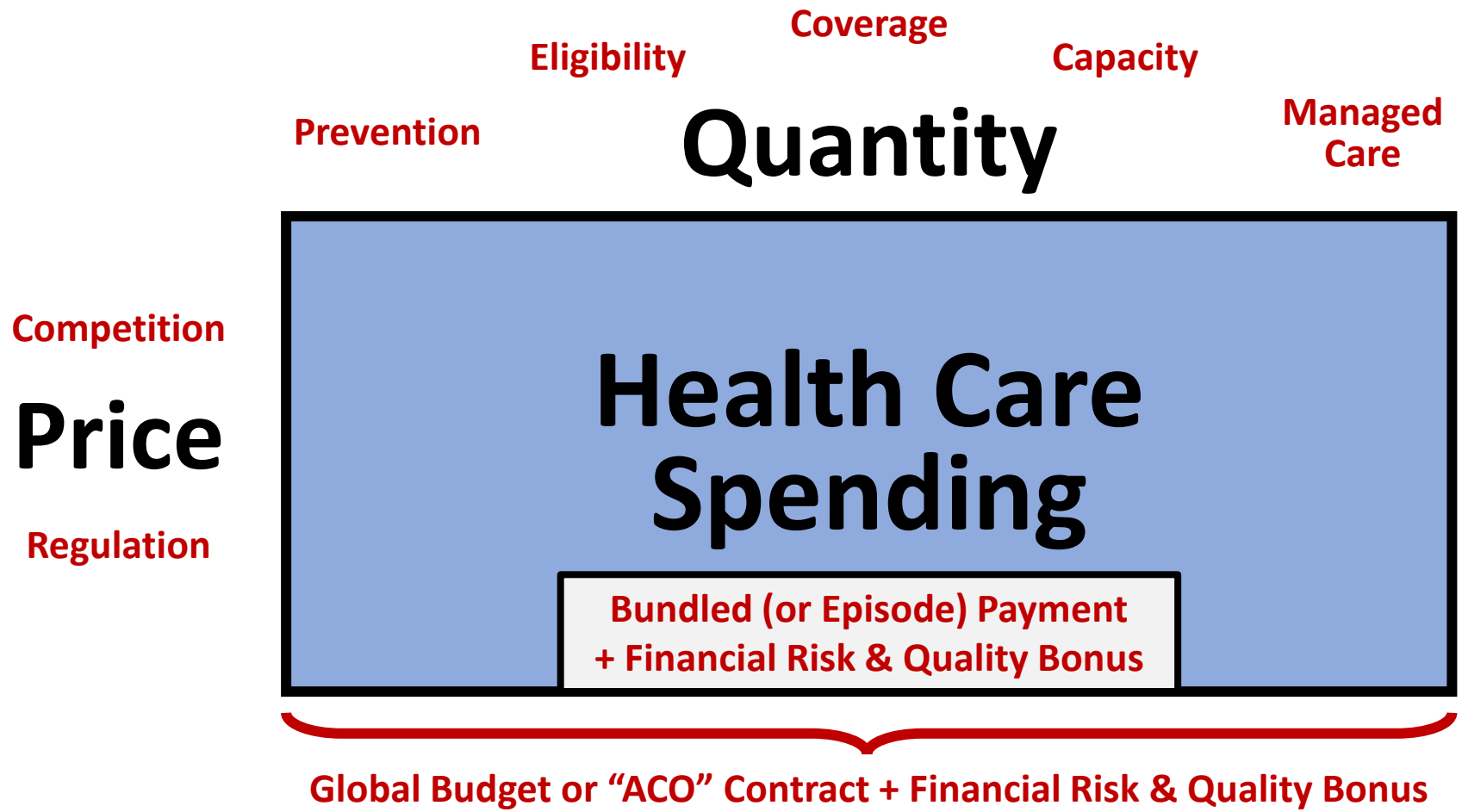


Note: Medical care includes medical services as well as commodities such as equipment and drugs.

Source: KFF analysis of Bureau of Labor Statistics (BLS) Consumer Price Index (CPI) data

Peterson-KFF
Health System Tracker

Levers to Slow Health Care Spending



$3.9 Billion

one medical

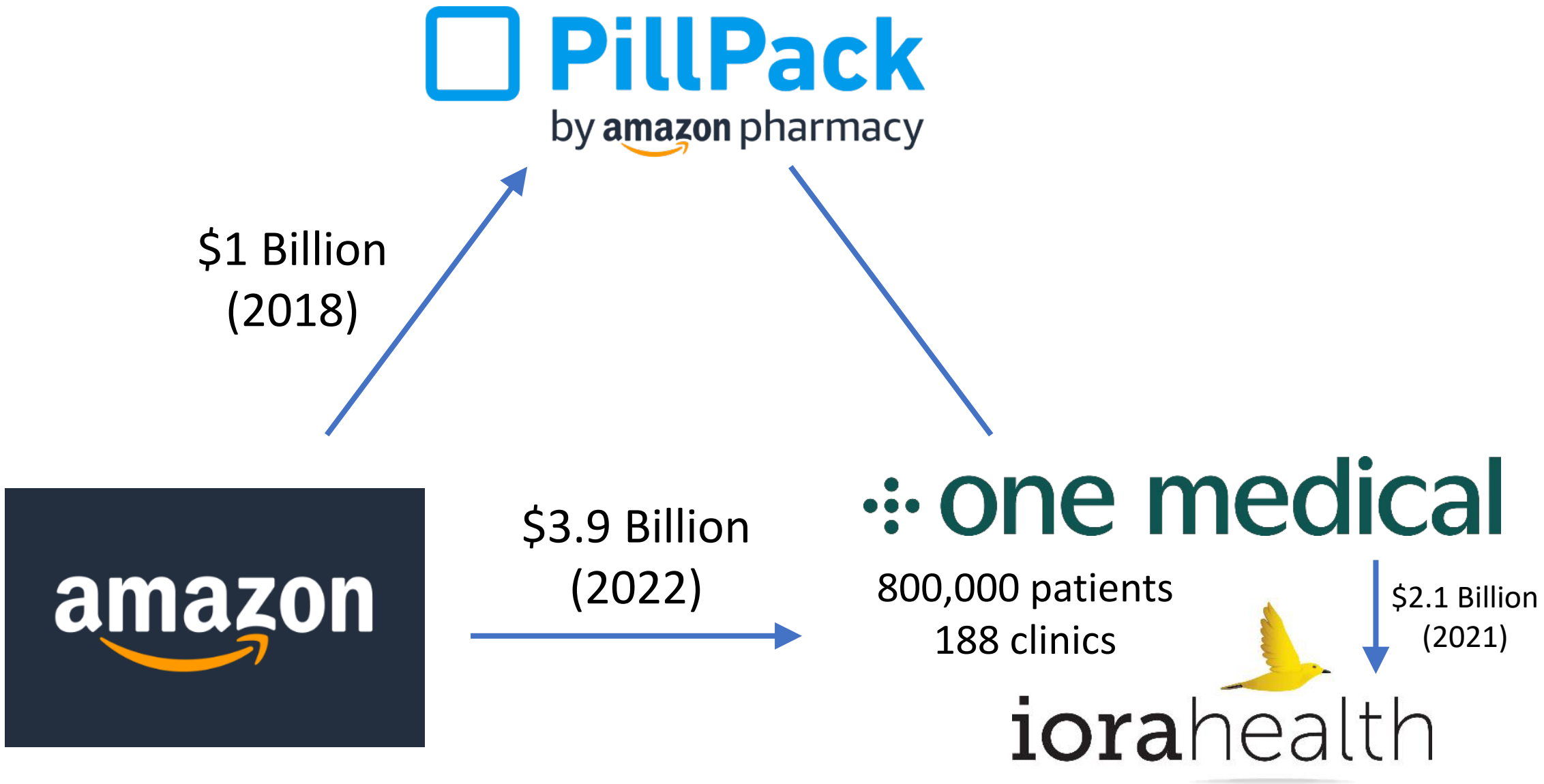
$10.6 Billion

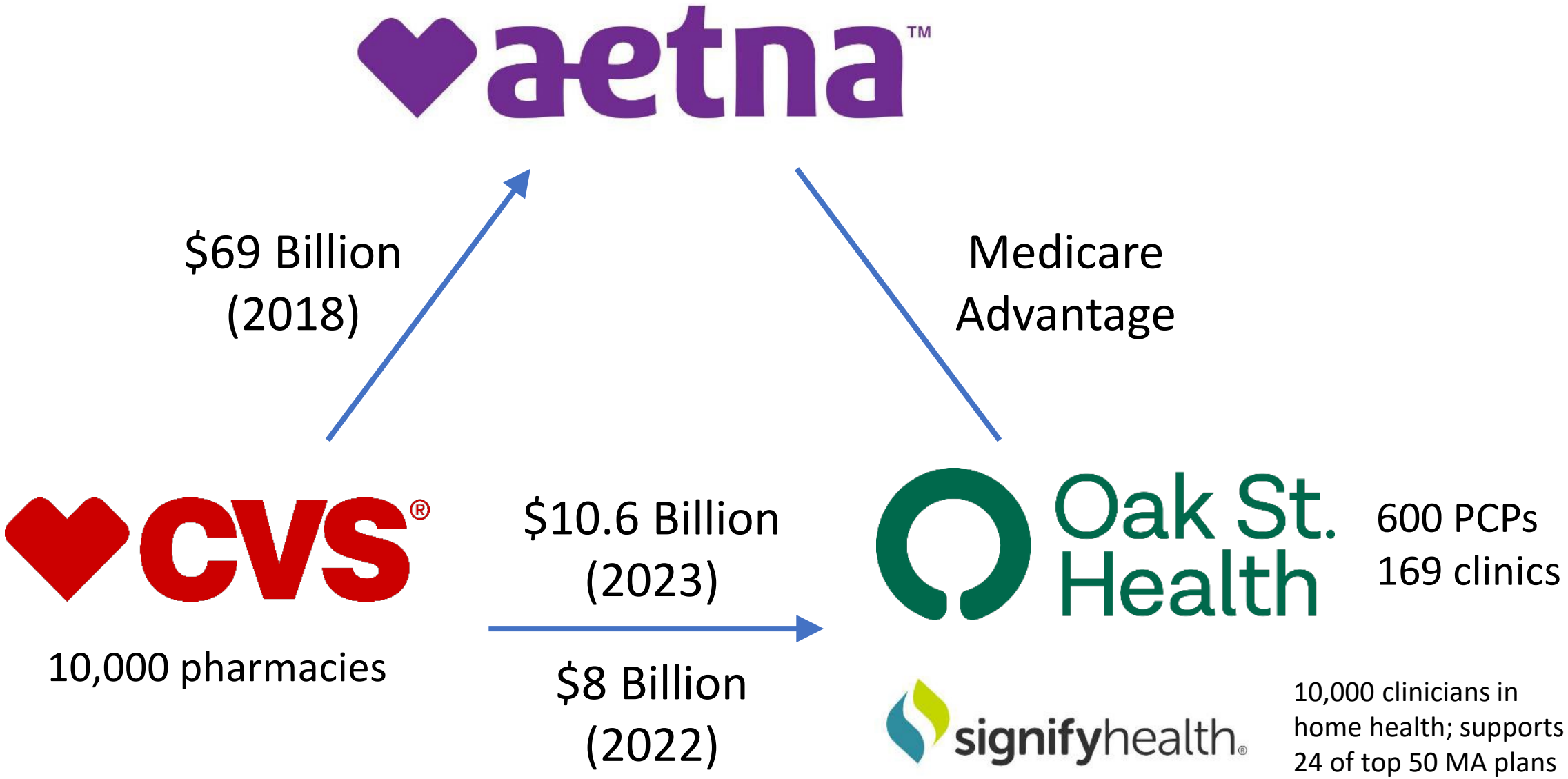
Oak St. Health

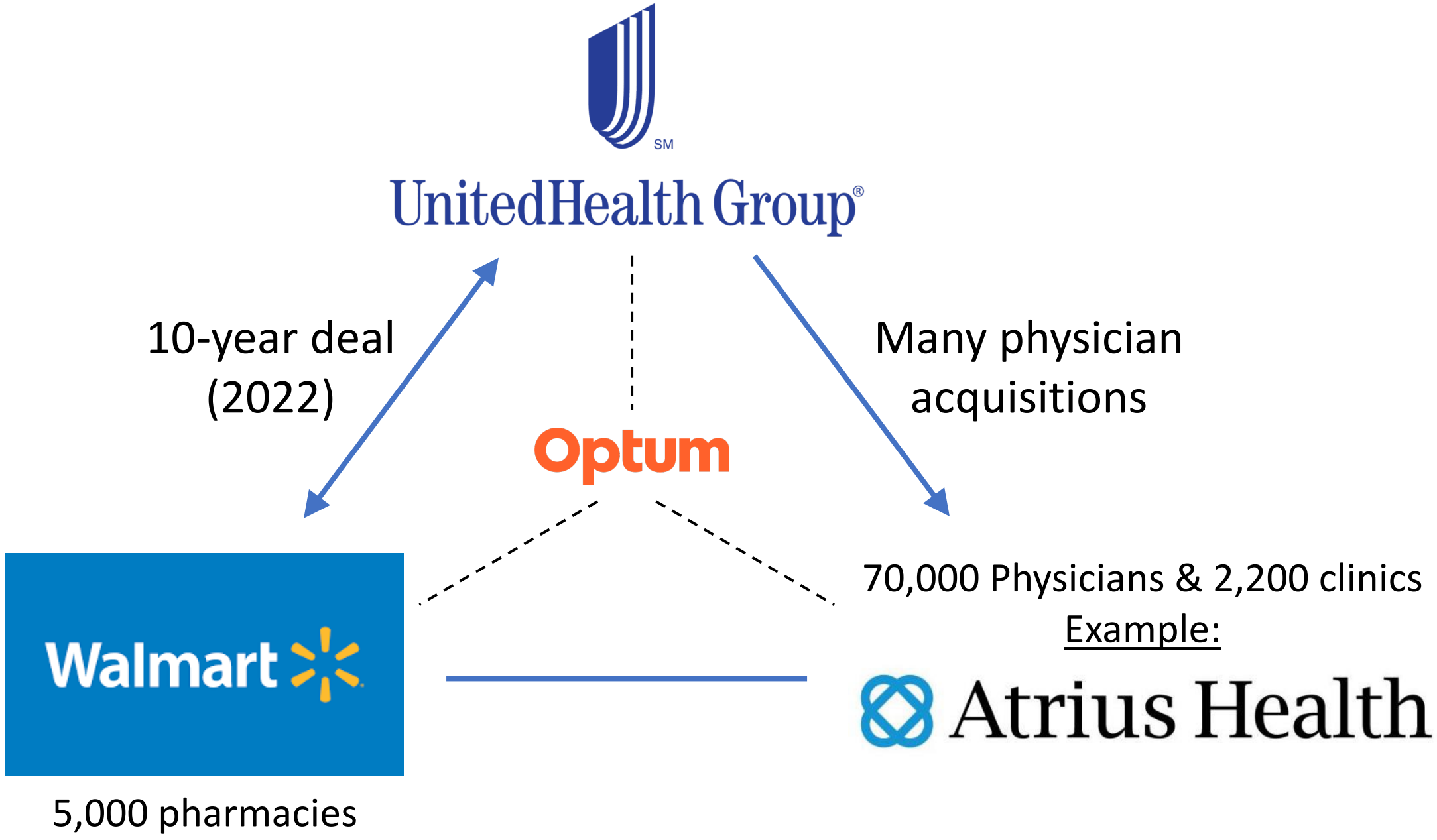
10-year deal

SM

UnitedHealth Group®


PillPack
by amazon pharmacy
$1 Billion
(2018)
amazon
$3.9 Billion
(2022)
one medical
800,000 patients
188 clinics
$2.1 Billion
(2021)
iorahealth

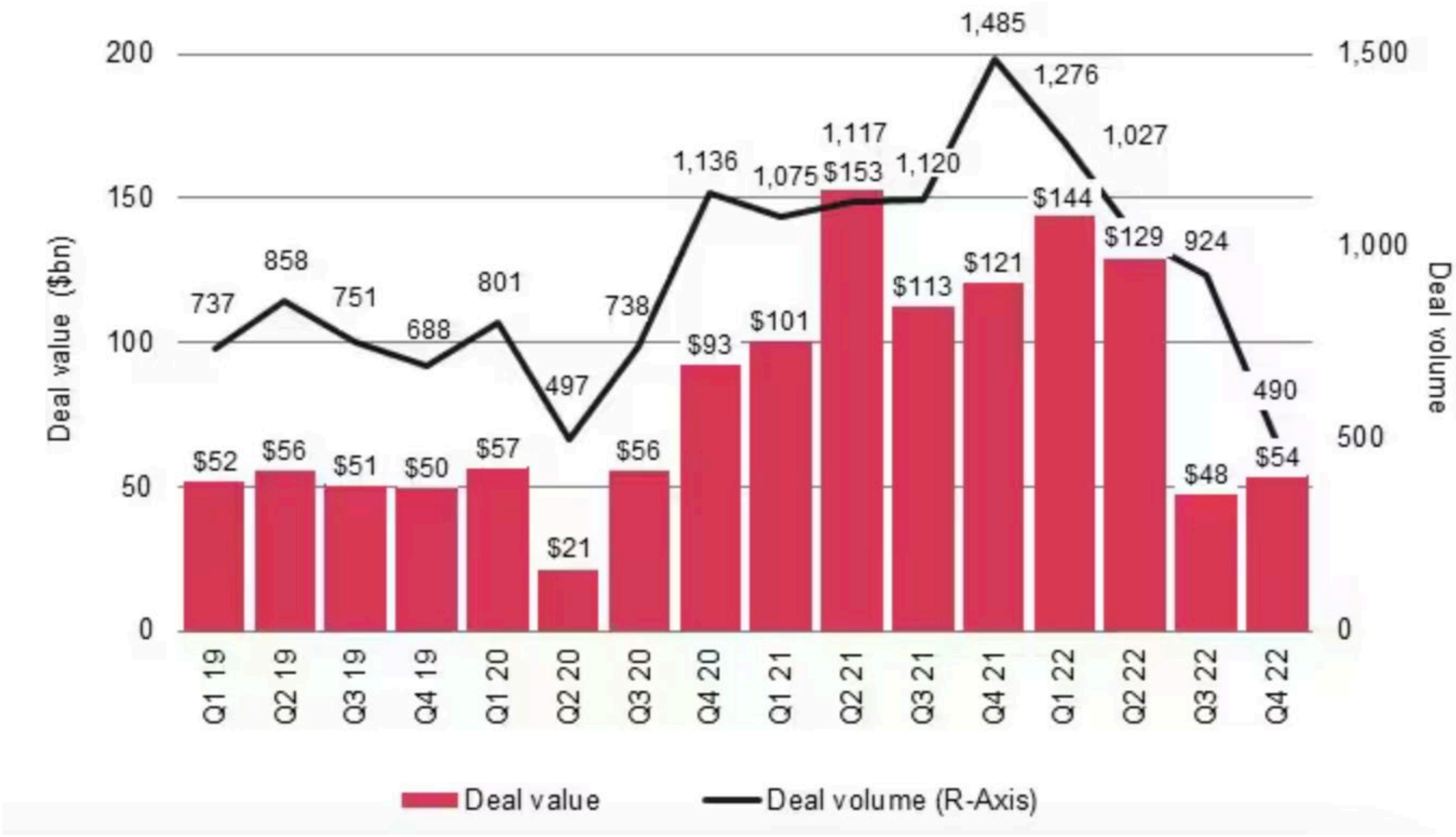

aetna™
$69 Billion
(2018)
Medicare
Advantage
cvs®
10,000 pharmacies
$10.6 Billion
(2023)
$8 Billion
(2022)
Oak St. Health
600 PCPs
169 clinics
signifyhealth®
10,000 clinicians in
home health; supports
24 of top 50 MA plans


UnitedHealth Group
10-year deal (2022)
Many physician acquisitions
Optum
Walmart
5,000 pharmacies
70,000 Physicians & 2,200 clinics
Example:
Atrius Health

Private Equity – One Particular Type of Corporate Ownership

Photo credits: Philadelphia Inquirer (2020), AP (2020)

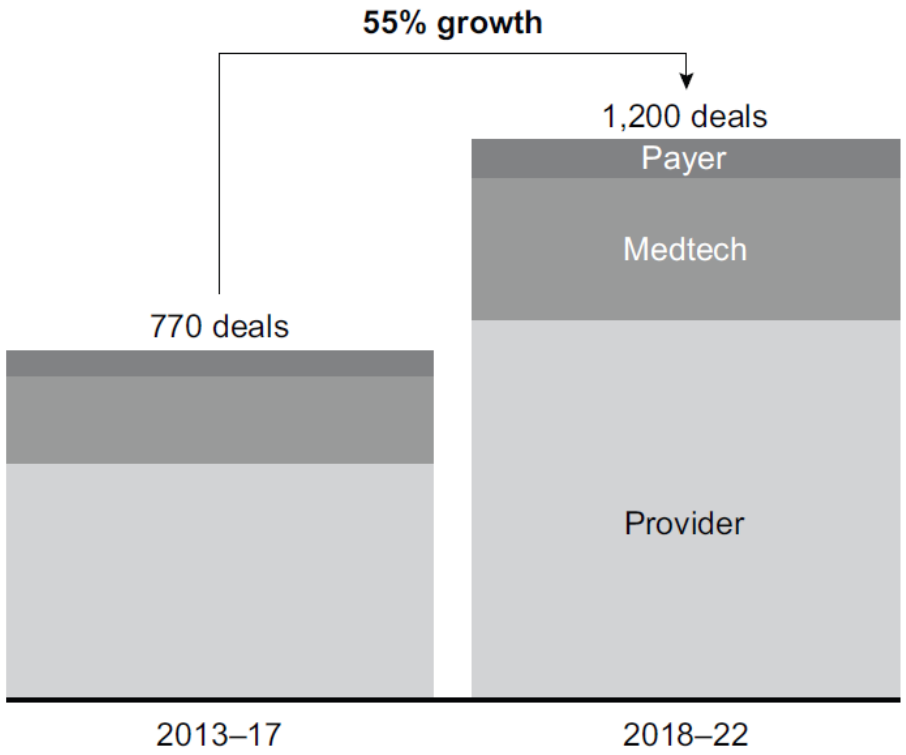
U.S. Private Equity Deal Value and Volume in Health Care



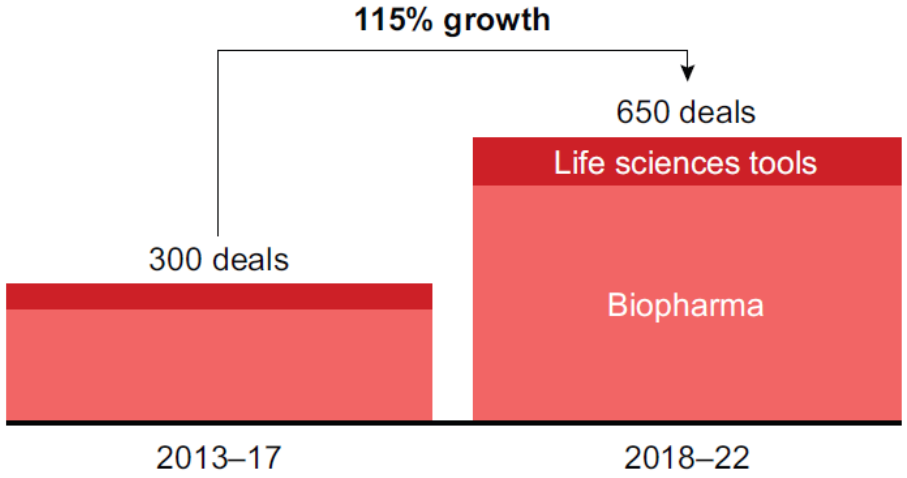
Pricewaterhouse Cooper audit, 2023

Global Private Equity Deals in Health Care

Global healthcare deal volume for provider, payer, and medtech sectors



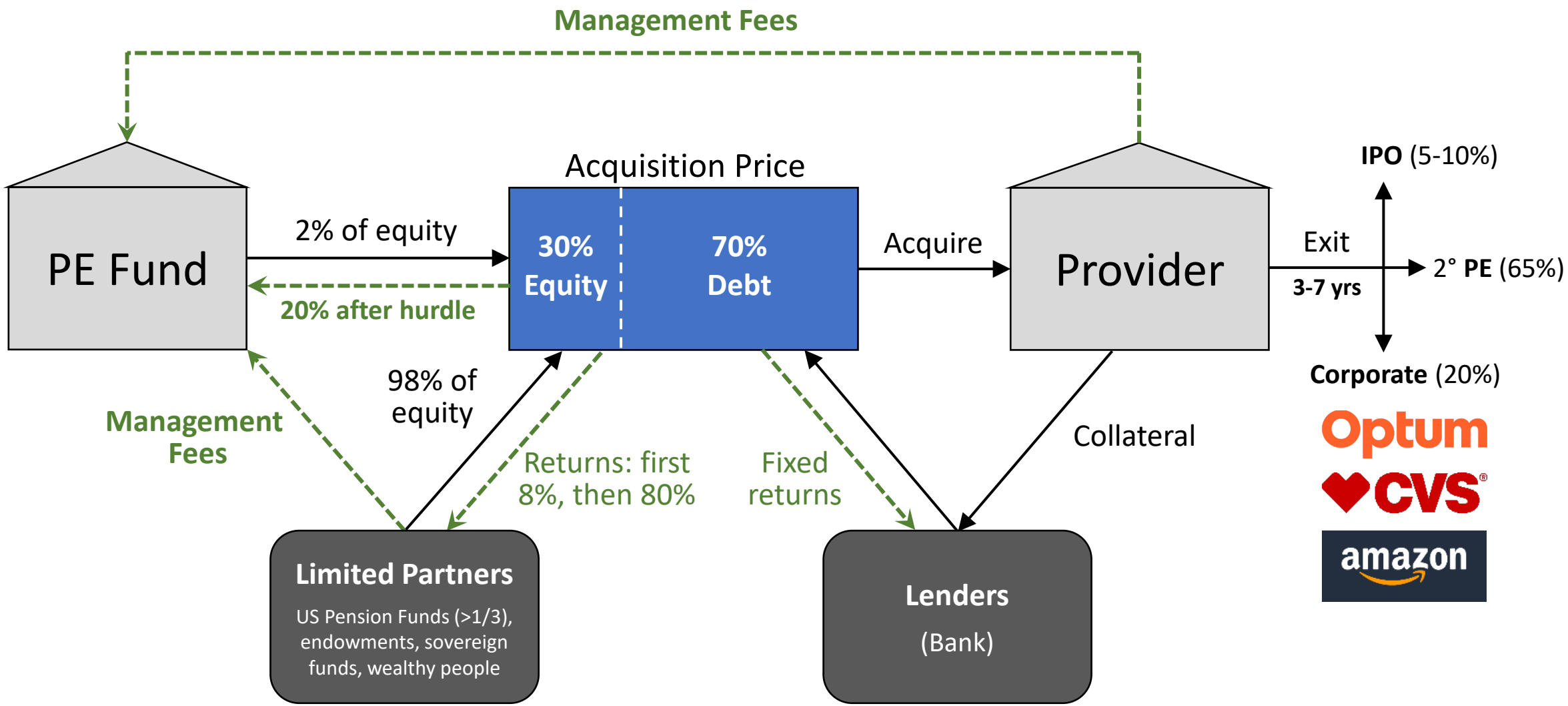
Global healthcare deal volume for biopharma and life sciences tools sectors



Notes: Excludes spin-offs, add-ons, loan-to-own transactions, special purpose acquisitions, and acquisitions of bankrupt assets; based on announcement date includes announced deals that are completed or pending, with data subject to change; deal value does not account for deals with undisclosed values; values updated based on Dealogic 2020 sponsor classifications; values include net debt where relevant; deal totals are rounded
Sources: Dealogic; AVCJ; Bain analysis

Bain and Company, 2023

Classic Model of a Private Equity (PE) Acquisition



Management fees = 2/3 of revenue for GP

In progress

Private Equity and Primary Care: Lessons from the Field

Umar Ikram, MD, PhD, Khin-Kyemon Aung, MD, MBA, Zirui Song, MD, PhD

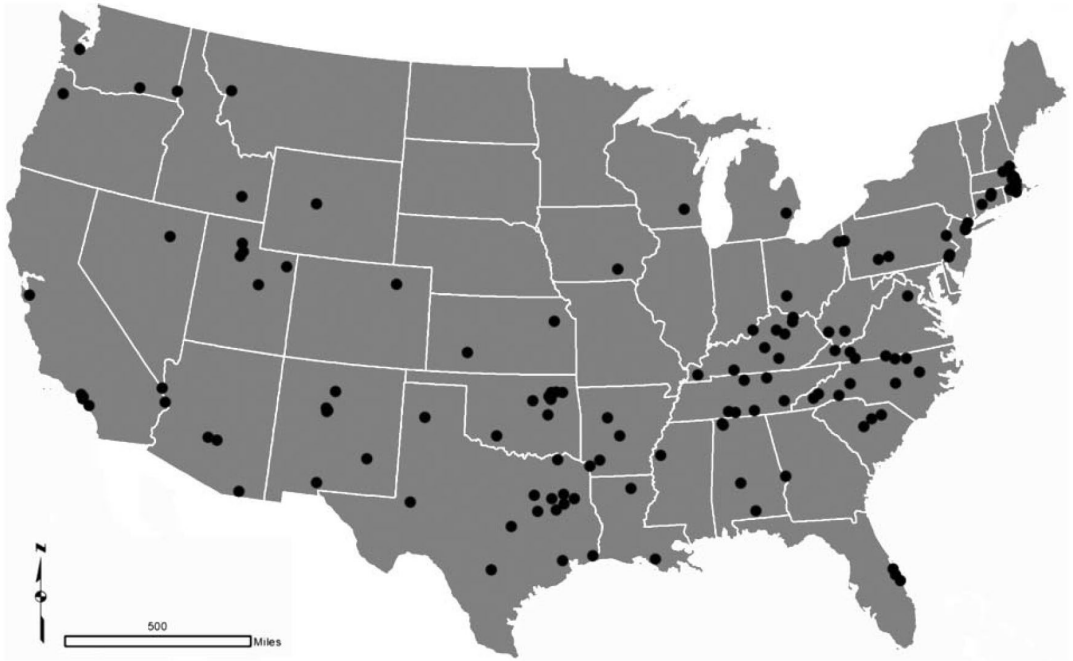
NEJM Catalyst (2021)

	Venture Capital	Traditional Private Equity (Leveraged Buyout)
Stage of investment	Early stage	Mature
Types of companies targeted	Start-ups or early-stage ventures with less of a proven business model, but with high growth potential	Established businesses that are undervalued or underperforming with inefficiencies that could be addressed through changes in operations, financial engineering, or governance
Amount of investment	Minority stake, <50% ownership	Majority stake, >50% ownership
Exit time frame (on average)	5–10 years	3–7 years
U.S. deal value total in 2019*	$136.5 billion	$627.3 billion
Number of U.S. deals in 2019*	10,777	5,133
Estimated average investment size	$12.7 million	$122.2 million
Expectations for returns	At least 10×; ideally, 50–100× returns for the most successful companies	At least 2–4× returns per deal

Geographic Distribution and Penetration

Hospital Acquisitions

Figure. Locations of private equity–owned hospitals in 2018.

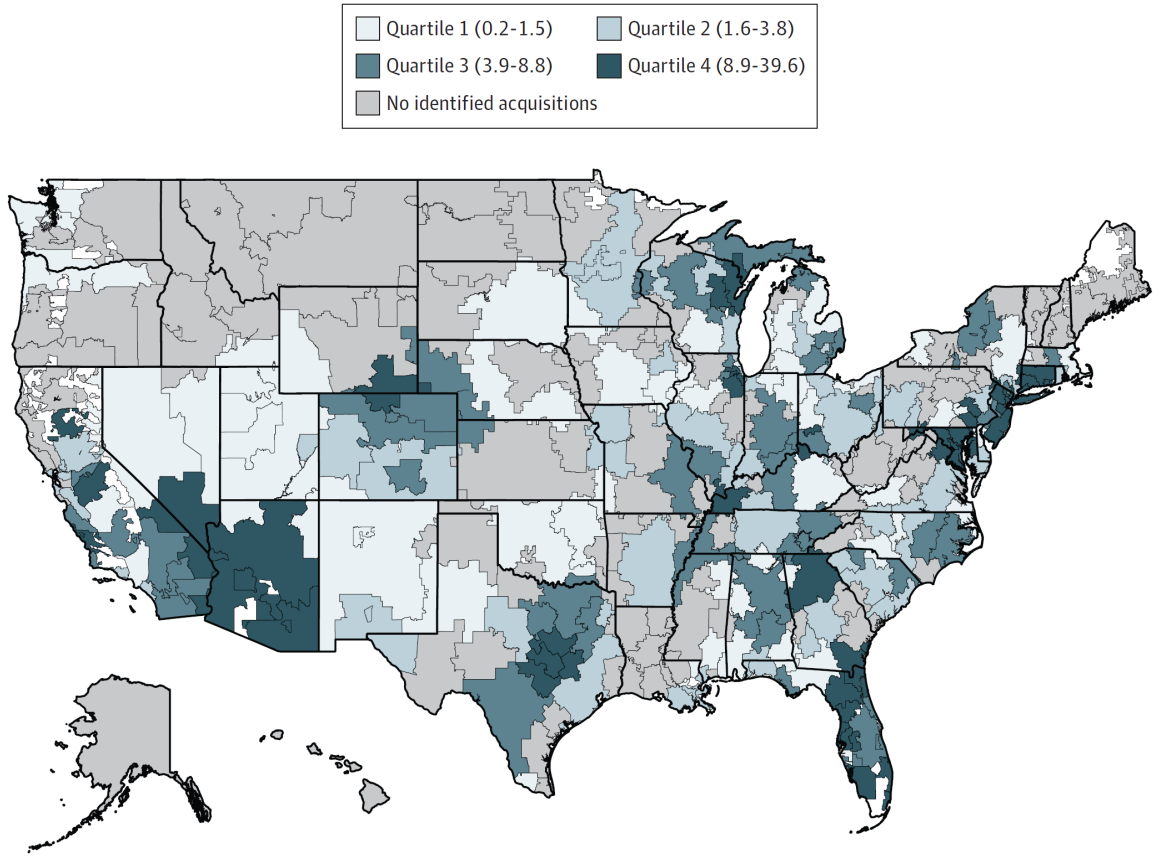


Using Medicare cost reports, the addresses for the 130 private equity–owned hospitals in 2018 were identified. There were no such hospitals located in Hawaii or Alaska.

Bruch J, Zeltzer D, Song Z. Ann Intern Med. 2020

Physician Practice Acquisitions

Figure 1. Private Equity (PE) Penetration Across 6 Office-Based Specialties by Hospital Referral Region (HRR)



Singh Y, Zhu JM, Polsky D, Song Z. JAMA Health Forum 2022.

Acquisitions of Hospitals → ↑ Income, Charges, Case Mix, Commercial %

JAMA Internal Medicine | Original Investigation

Changes in Hospital Income, Use, and Quality Associated With Private Equity Acquisition

Table 1. Characteristics of 204 Private Equity–Acquired Hospitals and 532 Control Hospitals[a]

Characteristic	Hospitals, No. (%)	
	Private equity acquisition	Control
Hospital ownership		
Nonprofit	29 (14.2)	76 (14.3)
Government	3 (1.5)	8 (1.5)
For profit	172 (84.3)	448 (84.2)
Geographic region		
South	125 (61.3)	325 (61.1)
West	37 (18.1)	97 (18.2)
Northeast	21 (10.3)	55 (10.3)
Midwest	21 (10.3)	55 (10.3)
Teaching hospital	55 (27.0)	139 (26.1)
Hospital size by total No. of beds, mean No.	212	200
Small (<150 beds), %	30.9	40.8
Medium (150-350 beds), %	56.4	45.1
Large (>350 beds), %	12.8	14.2

Figure. Total Charge to Cost Ratios Before and After Private Equity Acquisition

Bruch JD, Gondi S, Song Z. JAMA Intern Med. 2020

Acquisitions of Hospitals → ↑ Income, Charges, Case Mix, Commercial %

JAMA Internal Medicine | Original Investigation

Changes in Hospital Income, Use, and Quality Associated With Private Equity Acquisition

Relative to control, PE acquisitions increased:

Net income	27%
Charges per day	7%
Charge/cost ratio	7%
Charge/cost ratio (ED)	16%
Case mix	1.4%
Medicare %	-2.4%

Figure. Total Charge to Cost Ratios Before and After Private Equity Acquisition

Bruch JD, Gondi S, Song Z. JAMA Intern Med. 2020

Table 2. Changes in Hospital Income and Use Measures After Private Equity Acquisition

Measure	Hospitals						Differential change			
	Acquired hospitals (n = 204)			Control hospitals (n = 532)						
	Before private equity	After private equity	Change	Before private equity	After private equity	Change	Unadjusted, No.[a]	Adjusted, No. (%) [95% CI][b]	*P* value	Corrected *P* value[c]
Net income per y, $	8 527 119	12 861 680	4 334 561	7 655 125	10 092 820	2 437 695	1 896 866	2 302 391 (27.0) [956 660 to 3 648 123]	.001	.009
Total charge per inpatient day, $	5789	7766	1978	5583	6928	1345	633	407 (7.0) [296 to 518]	<.001	<.001
Emergency charge to cost ratio	3.81	5.52	1.71	4.00	5.03	1.02	0.69	0.61 (16.0) [0.48 to 0.73]	<.001	<.001
Total charge to cost ratio	4.17	5.02	0.85	3.90	4.38	0.48	0.37	0.31 (7.4) [0.26 to 0.37]	<.001	<.001
Case mix index	1.42	1.47	0.05	1.36	1.41	0.05	0.00	0.02 (1.4) [0.01 to 0.02]	.001	.007
Medicare's share of discharges, %	40.3	36.8	−3.5	39.1	37.1	−2.0	−1.56	−0.96 (−2.4) [−1.45 to −0.46]	<.001	.002
Medicaid's share of discharges, %	13.2	12.2	−1.0	15.2	14.3	−0.9	−0.07	−0.16 (−1.2) [−0.86 to 0.53]	.64	>.99
Total discharges per y, No.	8948	9181	233	8504	8353	−151	384	98 (1.1) [−54 to 250]	.21	>.99

Bruch JD, Gondi S, Song Z. JAMA Intern Med. 2020

Table 3. Changes in Hospital Performance on Quality Measures After Private Equity Acquisition[a]

Measure	Hospitals						Differential change			
	Acquired hospitals (n = 179)			Control hospitals (n = 404)						
	Before private equity	After private equity	Change	Before private equity	After private equity	Change	Unadjusted[b]	Adjusted, No. (%) [95% CI][c]	*P* value	Corrected *P* value[d]
Heart failure[e]	75.2	93.6	18.4	76.7	89.4	12.7	5.7	1.3 (1.7) [−0.2 to 2.7]	.08	.92
Acute myocardial infarction[f]	89.3	97.5	8.2	89.8	93.6	3.8	4.4	3.3 (3.7) [1.6 to 5.0]	<.001	.002
Pneumonia[g]	73.7	95.4	21.7	77.2	91.4	14.2	7.5	2.9 (3.9) [1.8 to 3.9]	<.001	<.001

[a] The aggregate quality measures are the weighted averages of individual measures within each condition category. Values correspond to the proportion (%) of eligible patients for a measure who met quality performance for the measure.

[b] Private equity–acquired hospitals were matched to controls at time 0 (time of acquisition). R Package MatchIt was used to generate at most 8 controls per acquired hospital. We used nearest neighbor matching on total beds and exact matching on year, ownership, region (Northeast, Midwest, South, and West), and teaching hospital status. The unadjusted model refers to the mixed-effects model, which included a random intercept for the matched group and for the provider group, with no covariates. Values indicate means before and after private equity for acquired and control hospitals and were calculated using the unadjusted model.

[c] The adjusted model included a random intercept term for the matched group and for the provider group and adjusted for calendar year, case mix index, and total hospital beds. Percentage differential change was calculated by dividing the adjusted differential change by the preacquisition mean among acquired hospitals.

[d] Bonferroni correction for multiple comparisons testing.

[e] Heart failure included Hf1 (2004-2014), Hf2 (2004-2015), and Hf3 (2004-2014); Hf1 represents patients with heart failure given discharge instructions; Hf2, patients with heart failure given an assessment of left ventricular function; and Hf3, patients with heart failure given an angiotensin-converting enzyme inhibitor or angiotensin receptor blocker for left ventricular systolic dysfunction.

[f] Acute myocardial infarction included Ami2 (2004-2014); Ami2 represents patients with an acute myocardial infarction given aspirin at discharge.

[g] Pneumonia included Pn2 (2004-2011), Pn3 (2004-2012), Pn5 (2004-2011), and Pn6 (2004-2015); Pn2 represents patients with pneumonia assessed and given pneumococcal vaccination; Pn3, patients with pneumonia who received a blood culture performed prior to first antibiotic received in hospital; Pn5, patients with pneumonia given initial antibiotic(s) within 4 hours after arrival; and Pn6, patients with pneumonia given the most appropriate initial antibiotic(s).

Bruch JD, Gondi S, Song Z. JAMA Intern Med. 2020

Hospital-Acquired Conditions (Adverse Events): 2009–

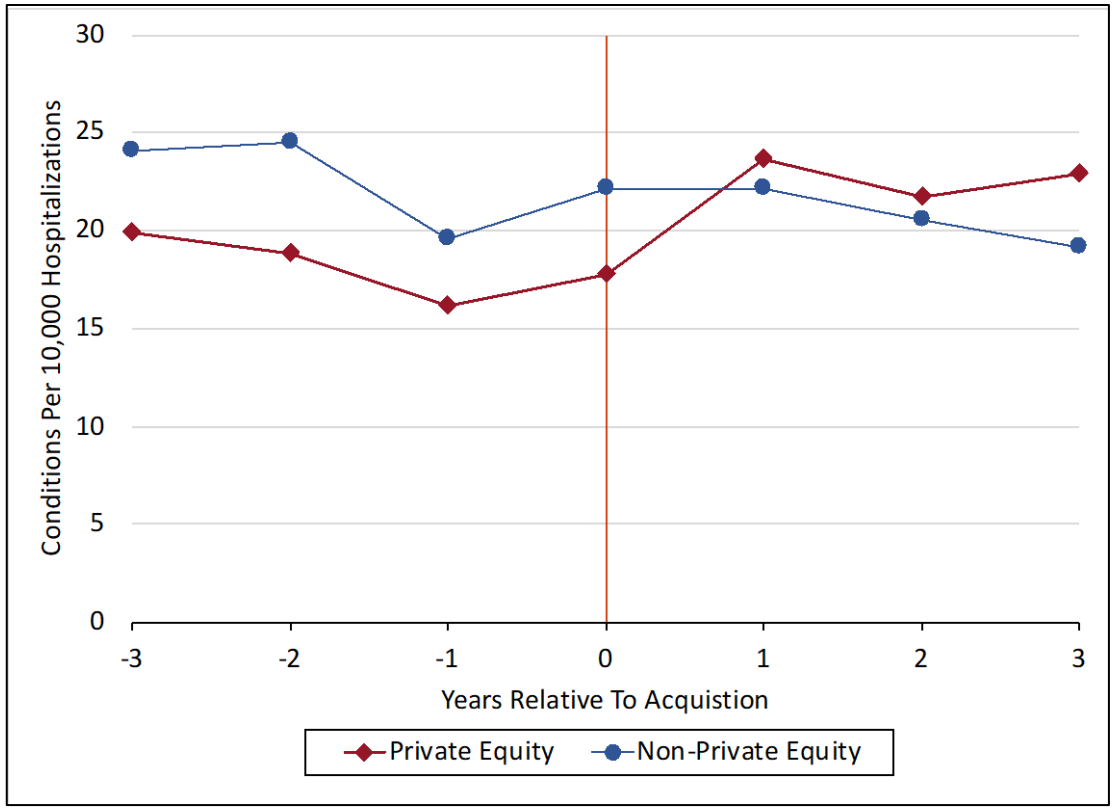
Hospital Acquired Condition	Eligible Hospitalizations
Foreign body retained after surgery	All
Air Embolism	All
Blood Incompatibility	All
Pressure ulcers	All
Falls	All
Catheter-associated urinary tract infection (CAUTI)	All
Central line-assoc. bloodstream infection (CLABSI)	All
Surgical site infection (SSI) for CABG, Orthopedic Surgeries, and Bariatric Surgeries	Hospitalizations with performed CABG, Orthopedic Surgeries, or Bariatric Surgeries
Poor glycemic control	All
Deep vein thrombosis/ pulmonary embolism (DVT/PE)	Hospitalizations with performed Hip/Knee Replacements

RTI International. Evidence-based Guidelines for Selected and Candidate Hospital-Acquired Conditions. 2010. https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/HospitalAcqCond/Downloads/evidenced_based_guidelines_report.pdf
RTI International. Hospital-Acquired Conditions–Present on Admission: Examination of Spillover Effects and Unintended Consequences Final Report. 2012. https://www.cms.gov/medicare/medicare-fee-for-service-payment/hospitalacqcond/downloads/hac-spillovereffects.pdf

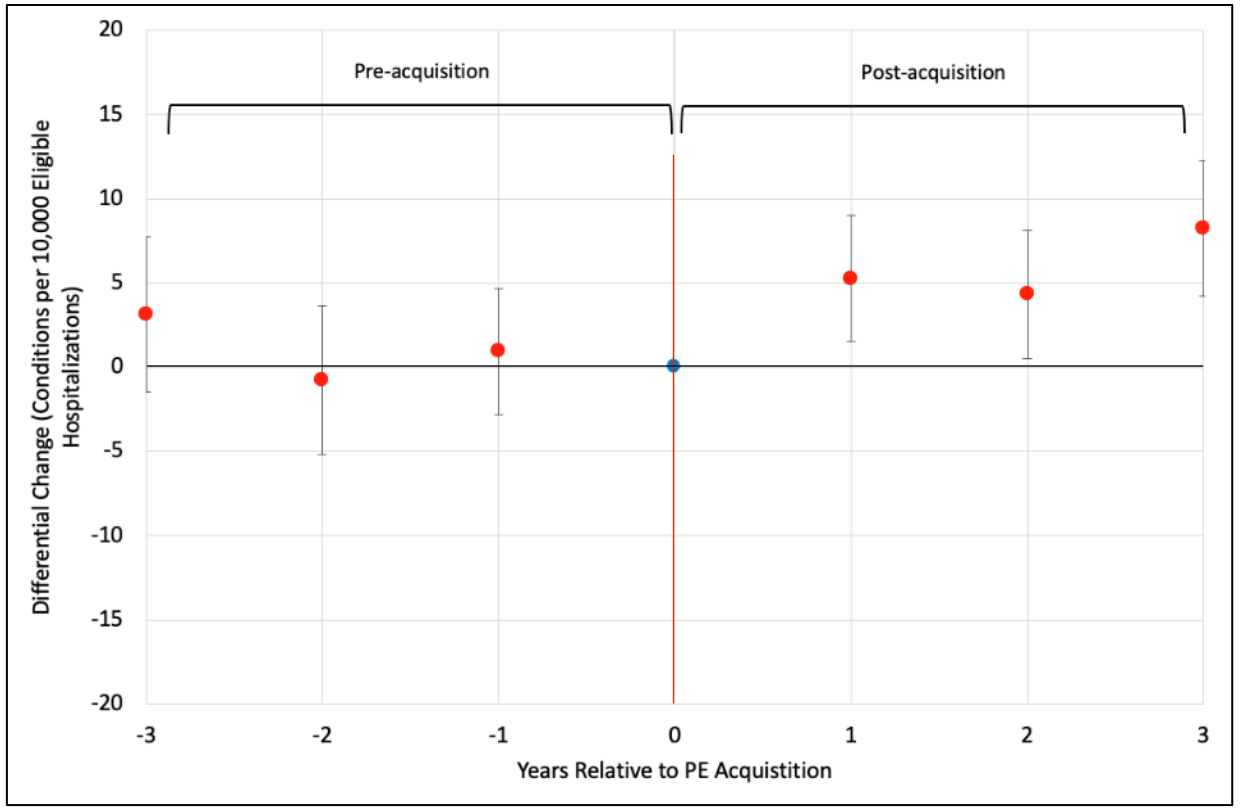
Acquisitions of Hospitals → ↑ Hospital-Acquired Complications

Composite Hospital-Acquired Complications (HACs)

Unadjusted Levels



Adjusted Estimates (Differential Change)



Kannan S, Bruch J, Song Z. Forthcoming

Empirical Strategy

Event study framework (difference-in-differences) – ordinary least squares (OLS) model

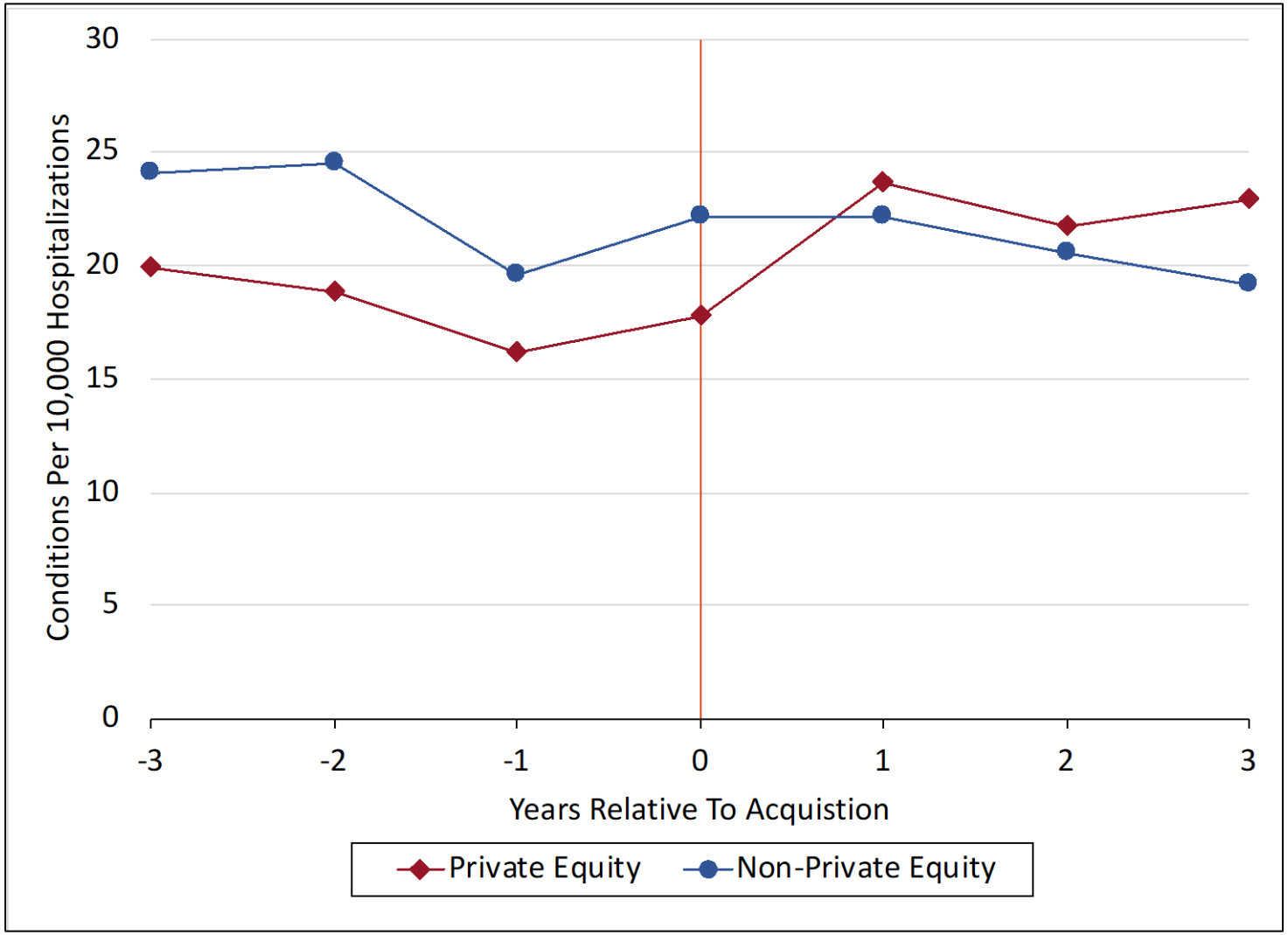
Hospitalization ***n***, hospital ***i***, matched group ***j***, year ***k***

$$\text{Outcome}_{nijk} = \alpha + \tau(\text{Exposure})_{nijk} + \sum_{y=1}^{3} \delta_y(\text{Year after acquisition})_{nijk} + \sum_{y=1}^{3} \beta_y(\text{Year after acquisition x Exposure})_{nijk} + \sum_{y=2009}^{2019} \gamma_y(\text{Year}) + \eta(\text{Age})_{nijk} + \theta(\text{Sex})_{nijk} + \kappa(\text{Race and Ethnicity})_{nijk} + \vartheta(\text{vW Elixhauser Score})_{nijk} + \sum_{y=0}^{25} \mu_y(\text{MDC})_{nijk} + \nu(\text{Hospital})_n$$

- MDC rather than DRG because complications arising from HACs can change the DRG
- Hospital fixed effects – adjusts for time-invariant attributes of the hospital (e.g. catchment area)
- Multiple inference adjustment: Bonferroni (adjusted p-values)

Acquisitions of Hospitals → ↑ Hospital-Acquired Complications

CMS Hospital-Acquired Conditions (HACs) – Composite



Relative to control, PE acquisitions increased:

Composite HACs	25%
Falls	27%
Central line infections	38%

(Despite 16% fewer central lines)

Surgical site infections doubled at PE hospitals, while declining at controls.
(Despite 8% fewer surgeries performed)

Kannan S, Bruch J, Song Z. Forthcoming

Hospital-Acquired Conditions (Adverse Events)

	Hospitalizations at Private Equity Hospitals (N=662,095)		Hospitalizations at Matched Control Hospitals (N=4,160,720)		Unadjusted Difference-in-Differences (DID)	Adjusted DID (%) [95% CI]	Conventional P value	Bonferroni Adjusted P value[c]
	Pre PE	Post PE	Pre PE	Post PE				
Hospital Acquired Conditions (HACs) Composite Measure	18.1	22.1	22.0	20.7	4.6	4.6 (25.4) [2.0 to 7.2]	<0.001	0.004

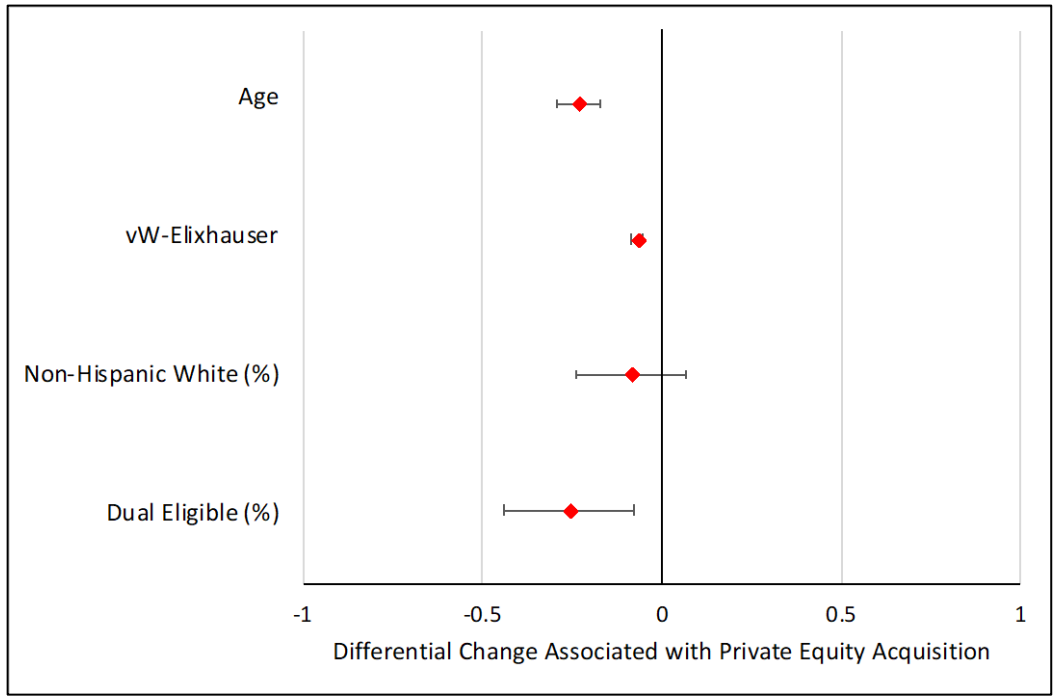
Kannan S, Bruch J, Song Z. Forthcoming

Volume of Procedures Eligible for Hospital-Acquired Condition Measures

Procedures (per 10,000 Hospitalizations)	Private Equity Group (N=662,095)		Control Group (N=4,160,720)		Unadjusted Difference-in-Differences (DID)	Adjusted DID (%) [95% CI]
	Pre-Acquisition (N=287,185)	Post-Acquisition (N=374,190)	Pre-Acquisition (N=1,776,090)	Post-Acquisition (N=2,384,630)		
Foley Catheters (CAUTI)	67.55	67.32	96.67	80.87	15.75	17.55 (26.0) [12.61 to 22.5]
Central Venous Catheters (CLABSI)	228.88	172.81	217.90	142.08	-27.45	-37.14 (-16.2) [-44.33 to -29.94]
Total Hip/Knee Arthroplasties (DVT/PE)	392.71	365.07	488.48	505.11	-38.76	0.98 (0.3) [-8.55 to 10.52]
Surgeries within SSI measure	161.05	123.58	202.46	202.29	-38.72	-13.06 (-8.1) [-20.49 to -5.64]
Coronary Artery Bypass Grafts (CABGs)	47.88	41.18	67.51	64.88	-4.25	6.99 (14.6) [2.66 to 11.32]
Bariatric Surgeries	17.65	14.64	13.01	12.93	-3.18	-3.08 (-17.5) [-5.09 to -1.08]
Orthopedic Surgeries	95.51	67.75	121.94	124.48	-31.29	-16.97 (-17.8) [-22.69 to -11.24]

Kannan S, Bruch J, Song Z. Forthcoming

Acquisitions of Hospitals → ↑ Emergency Department Mortality

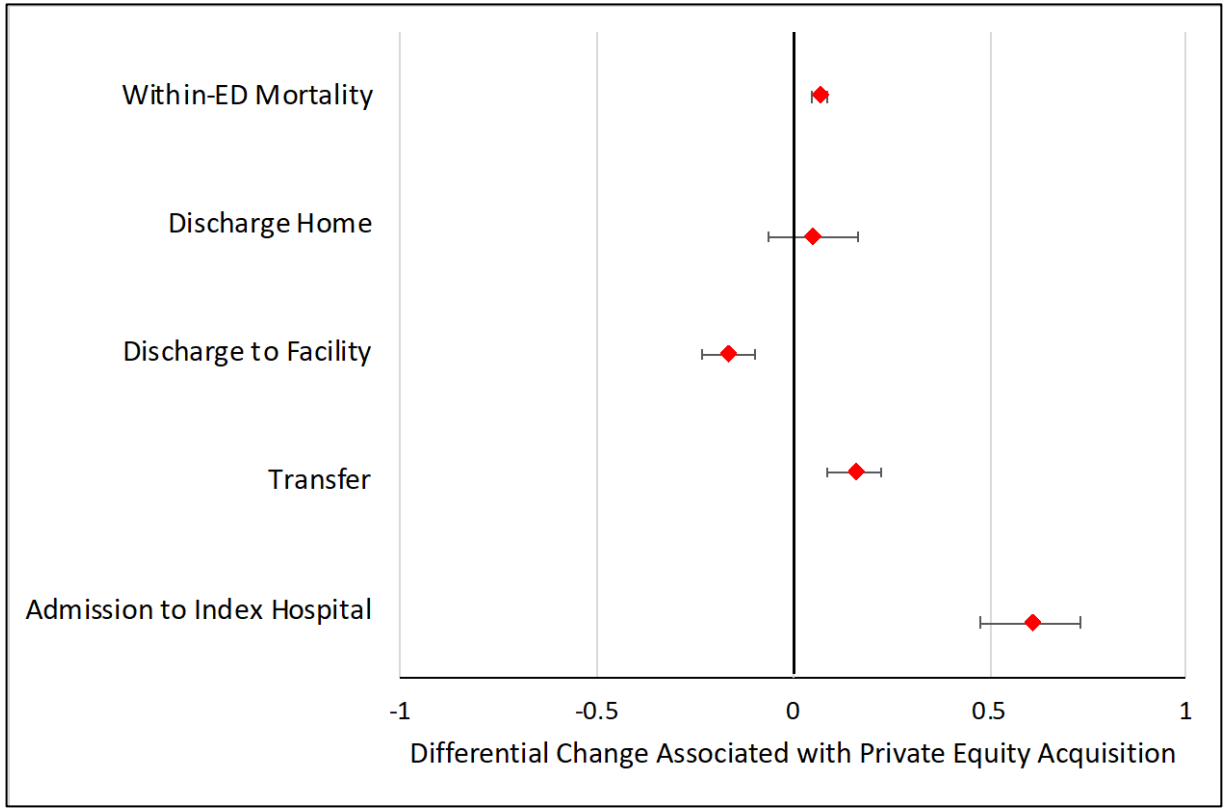


Relative to control, EDs of PE hospitals saw:

- **Younger** Medicare beneficiaries
- **Healthier** Medicare beneficiaries
- **Fewer dual eligible** (Medicare-Medicaid)

Despite younger, healthier, and less disadvantaged:

- **12% ↑ in ED mortality** (52% ↑ for heart attack)



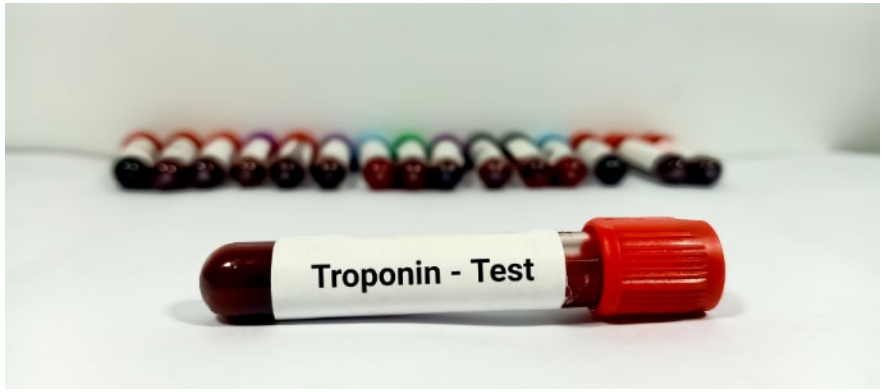
Kannan S, Bruch J, Song Z. Under review

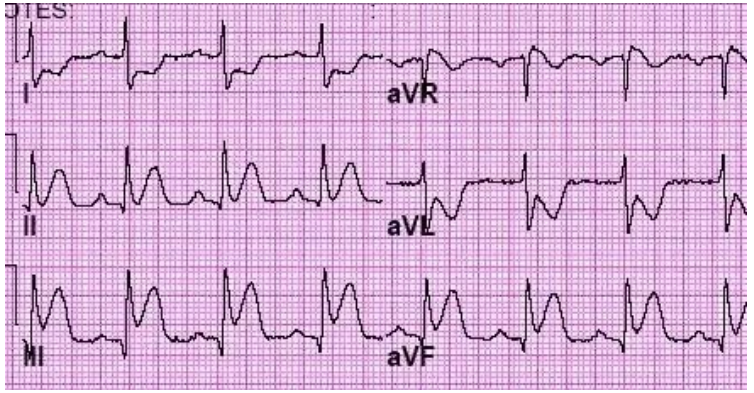
Emergency Department Mortality

	Private Equity Group (N=1,043,656)		Matched Control Group (N=6,423,574)		Unadjusted Difference-in-Differences	Adjusted DID (%) [95% CI]	Conventional P value	Bonferroni Adjusted P value§
	Pre-Acquisition (N=447,112)	Post-Acquisition (N=596,544)	Pre-Acquisition (N=2,572,339)	Post-Acquisition (N=3,851,235)				
Deaths per 10,000 Beneficiaries	55.5	62.2	51.3	45.2	12.9	6.7 (12.0) [4.8 to 8.5]	<0.001	<0.001
Acute Myocardial Infarction	1.7	2.4	1.6	1.3	1.1	0.9 (51.8) [0.3 to 1.4]	0.001	0.006
Arrest	42.5	45.3	36.9	32.6	7.2	1.9 (4.6) [0.9 to 3.0]	<0.001	<0.001
Pulmonary	3.0	1.8	2.8	1.7	-0.1	0.2 (7.4) [-0.4 to 0.8]	0.47	>0.99
Other	8.4	12.7	10.0	9.6	4.7	3.7 (43.6) [2.3 to 5.1]	<0.001	<0.001

Kannan S, Bruch J, Song Z. Under review

Emergency Department Services for Heart Attack Patients



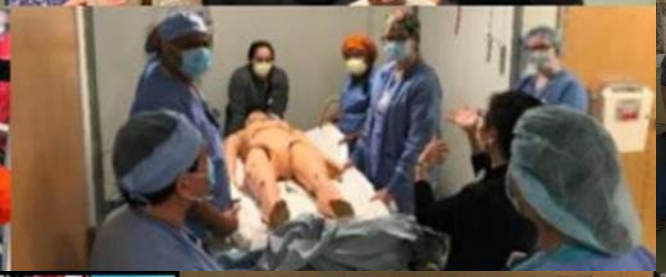


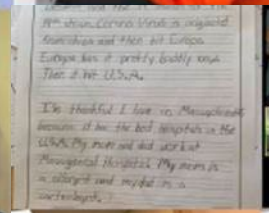
		Private Equity Hospitals		Matched Control Hospitals		Unadjusted Difference-in-Differences (DID)	Adjusted DID (%) (95% CI)
		Pre-Acquisition	Post-Acquisition	Pre-Acquisition	Post-Acquisition		
Acute Myocardial Infarction in the ED (N=14,103)	Troponin	90.1	89.0	93.2	93.1	-1.5	-1.3 (-1.5) [-2.6 to -0.1]
	ECG	89.4	83.8	92.9	92.0	-4.5	-2.8 (-3.1) [-5.5 to -0.1]
	Chest X-ray	78.7	75.0	83.6	83.1	-3.7	-3.3 (-4.2) [-7.1 to 0.5]
	Heparin	36.5	42.2	40.6	45.1	0.3	-1.3 (-3.5) [-5.8 to 3.2]

Kannan S, Bruch J, Song Z. Under review

What About During COVID?



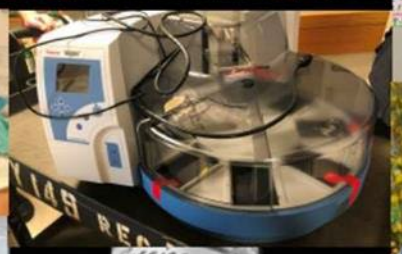











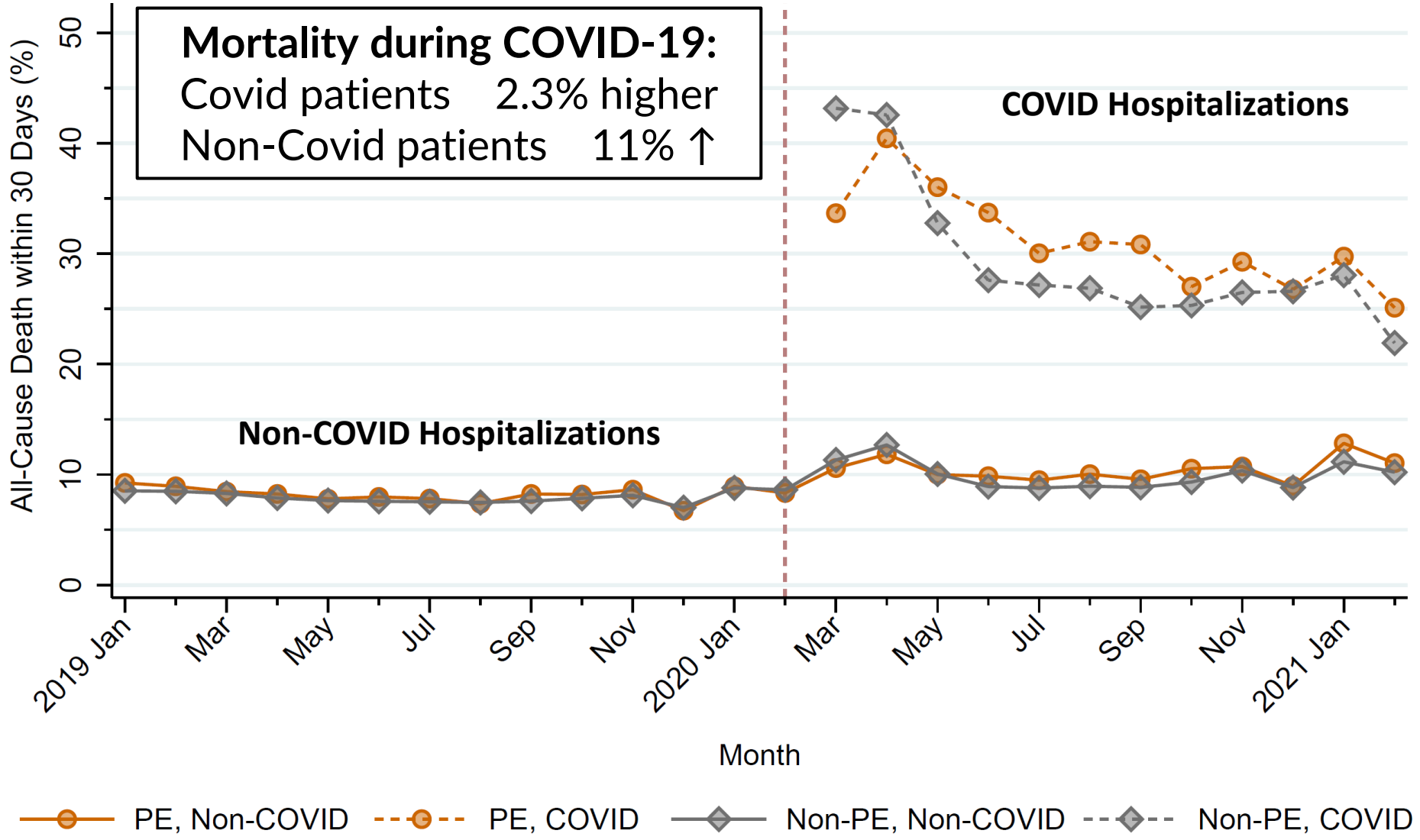






COVID times at MGH

30-day Mortality for COVID and Non-COVID Hospitalizations



Song Z, Patterson L, Bruch J, Zhang X, Haas D. In progress

Private Equity Acquisitions of Physicians

Geographic Variation in Private Equity Penetration Across Select Office-Based Physician Specialties in the US

Yashaswini Singh, MPA; Jane M. Zhu, MD, MPP, MSHP; Daniel Polsky, PhD, MPP; Zirui Song, MD, PhD

JAMA Health Forum (2022)

Specialty	Count of physicians identified in PE-acquired practices	Count of physicians in office-based settings	Estimated PE penetration (%)
Gastroenterology	845	6,147	13.7
Urology	492	4,758	10.3
Dermatology	851	8,565	9.9
Women's Health	1,352	15,360	8.8
Ophthalmology	741	11,398	6.5
Orthopedics	460	15,588	3.0
Total	4,738	61,752	7.7

Acquisitions of MD Practices → ↑ Spending, Charges, Prices, Volume

Original Investigation

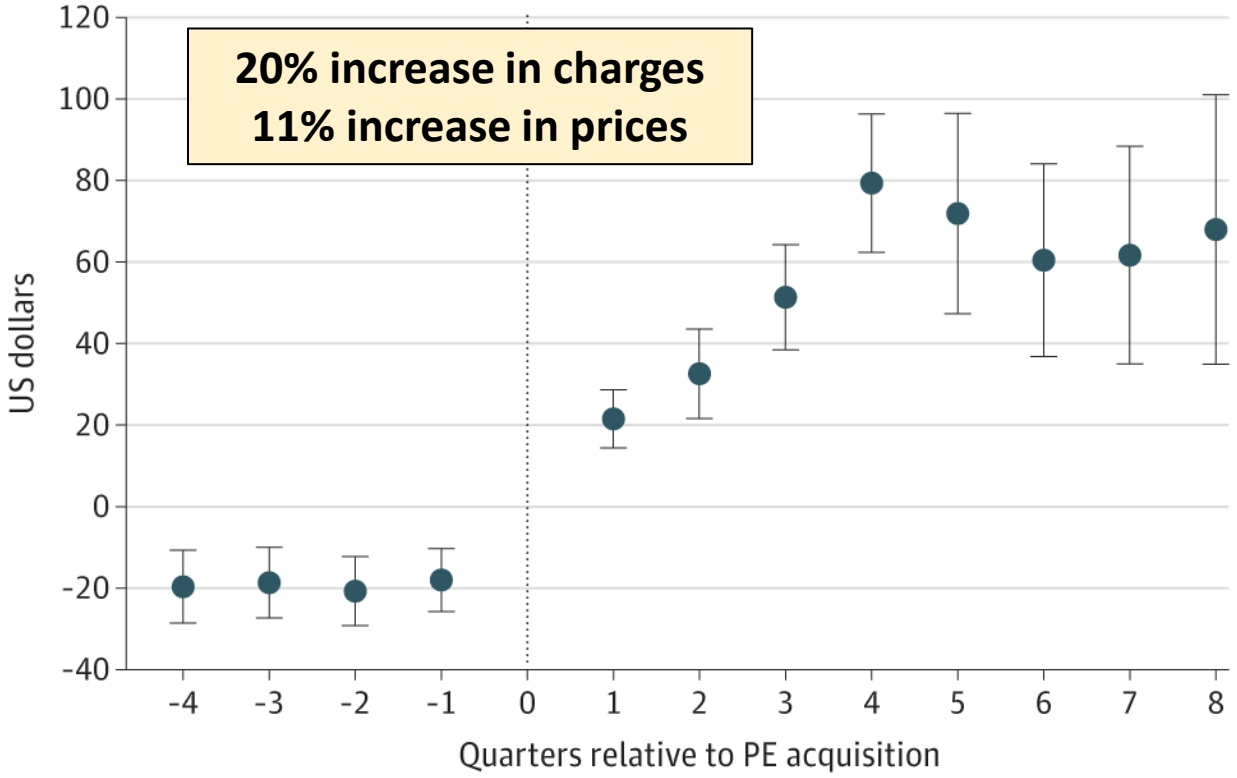
Association of Private Equity Acquisition of Physician Practices With Changes in Health Care Spending and Utilization

JAMA Health Forum (2022)

Yashaswini Singh, MPA; Zirui Song, MD, PhD; Daniel Polsky, PhD, MPP; Joseph D. Bruch, PhD; Jane M. Zhu, MD, MPP, MSHP

Table 1. Characteristics of PE- and Non–PE-Acquired Physician Practices at Baseline, 2015

Characteristic	Mean (SD)	
	PE-acquired	Non–PE-acquired[a]
Physician practices, No.	578	2874
Charge/claim, mean $	322 (258)	332 (326)
Allowed amount/claim, mean $	187 (136)	178 (136)
Total No.		
Unique patients	94 (182)	88 (172)
New patients	72 (136)	67 (132)
Encounters	124 (237)	118 (224)
E&M visits	75 (188)	72 (180)
Share of E&M visits >30 min		
New patients	0.26 (0.15)	0.26 (0.21)
Established patients	0.19 (0.17)	0.18 (0.22)
Patient HCC score, median	1.21 (1.05)	1.28 (1.10)



Relative to control, PE acquisitions led to:

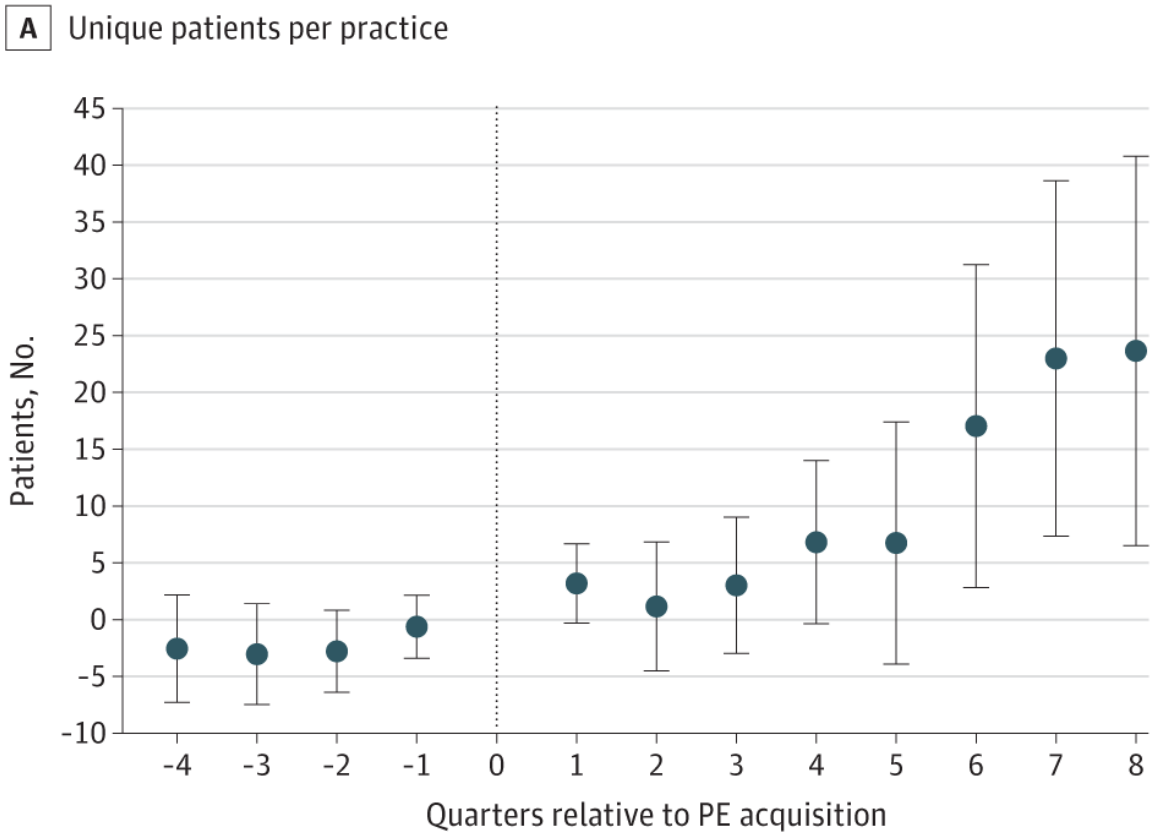
16% increase in aggregate volume

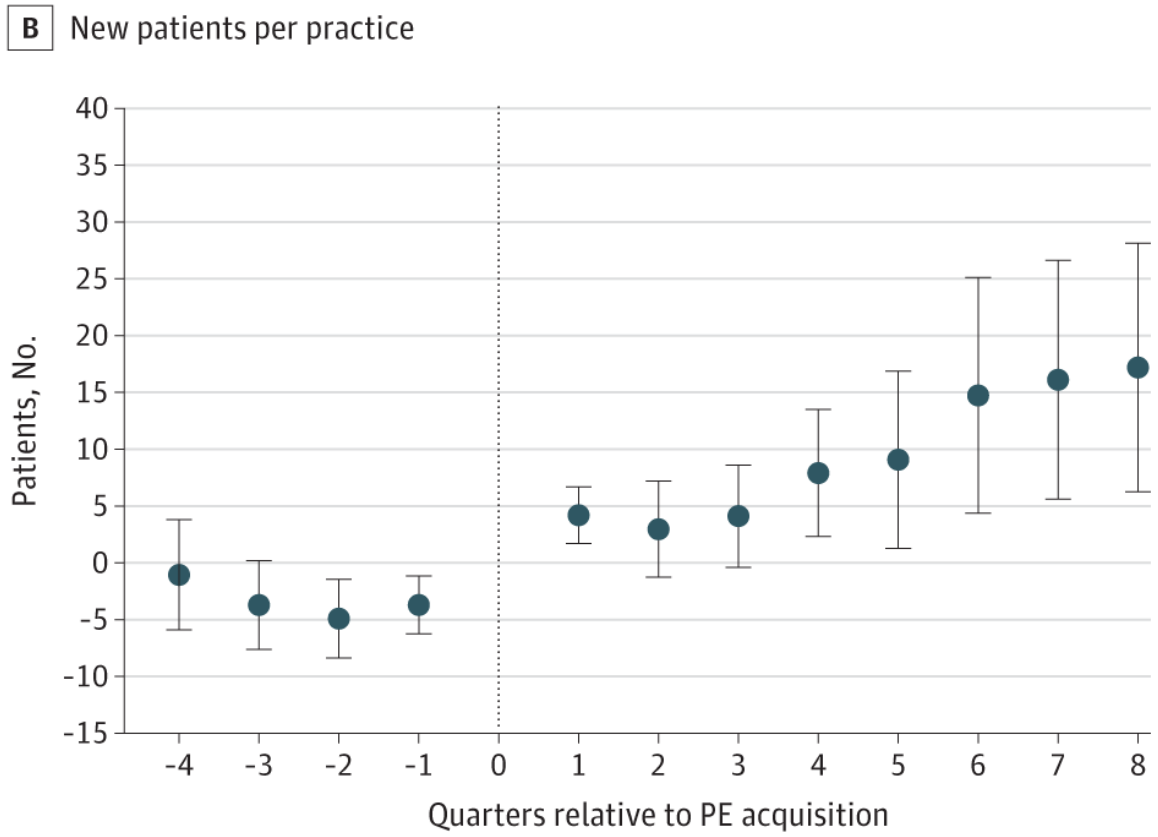
26% increase in unique patients

38% increase in new patient visits

9% increase in long (>30 min) visits

JAMA Health Forum





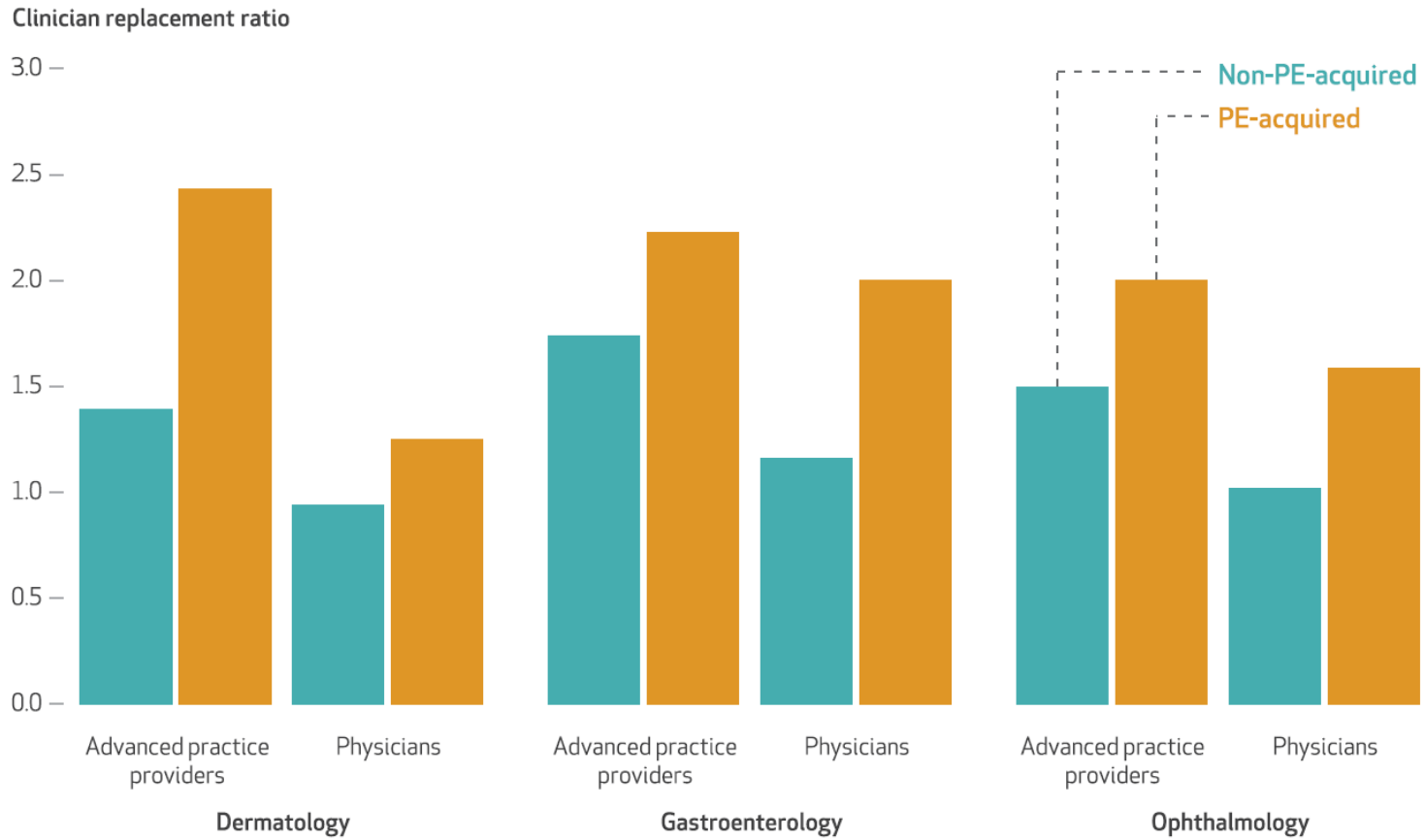
Singh Y, Song Z, Polsky D, Bruch JD, Zhu JM. JAMA Health Forum. 2022

By Joseph Dov Bruch, Canyon Foot, Yashaswini Singh, Zirui Song, Daniel Polsky, and Jane M. Zhu

Health Affairs

Workforce Composition In Private Equity–Acquired Versus Non–Private Equity–Acquired Physician Practices

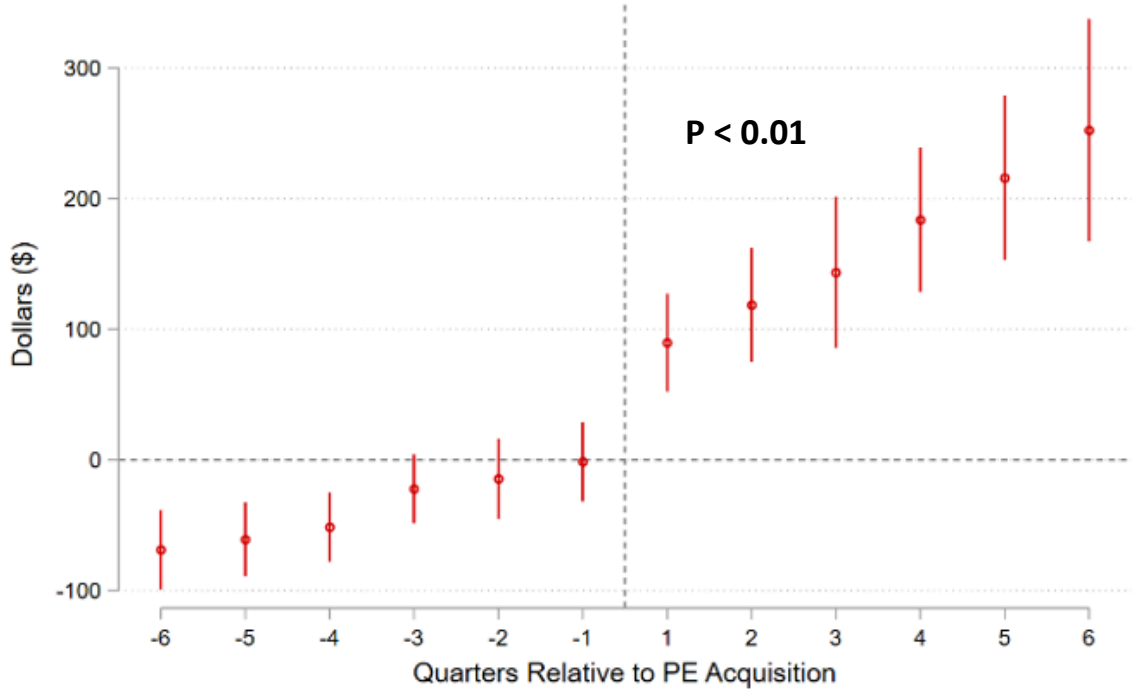
Clinician replacement ratios for advanced practice providers and physicians in private equity (PE)-acquired and non-PE-acquired practices in the US, by specialty, 2014–19



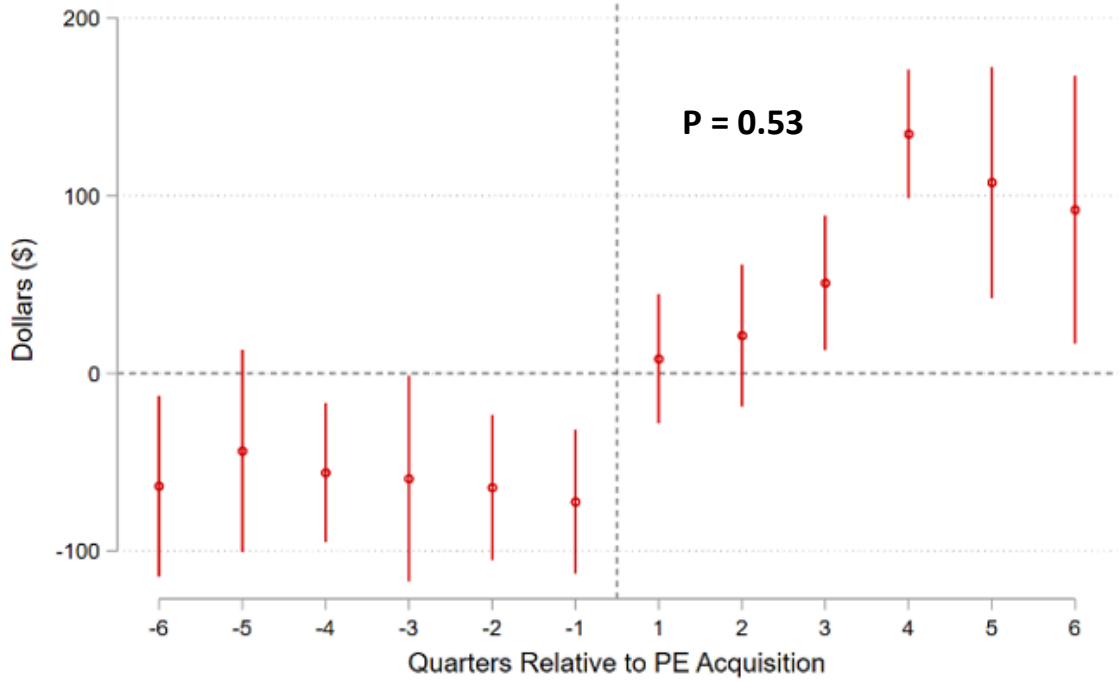
Additional Evidence: Comparisons to Hospital System Practices

Relative to hospital-based GI practices, private equity GI practices increased spending by 28%, driven by a 78% increase in professional fees.

(a) Physician professional fees per claim



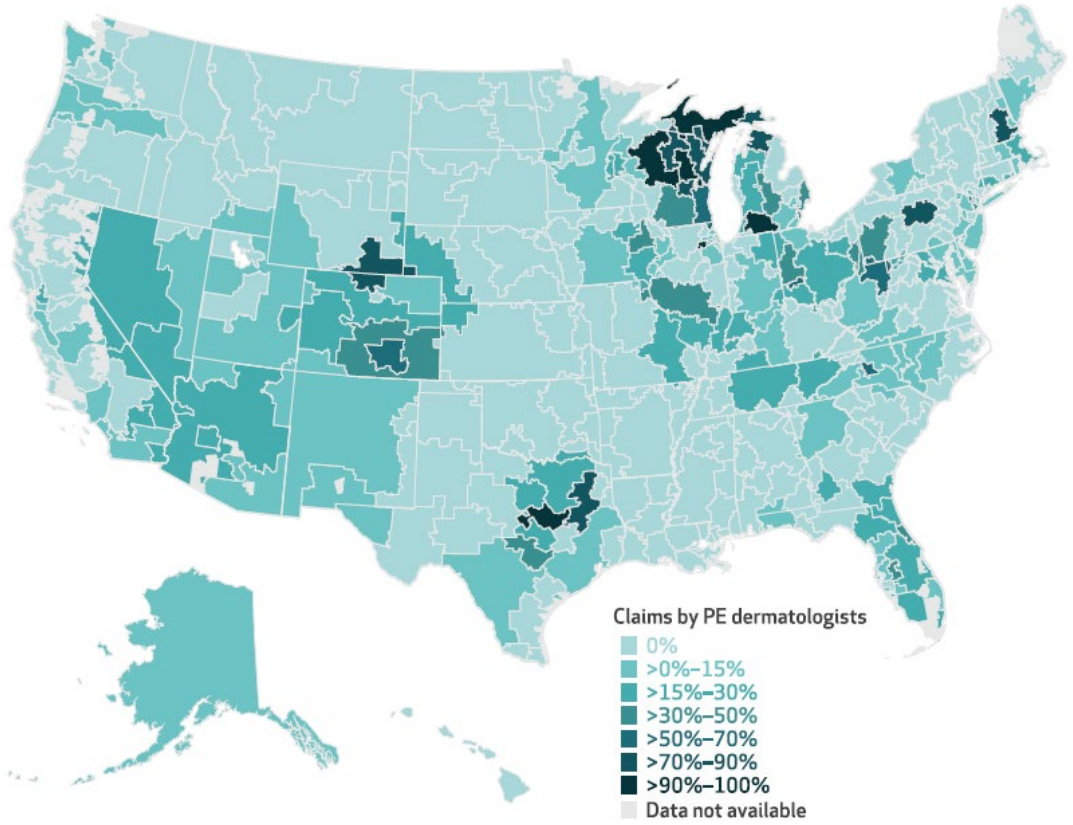
(b) Facility fees per claim



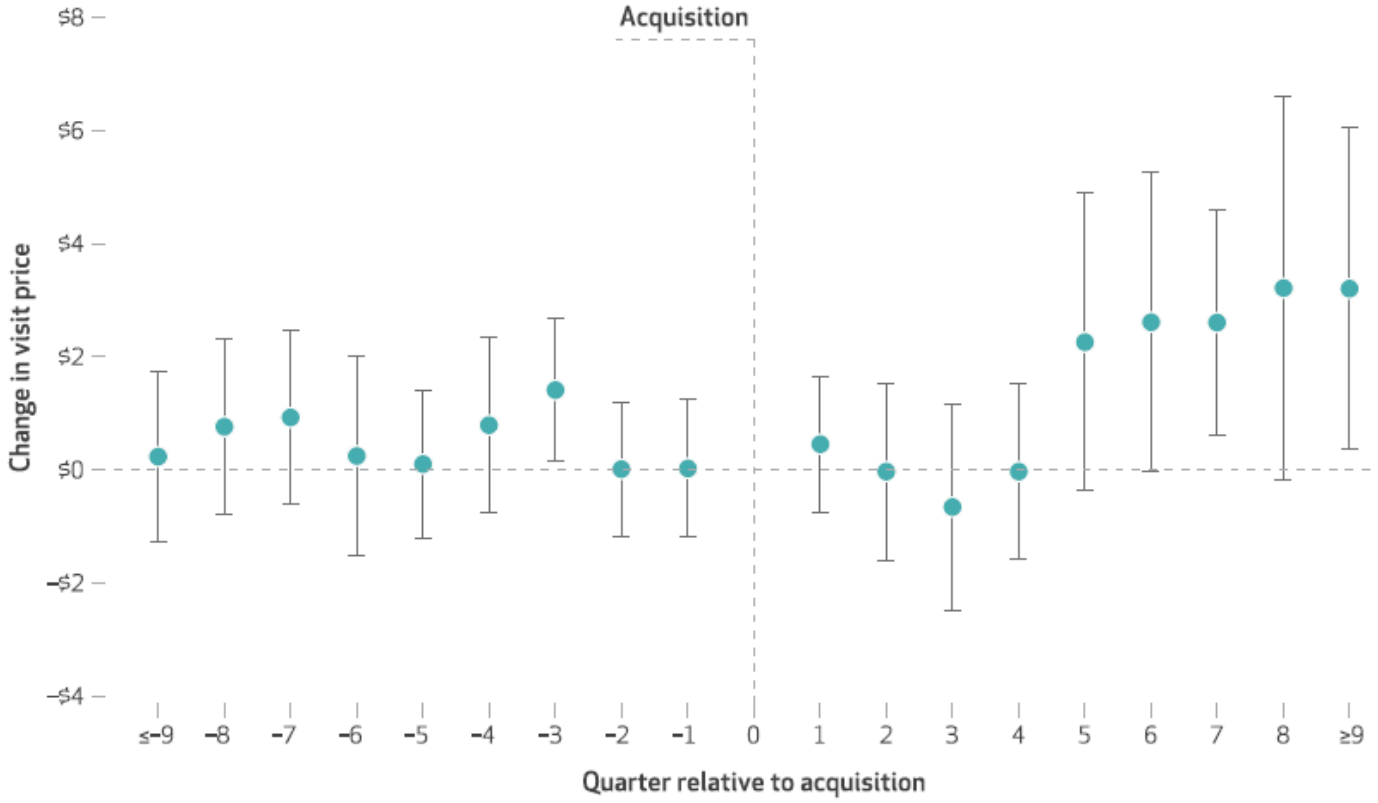
Singh Y, Song Z, Polsky D, Zhu JM. In progress

Additional Evidence on Acquisitions of Physician Practices

Percent of dermatologist claims made by private equity (PE) dermatologists, by hospital referral region, 2017



Effect of private equity acquisition on the price of a routine dermatology office visit, by quarter, 2012–17



"At 1.5 years after acquisition, prices paid to private equity dermatologists for routine medical visits were 3-5 percent higher than those paid to non-private equity dermatologists. There was no significant consistent impact on dermatology spending or use of biopsies, lesion destruction, or Mohs surgery."

Braun RT, Bond AM, Qian Y, Zhang M, Casalino LP. Health Affairs. 2021.

Additional Evidence on Acquisitions of Physicians

JAMA Internal Medicine | Original Investigation

Association of Physician Management Companies and Private Equity Investment With Commercial Health Care Prices Paid to Anesthesia Practitioners

Ambar La Forgia, PhD; Amelia M. Bond, PhD; Robert Tyler Braun, PhD; Leah Z. Yao, BS; Klaus Kjaer, MD, MBA; Manyao Zhang, MA; Lawrence P. Casalino, MD, PhD

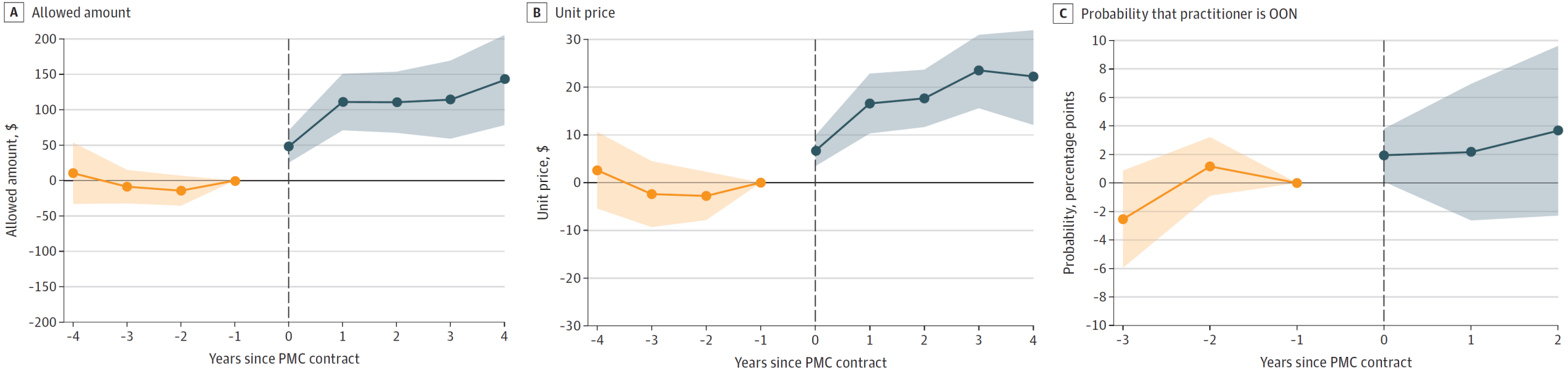
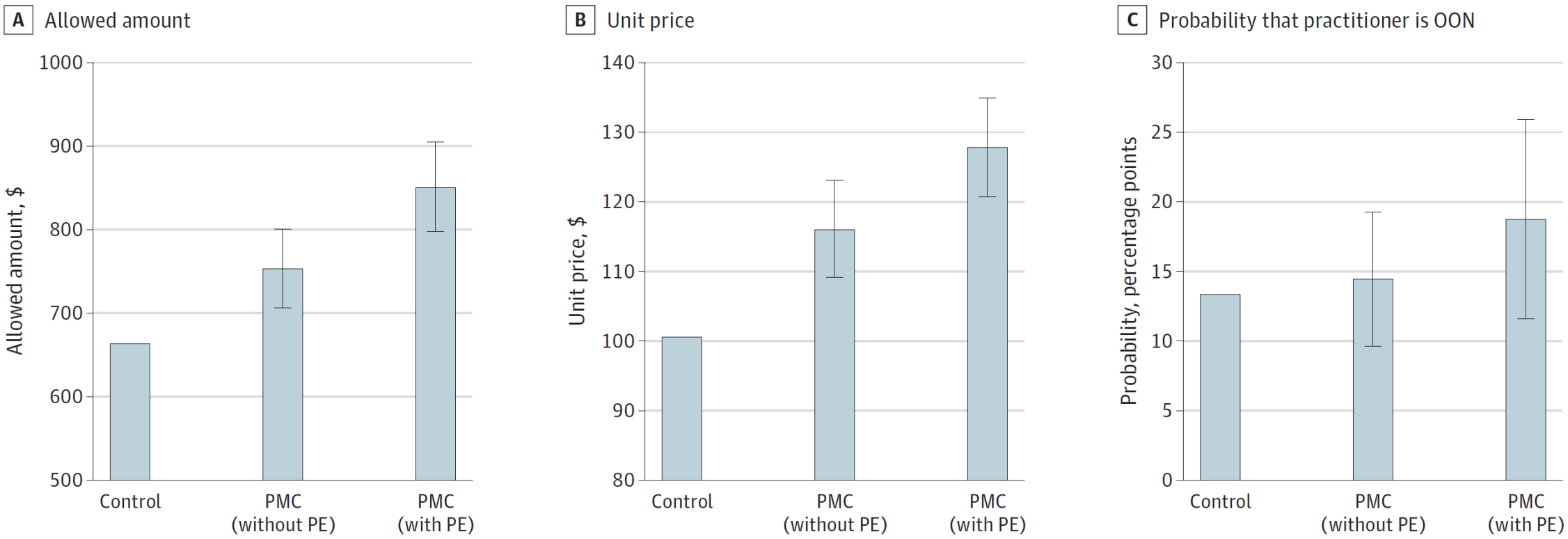


Figure 2. Adjusted Differential Changes in Outcomes Associated With Physician Management Company (PMC) Contract With and Without Private Equity (PE) Investment

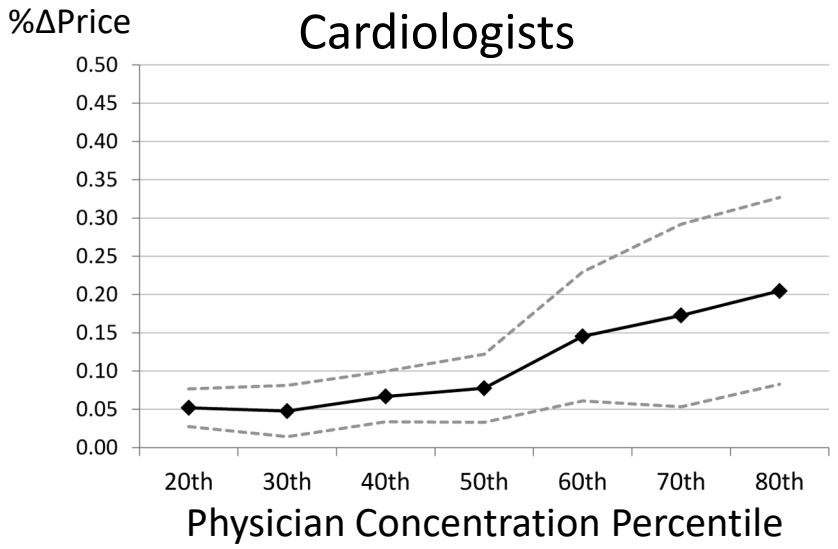


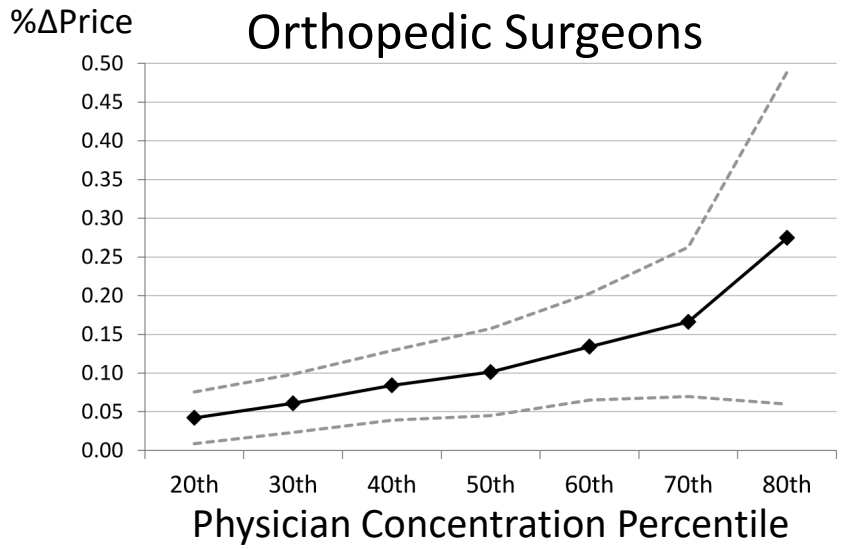
Adjusted difference-in-differences estimates from the specification interacting the post-PMC contract indicator with an indicator for whether the PMC received PE investment, relative to the regression-adjusted mean value of the control facilities, are shown. Therefore, the difference between the height of the PMC bars and the control bar represents the differential change in each outcome relative to control facilities, with the corresponding 95% CIs (error bars). The regression-adjusted difference (95% CI) between PMCs with PE relative to without PE is as follows: +$97.18 ($35.38 to $158.97) for allowed amounts, +$11.71 ($4.46to $18.95) for unit prices, and +4.34 percentage points (−2.11 to 10.79) for the probability that a practitioner is out-of-network (OON). See eTable 9 in the Supplement for the regression output.

La Forgia A, Bond AM, Braun RT, Yao LZ, Kjaer K, Zhang M, Casalino LP. JAMA Internal Medicine. 2022

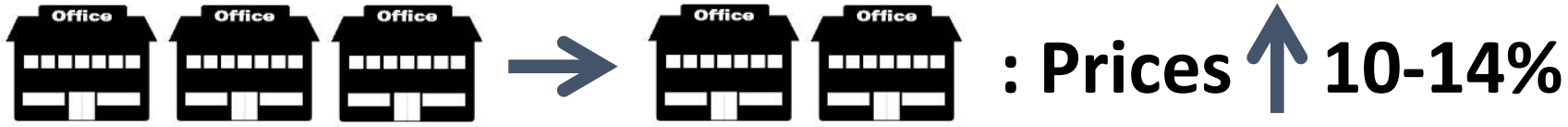
Horizontal Physician Practice Consolidation → Higher Prices

MD prices 14-30% higher in most vs. least concentrated markets





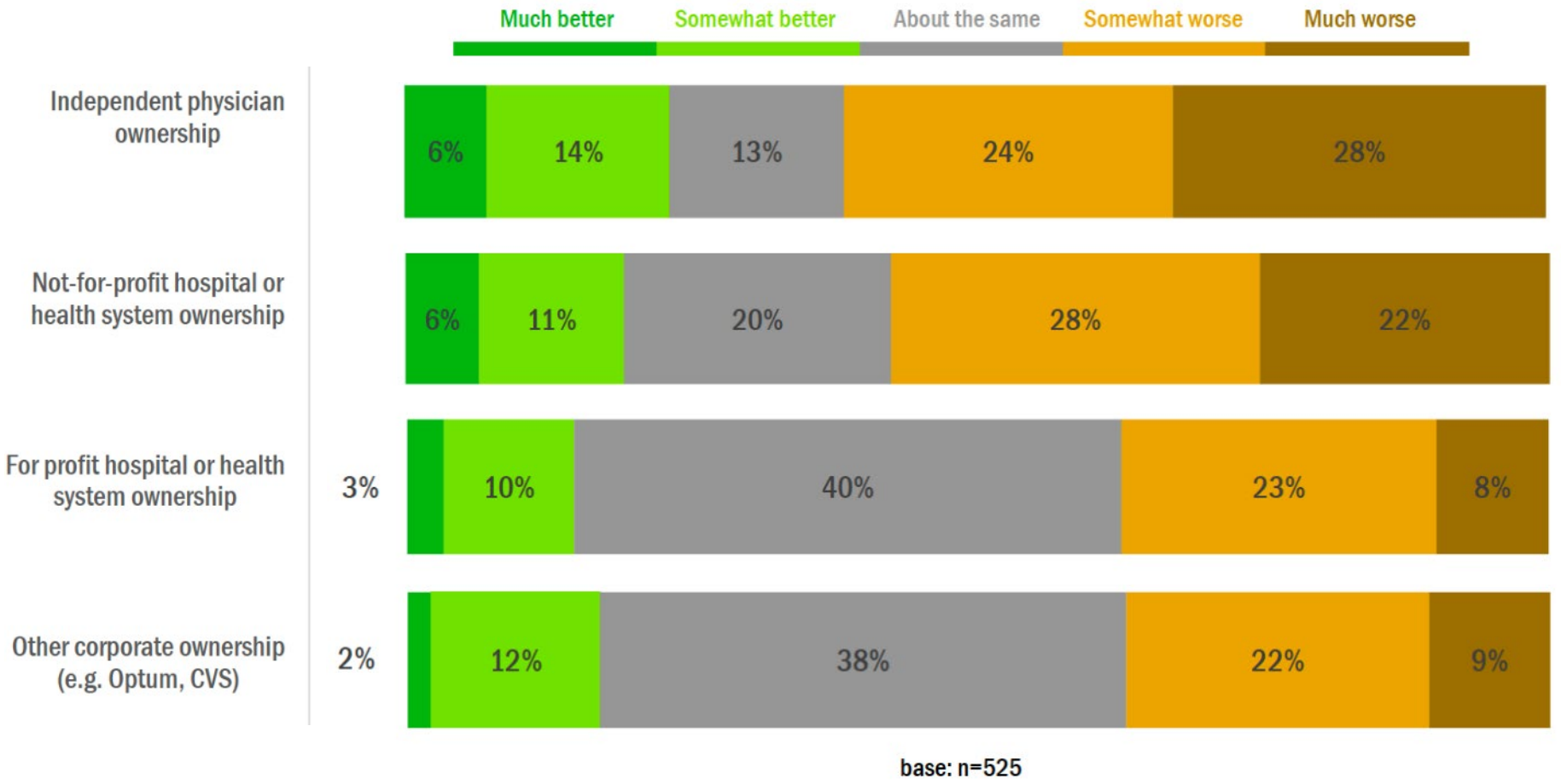
MD consolidation raises prices more in more concentrated markets



Dunn and Shapiro. Journal of Law and Economics. 2014

Physician Perceptions of Private Equity

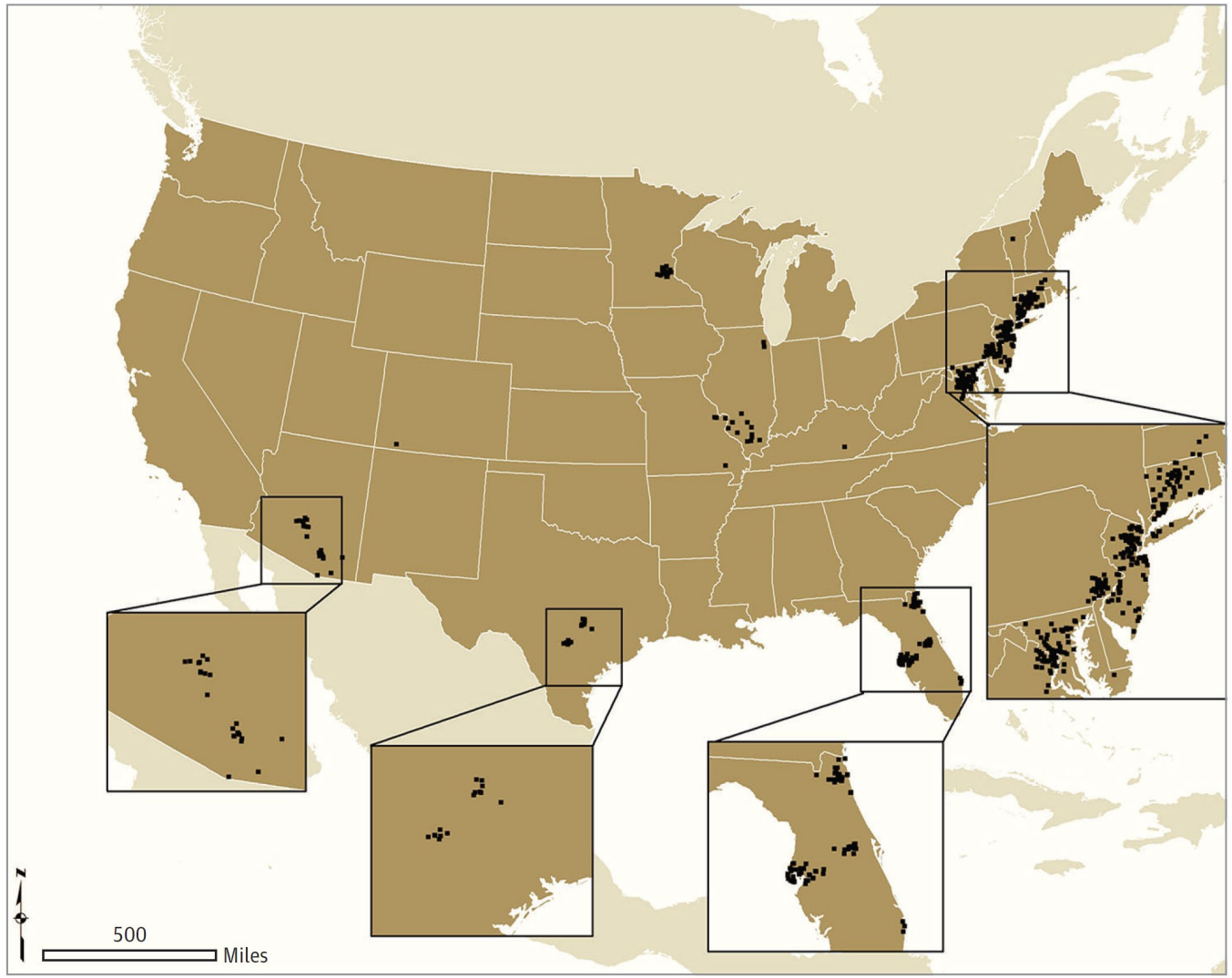
Q. Compared to the following forms of ownership in the health care sector, is private equity ownership…



Zhu JM, Zeveney A, Read S, Crowley R. Under review

From the Beginning of Life – Women's Health

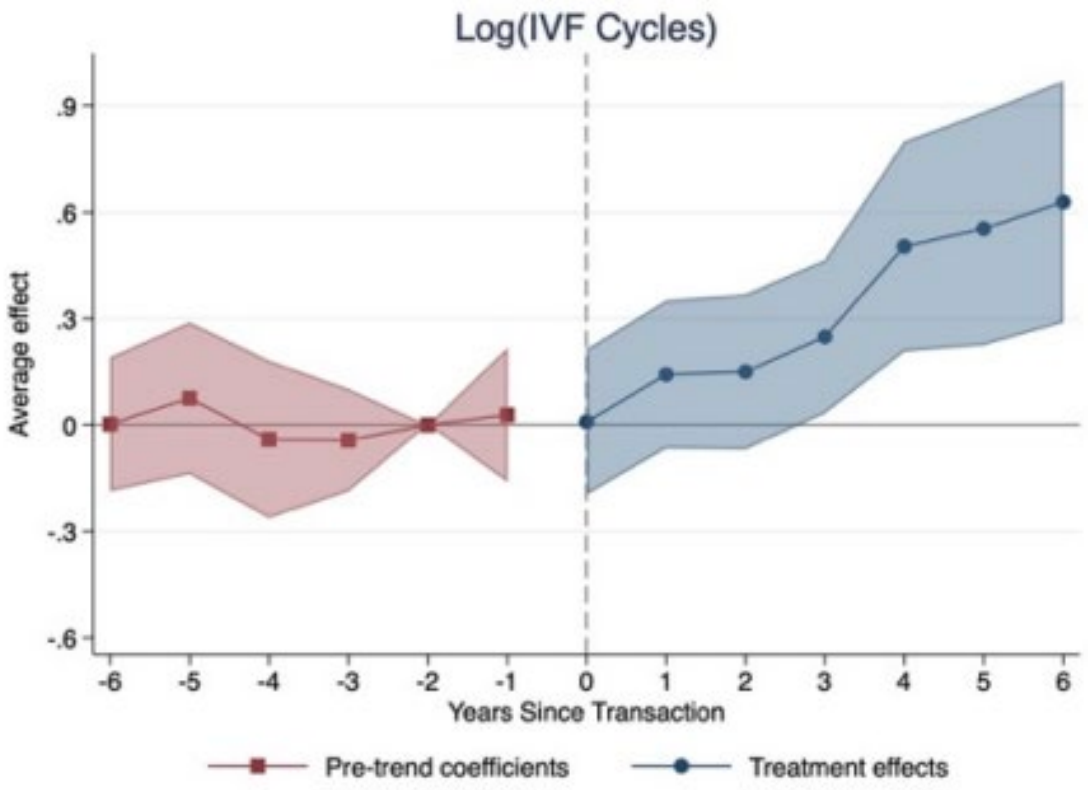
Figure. Private Equity–Affiliated Obstetrics/Gynecology (OB/GYN) Offices in 2020

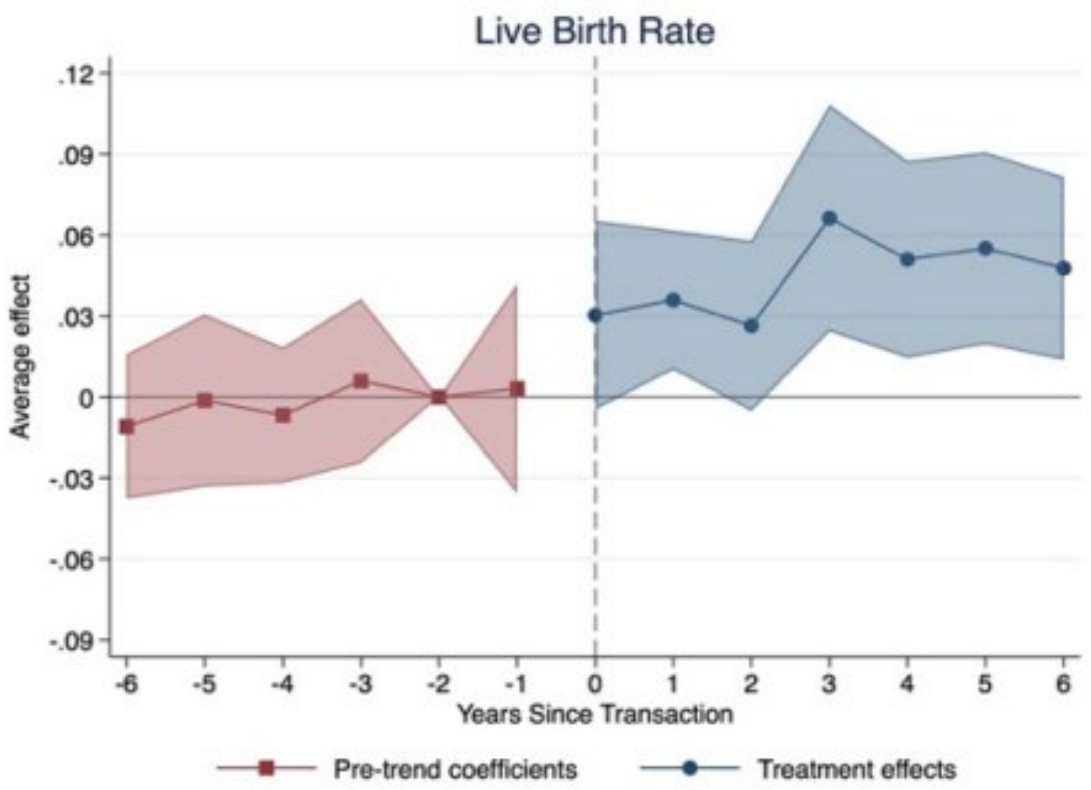


We mapped 533 OB/GYN offices in 2020, excluding the 180 hospitals contracted with Ob Hospitalist Group and 439 offices without identifiable locations. No mapped offices were located in Alaska or Hawaii.

Bruch JD, Borsa A, Song Z, Richardson SS. JAMA Intern Med. 2020

From the Beginning of Life – Fertility Clinics

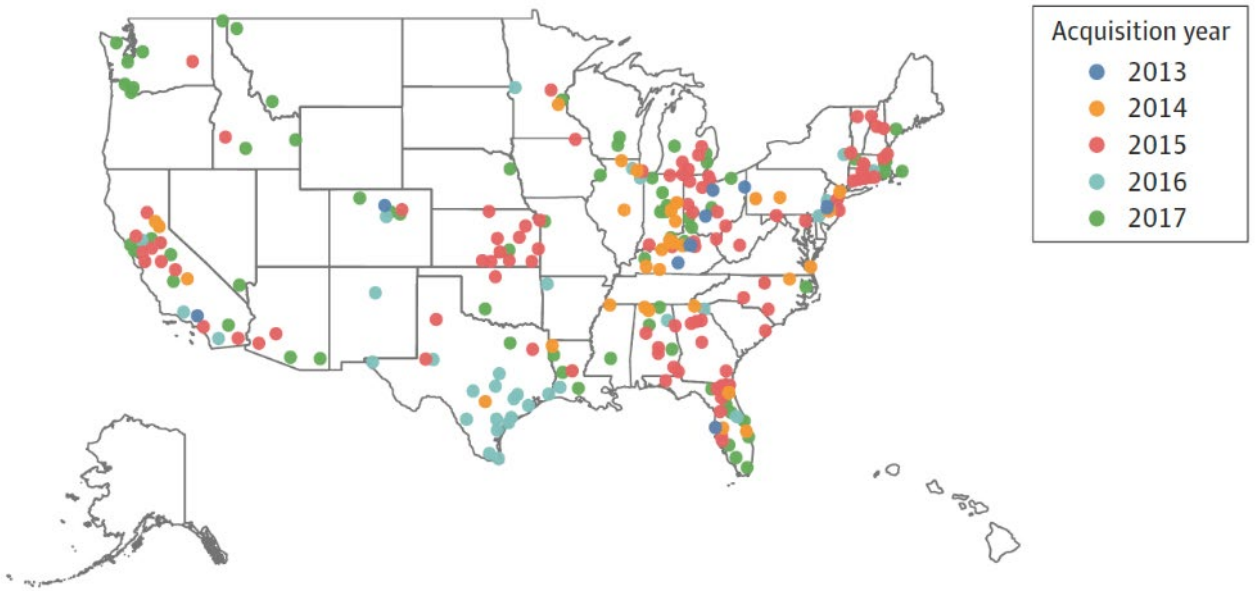


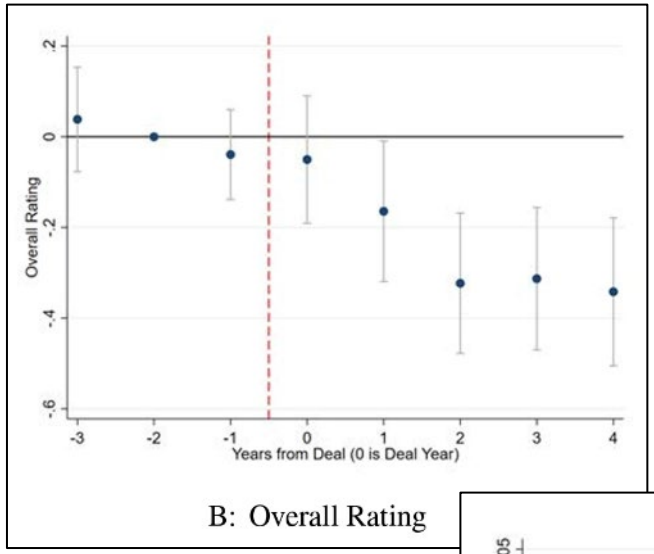


Private equity invests in 8 of 11 fertility chains. Total IVF price = $40-60K.
Acquisition → 28% ↑ in volume, 14% ↑ in IVF success rate.
No evidence of patient selection.

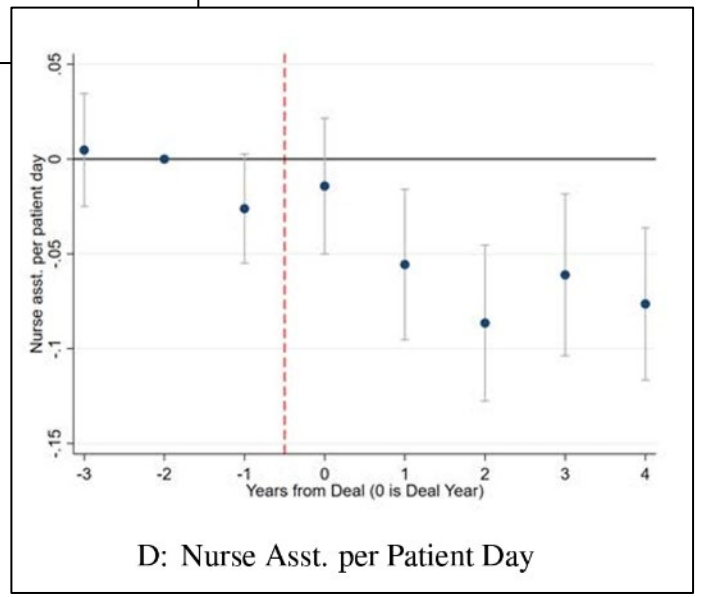
La Forgia and Bodner (2023) Working paper

To Older Age – Nursing Homes





B: Overall Rating



D: Nurse Asst. per Patient Day

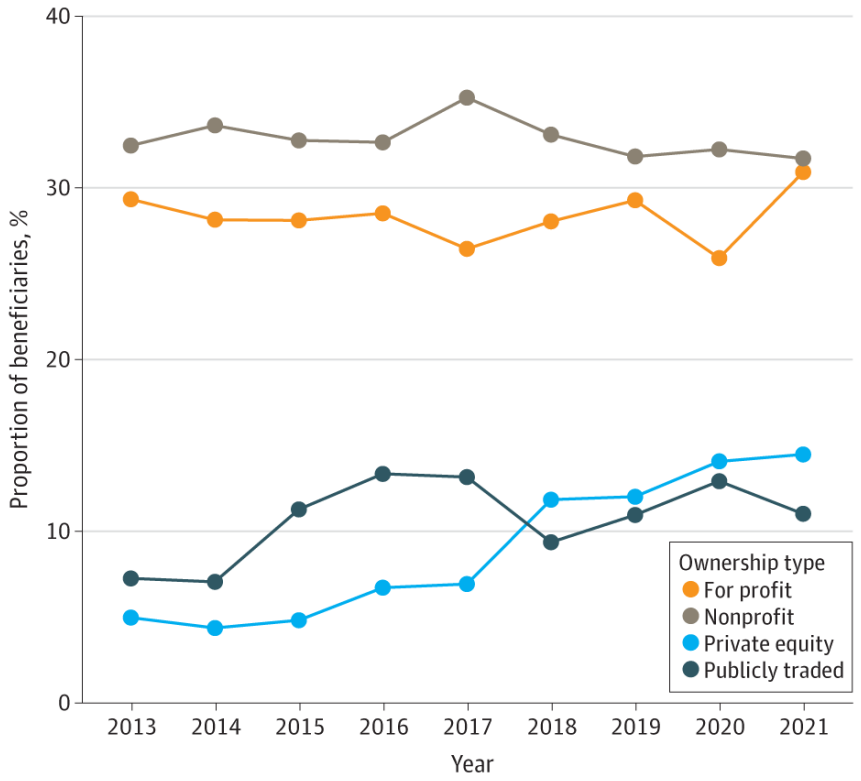
PE acquisitions increased:

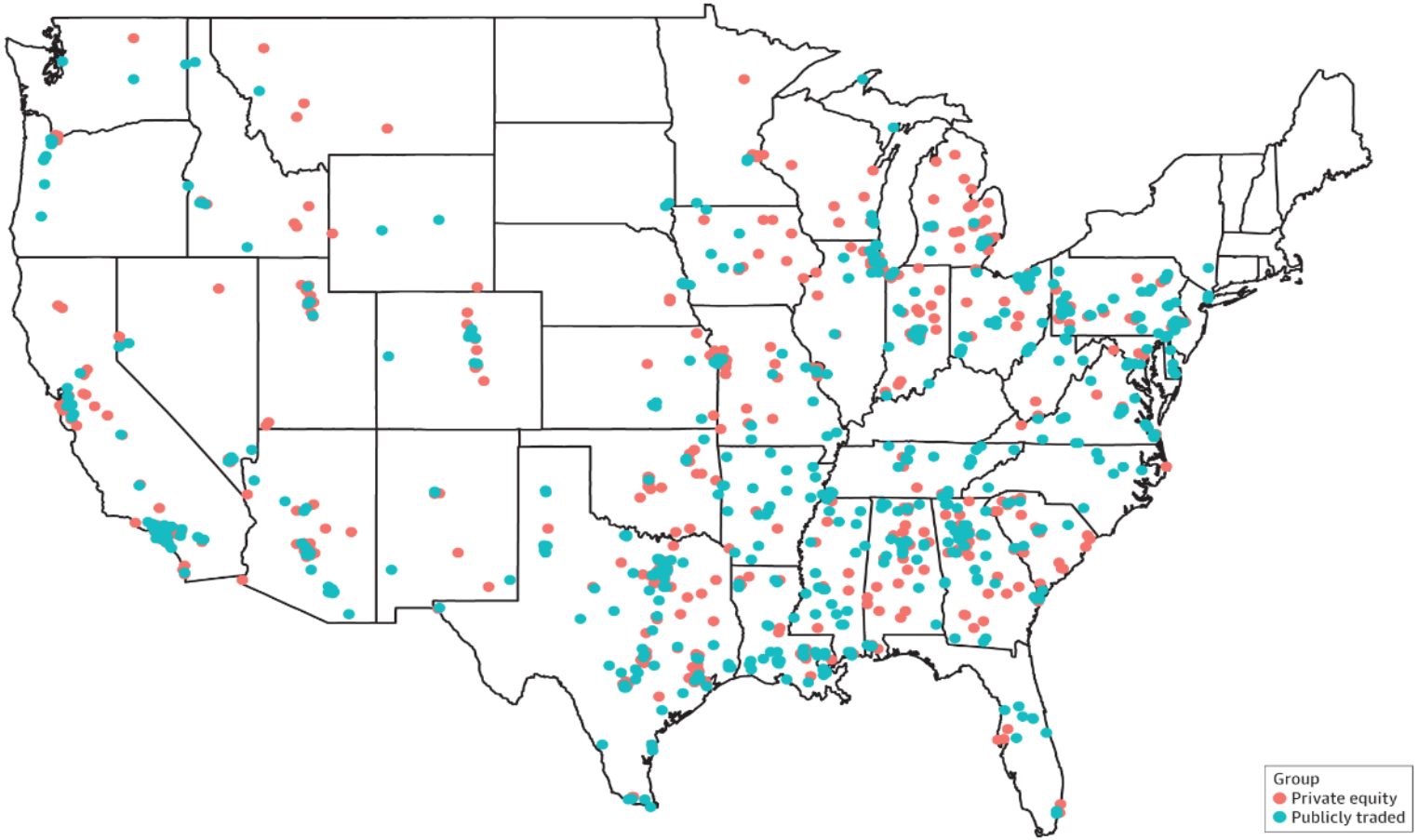
ED visits	11%
Hospitalizations	9%
Medicare spending	4%
Mortality	10%

Braun R, Jung HY, Casalino L, Myslinksi L, Unruh M. JAMA Health Forum. 2021

Gupta A, Howell S, Yannelis C, Gupta A. 2021. NBER Working Paper 28474

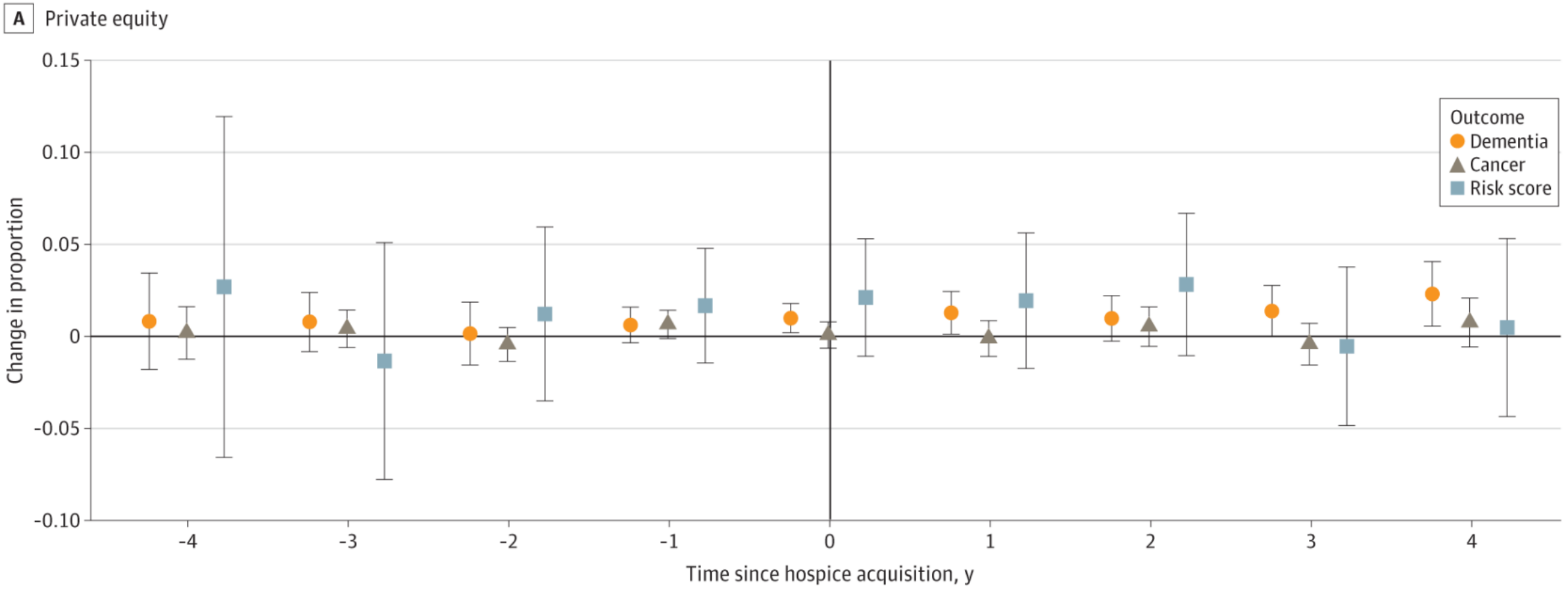
To the End of Life – Hospice





Braun RT, Unruh MA, Stevenson DG, Prigerson HG, Fernandez R, Yao LZ, Casalino LP. JAMA Network Open. 2023

From the End of Life – Hospice



6% ↑ in patients with dementia in PE hospices relative to control

Braun RT, Unruh MA, Stevenson DG, Prigerson HG, Fernandez R, Yao LZ, Casalino LP. JAMA Network Open. 2023

Policy Framework for Private Equity

VIEWPOINT

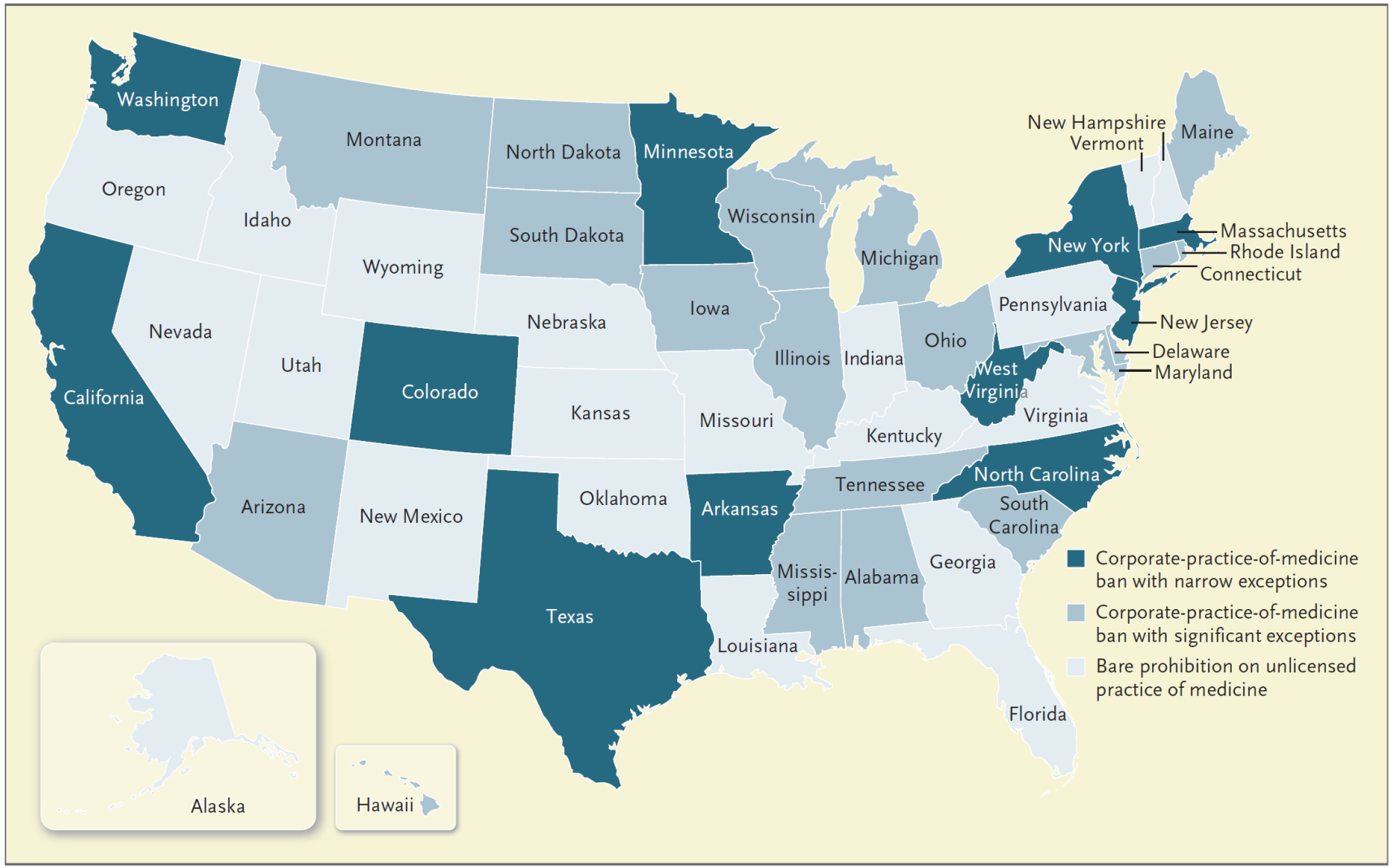
A Policy Framework for the Growing Influence of Private Equity in Health Care Delivery

JAMA

F	Fraud & abuse	Enforce federal statutes including Anti-Kickback, Stark Laws
A	Antitrust	A) Federal: improve staffing and bandwidth for oversight at FTC B) State: state AGs, "corporate practice of medicine" laws
M	Moral hazard	A) Affiliation rule that ties acquired entities to the parent PE firm B) Limit the % debt used to make an acquisition C) Closure of the 20% carried interest “loophole”
P	Patients & prices	A) No Surprises Act prohibiting surprise billing in certain situations B) Price regulation to mitigate arbitrage incentive of consolidation
T	Transparency	Lower the threshold ($111.4 million) for mandatory reporting of PE acquisitions and the % debt used in the acquisition.

Cai C, Song Z. JAMA. 2023

Strengthening Variable CPOM Doctrines Across States



Scope of State Corporate-Practice-of-Medicine Laws in the United States.

Information is based on the authors' analysis of primary documents and summaries of legal texts as of April 2023.

Zhu JM, Rooke-Ley H, Fuse-Brown E. NEJM. 2023

“The Body Was Not Even Cold”

To

Subject

Dear Dr. [redacted]

Our sincere condolences for the loss of your patient.

The Clinical Documentation Integrity (CDI) team reviews the charts of all deceased patients to make sure that the documentation captures the full complexity of the case. Having performed this review, we would appreciate your thoughtful attention to the Clinical Documentation query below.

There are 3 CDI queries for you in Epic. Access the drop down options by using F2 when completing the query. If needed, further instructions are at the bottom of this email.

Agenda

Call to Order

Approval of Minutes **(VOTE)**

Private Equity in Health Care

- Guest Presentation: *Private Equity in Health Care: Trends, Impact, and Policy – Dr. Zirui Song*

TRENDS IN PRIVATE EQUITY IN MASSACHUSETTS HEALTH CARE

Notices of Material Change and Determination of Need

Recap of 2023 Health Care Cost Trends Hearing

2023 Year in Review

Executive Director's Report

Executive Session **(VOTE)**

National Trends in Health Care Market Activity

PRIVATE EQUITY EXPANSION

Research indicates significant growth of private equity (PE) investment in the health care market. For example, one analysis found that PE firms acquired 75 physician practices (varying specialties) in 2012. In 2021, PE firms acquired 484 physician practices.[1] Similar increases have been seen in other areas of health care.[2]

CORPORATE STRUCTURES

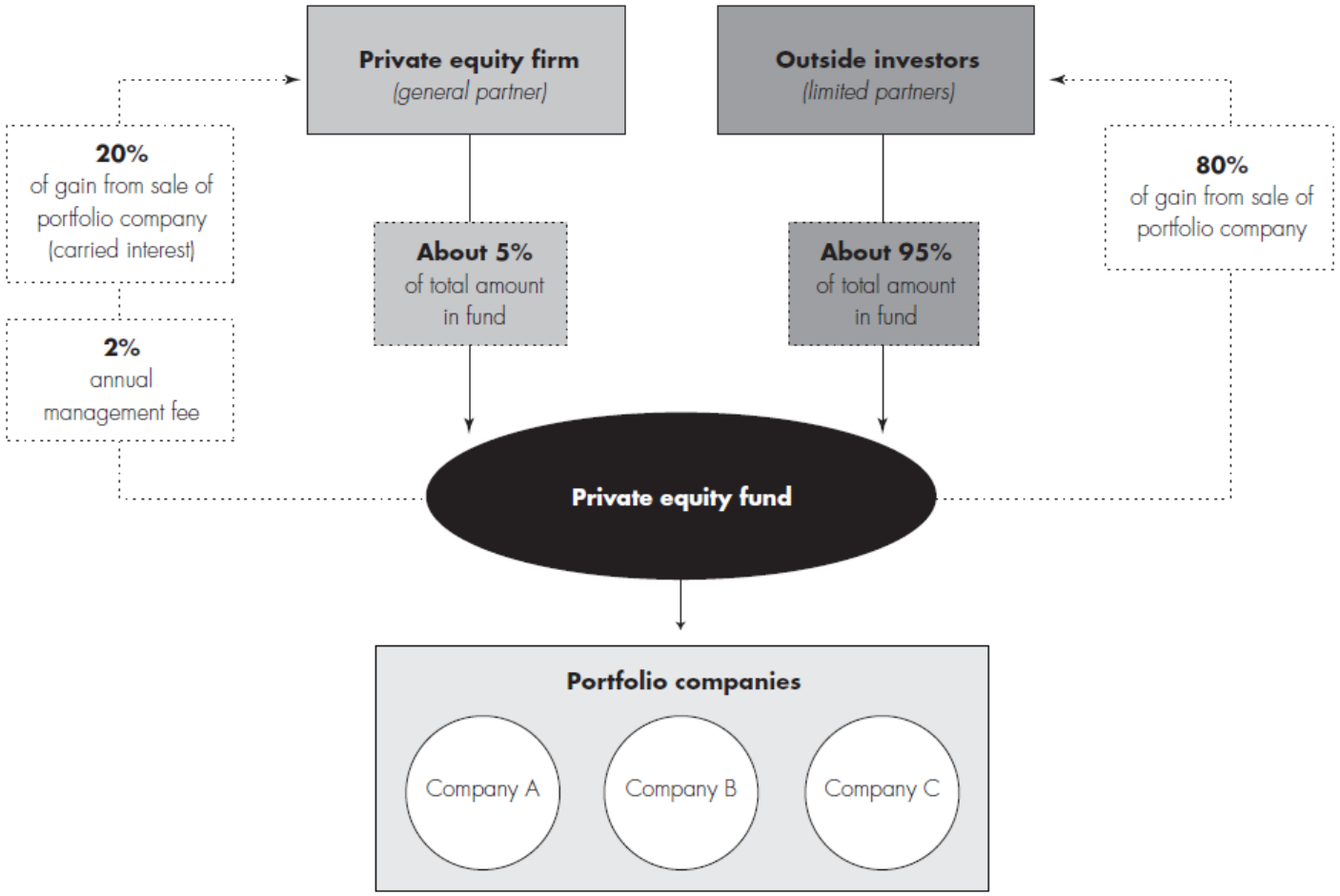
Transactions with PE and other for-profit firms typically use management services organizations (MSOs) to purchase providers' non-clinical assets and provide non-clinical services to health care practices. The use of MSOs avoids corporate practice of medicine prohibitions, and, by adding providers over time, allows PE and other for-profit firms to create large provider networks, often leading to increased prices.[3]

ONGOING CONSOLIDATION

Nationally, the health care market continues to consolidate, including through cross-market mergers (mergers or acquisitions that involve provider organizations that do not directly compete in the same geographic markets).[4]

[1] Scheffler R et al., Monetizing Medicine: Private Equity and Competition in Physician Practice Markets.
[2] See, e.g., the Private Equity Stakeholder Project, Private Equity Hospital Tracker, available at https://pestakeholder.org/private-equity-hospital-tracker/. The Private Equity Stakeholder Project also tracks private equity activity in other healthcare areas such as home health and urgent care.
[3] La Forgia A et al., Association of Physician Management Companies and Private Equity Investment with Commercial Health Care Prices Paid to Anesthesia Practitioners, 182 JAMA Internal Medicine 4 (April 2022).
[4] UC Law San Francisco, The Source on Healthcare Price and Competition, Cross-Market Systems, available at https://sourceonhealthcare.org.

What is Private Equity?



- The term "private equity" is often used broadly to refer to "any activity where investors buy an ownership, or equity, stake in companies or other financial assets that are not traded on public stock or bond exchanges."[1]
- PE firms often **invest in mature businesses in exchange for equity or ownership stake, often through leveraged buyouts.**[2]
- PE firms form funds by **pooling investments from large institutional investors** (e.g., pension funds, endowments) and **high net-worth individuals**.
- The typical lifespan of a PE fund is **10 years.**[1]

1) MedPAC. Chapter 3: Congressional request: Private equity and Medicare (June 2021 report). Available at: https://www.medpac.gov/wp-content/uploads/import_data/scrape_files/docs/default-source/default-document-library/jun21_ch3_medpac_report_to_congress_sec.pdf
2) Pitchbook. What is private equity and how does it work? Available at: https://pitchbook.com/blog/what-is-private-equity

Private Equity in Health Care

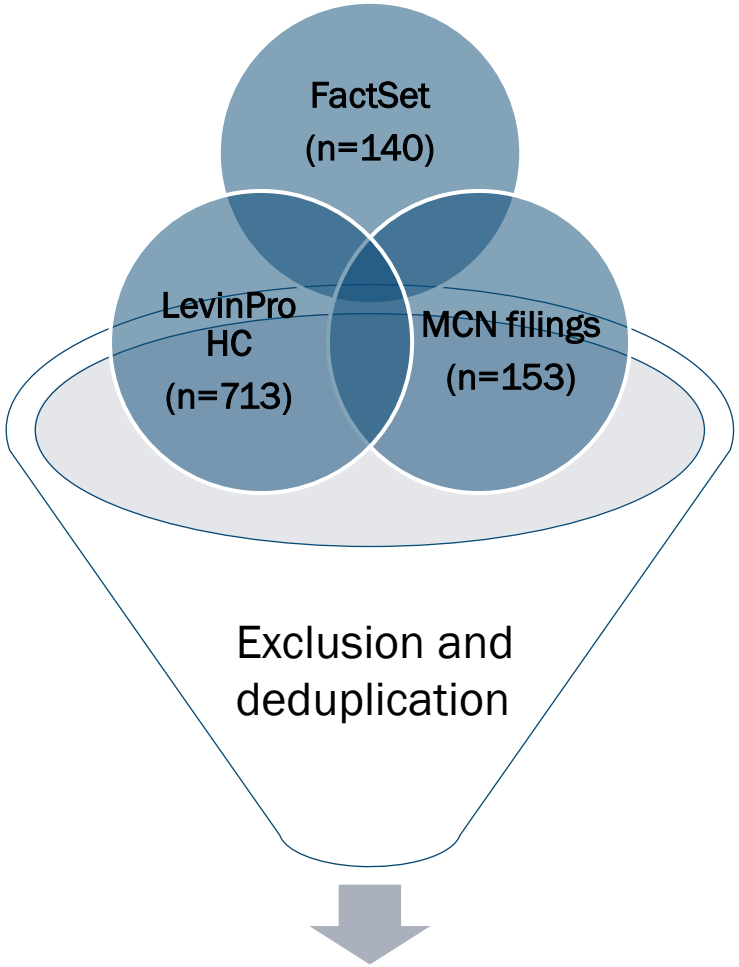
- What makes PE different from other for-profit health care entities, including venture capital investment:
  - **Rapid and high expected return on investments**, which are difficult to achieve through efficiency gains alone
  - PE firms pursue a variety of unique strategies that are anticompetitive and destabilizing to the health care market: **leveraged buyouts, sale-leaseback of real estate, debt-funded dividends, and roll-ups**[1]
  - PE firms benefit from **special tax privilege and operate under the regulatory radar**[2]
  - PE investors are "lay investors" who are not subject to professional or institutional norms keyed to the higher ethical goals of medical care"[3]
- PE investments in health care have increased substantially in recent years: **annual deal values have been estimated to grow from $41.5 billion in 2010 to $119.9 in 2019, totaling roughly $750 billion in the last decade**.[4]
- PE investments in nursing homes have been linked to higher spending, lower quality of care, and higher mortality rates. [5] In specialty care such as anesthesiology, dermatology, ophthalmology, and emergency care where PE has concentrated, PE acquisitions have been associated with higher prices and increased utilization.[6-8]

1) Private Equity Stakeholder Project. PESP Private Equity Hospital Tracker. Available at: https://pestakeholder.org/private-equity-hospital-tracker/
2) Cai C, Song Z. A Policy Framework for the Growing Influence of Private Equity in Health Care Delivery. JAMA. 2023 May 9;329(18):1545-6.
3) Fuse Brown EC, Hall MA. Private Equity and the Corporatization of Health Care. Stanford Law Review. 2024 Feb 28;76.
4) Scheffler R, Alexander L, Godwin J. Soaring private equity investment in the healthcare sector. Nicholas C. Petis Center on Health Care Markets and Consumer Welfare at UC Berkley. May 18, 2021. Available at: https://publichealth.berkeley.edu/wp-content/uploads/2021/05/Private-Equity-I-Healthcare-Report-FINAL.pdf
5) Gupta A et al. Owner Incentives and Perf. in Healthcare: Private Equity Investment in Nursing Homes. NBER W.P. No. 28474. August 2023; *see also* Braun R et al. Assoc. of Private Equity Investment in US Nursing Homes with the Quality and Cost of Care for Long-Stay Residents. 2 JAMA Health Forum 11 (Oct. 2021).
6) Singh Y, Song Z, Polsky D, Bruch JD, Zhu JM. Association of private equity acquisition of physician practices with changes in health care spending and utilization. JAMA Health Forum 2022 Sep 2 (Vol. 3, No. 9, pp. e222886-e222886).
7) Braun RT, Bond AM, Qian Y, Zhang M, Casalino LP. Private Equity In Dermatology: Effect On Price, Utilization, And Spending: Study examines the prevalence of private equity acquisitions and their impact on dermatology prices, spending, use, and volume of patients. Health Affairs. 2021 May 1;40(5):727-35.
8) La Forgia A, Bond AM, Braun RT, Yao LZ, Kjaer K, Zhang M, Casalino LP. Association of physician management companies and private equity investment with commercial health care prices paid to anesthesia practitioners. JAMA internal medicine. 2022 Apr 1;182(4):396-404.

Identifying Private Equity Investments in Massachusetts Health Care

- The HPC investigated the extent of **PE investments in Massachusetts health care** by analyzing provider mergers and acquisitions, including a focus by sector:
  - PE firms were defined as those that specialize in PE and any multi-strategy investment firms that operate PE funds.
- Data Sources: FactSet, LevinPro HC, HPC Material Change Notice filings, and public sources
- Data Years: 2013 – 2022
- Three types of PE acquisitions were included:
  - **Platform acquisitions**: PE firm directly acquires a platform company
  - **Add-on acquisitions**: PE firm uses a platform company it owns to acquire a company (also known as roll-up transactions)
  - **Growth investments**: PE firm makes a non-controlling investment into a company
- Transactions were categorized based on the business and location of the acquired provider (irrespective of where the acquirer is located)

Study Methods

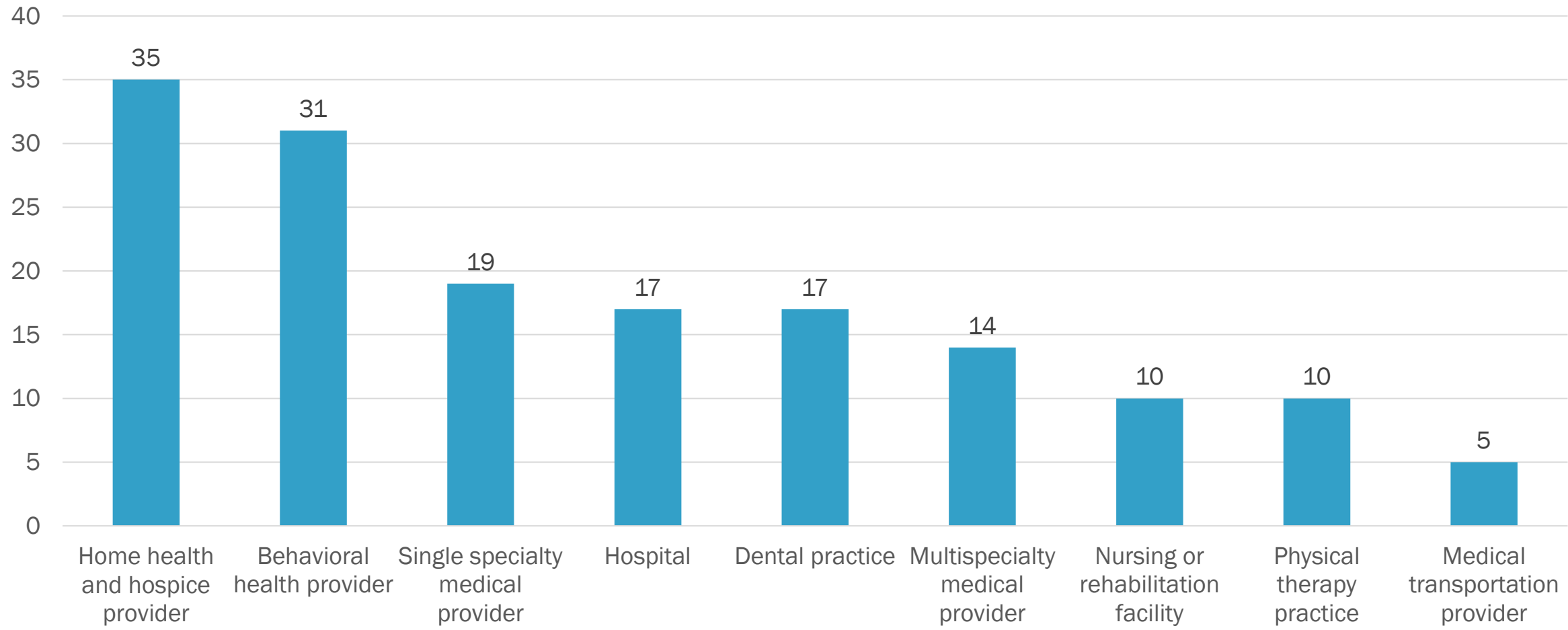


Unique transactions in the final sample: 158

- **Inclusions**: Health care provider mergers and acquisitions from 2013-2022
- **Exclusions:**
  - Cancelled or pending transactions
  - Transactions of entities that are not patient-facing (e.g., labs, device manufacturers, biotech)
  - Transactions of entities that may be patient-facing but operate largely outside of insurance (e.g., e-health, cannabis dispensary)
  - Partnerships for joint contracting or changes in clinical or contracting affiliations
  - Transactions between providers and payers
- Acquisitions of multiple entities announced together or which occurred on the same day were counted as one transaction

Home health and BH sectors saw the largest number of mergers and acquisitions from 2013 to 2022, including those with and without PE investment.

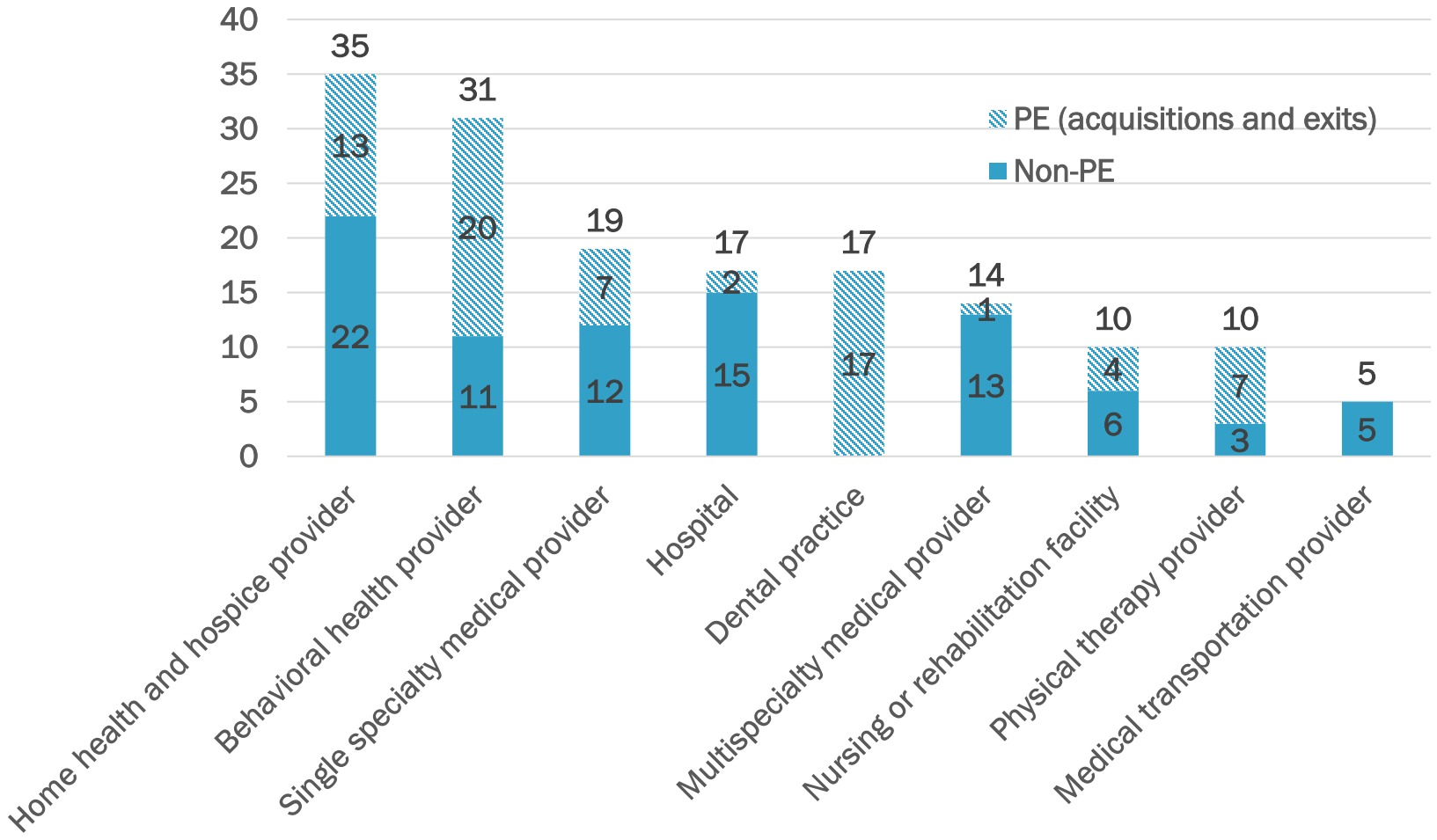
Number of health care provider transactions in Massachusetts, 2013-2022



Sources: HPC analysis of *FactSet financial data and analytics;* HPC Material Change Notice filings; *LevinPro HC*, Levin Associates, December 2023, levinassociates.com; and other publicly available information.

Private equity investments have been particularly active among BH providers, home health providers, and certain specialty providers.

Number of provider transactions by health care sector in Massachusetts, 2013-2022

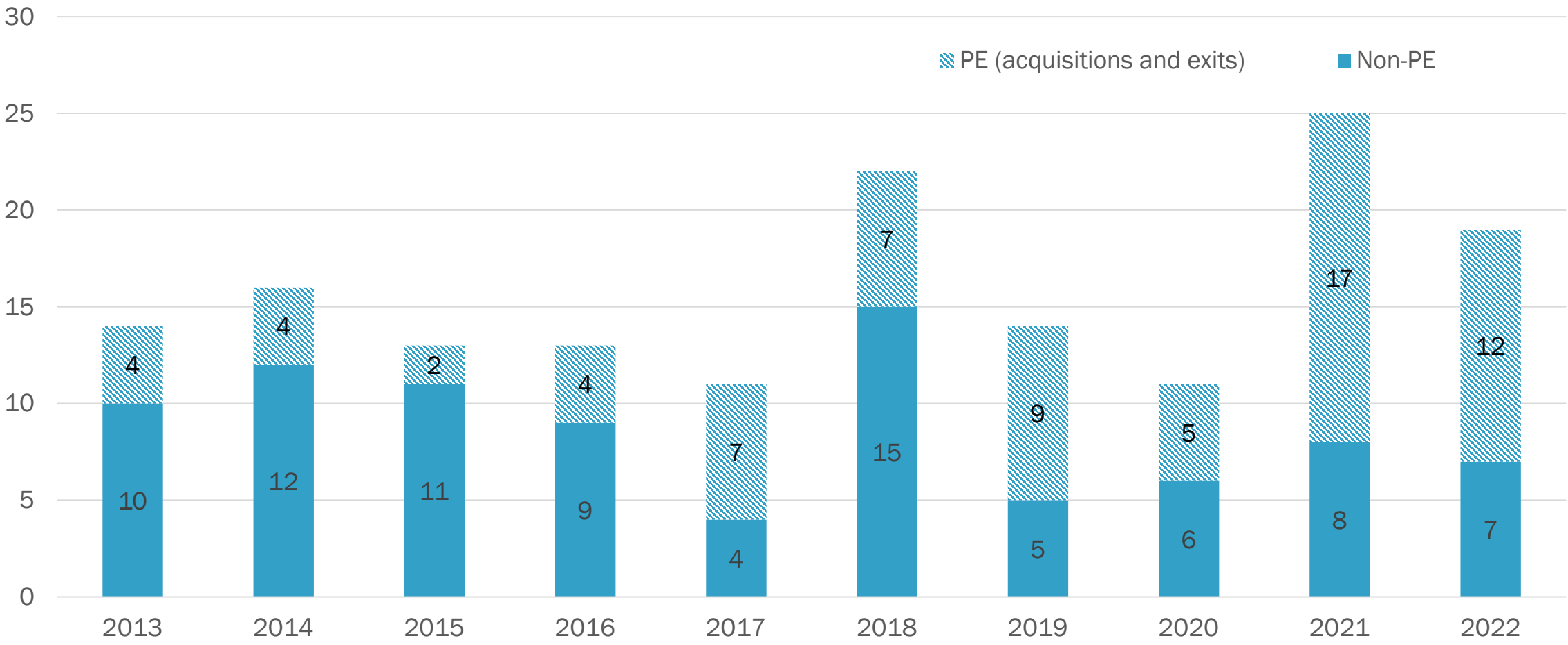


Sources: HPC analysis of *FactSet financial data and analytics;* HPC Material Change Notice filings; *LevinPro HC*, Levin Associates, December 2023, levinassociates.com; and other publicly available information.

- Of the 158 health care providers transactions in the HPC's analysis; 71 (45%) involved PE firms.
- Of these, 62 were PE acquisitions; 2 were PE exits. 7 were acquisitions *and* exits (i.e., PE firm selling to another PE firm)

Private equity investments in health care have accelerated in Massachusetts in recent years.

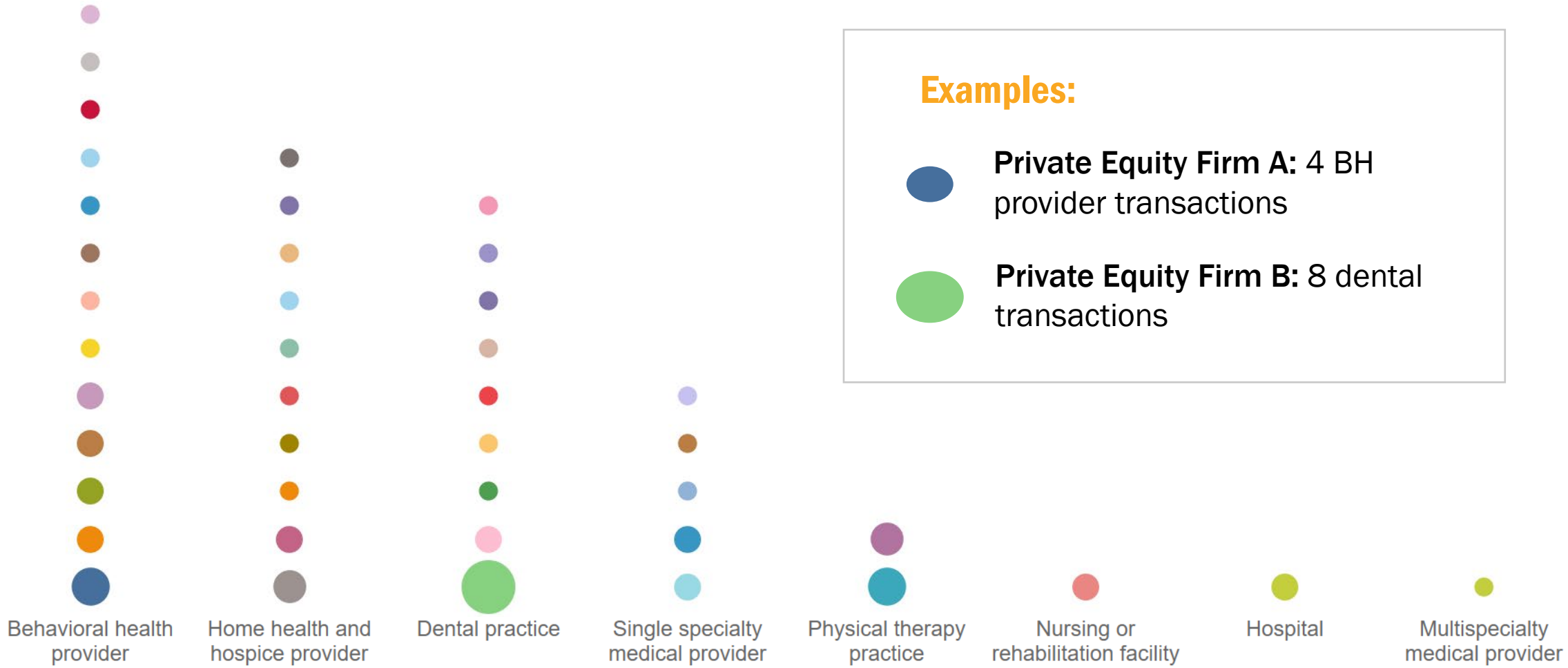
Number of health care provider transactions by year in Massachusetts, 2013-2022



Sources: HPC analysis of *FactSet financial data and analytics;* HPC Material Change Notice filings; *LevinPro HC*, Levin Associates, December 2023, levinassociates.com; and other publicly available information.

Many private equity transactions in Massachusetts have been one-offs, although there are some instances of the individual PE firms acquiring multiple practices in the same sector.

Private equity transactions by health care sector and acquiring private equity firm in Massachusetts, 2013-2022



Examples:

Private Equity Firm A: 4 BH provider transactions

Private Equity Firm B: 8 dental transactions

Notes: Each bubble represents a private equity firm that made acquisitions in a given sector. Bubble size is proportional to the number of acquisitions per private equity firm. Bubble color represents a distinct firm.
Sources: HPC analysis of *FactSet financial data and analytics;* HPC Material Change Notice filings; *LevinPro HC*, Levin Associates, December 2023, levinassociates.com; and other publicly available information.

Additional Detail on Private Equity Transactions in Select Sectors

BH Providers (20)

- 9 pediatric behavioral and developmental disorder provider transactions
- 7 substance use treatment and/or mental health provider transactions
- 2 transactions involving providers specializing in treating eating disorders
- 1 psychiatric hospital
- 1 transaction of provider that works with individuals with intellectual, developmental, physical or behavioral disabilities

Nursing and Rehabilitation Facility (4)

- 2 acquisitions of inpatient rehabilitation facilities
- 2 transactions were PE exits

Single Specialty Medical Provider (7)

- 4 ophthalmology provider transactions
- 2 orthopedics transactions
- 1 gastroenterology transaction

Sources: HPC analysis of *FactSet financial data and analytics;* HPC Material Change Notice filings; *LevinPro HC*, Levin Associates, December 2023, levinassociates.com; and other publicly available information.

Summary and Next Steps

Summary

- Consistent with national trends, private equity investments have accelerated in Massachusetts since 2020, in volume and as a share of all health care transactions.
- National literature indicates private equity acquisitions often result in higher prices and are also often associated with higher utilization and worse quality of care, although outcomes may vary by industry.
- There are opportunities to increase transparency of private equity investments and the impact of their financial strategies on the healthcare market.

Next Steps

- Future HPC meetings will focus on potential policy levers for strengthening oversight and enforcement.

Agenda

Call to Order

Approval of Minutes **(VOTE)**

Private Equity in Health Care

NOTICES OF MATERIAL CHANGE AND DETERMINATION OF NEED

Recap of 2023 Health Care Cost Trends Hearing

2023 Year in Review

Executive Director's Report

Executive Session **(VOTE)**

Since 2013, the HPC has reviewed 162 market changes.

TYPE OF TRANSACTION	NUMBER	FREQUENCY
Formation of a contracting entity	37	23%
Clinical affiliation	36	22%
Physician group merger, acquisition, or network affiliation	32	20%
Acute hospital merger, acquisition, or network affiliation	25	15%
Merger, acquisition, or network affiliation of other provider type (e.g., post-acute)	25	15%
Change in ownership or merger of corporately affiliated entities	6	4%
Affiliation between a provider and a carrier	1	1%

Elected Not to Proceed

The proposed acquisition of the outreach laboratory assets of **Tufts Medicine**, a Massachusetts nonprofit corporation which includes Tufts Medical Center, Lowell General Hospital, and MelroseWakefield Healthcare, by **the Laboratory Corporation of America Holdings (Labcorp)**, a publicly-traded multinational provider of laboratory services headquartered in North Carolina with several outreach laboratory locations in Eastern and Central Massachusetts.

The proposed acquisition of the non-clinical assets of **Greater Boston Urology**, a Massachusetts-based urology practice with seven locations, by **U.S. Urology Partners**, a management services organization that provides administrative and back-office services, including revenue cycle management, human resources support, and information technology support, to physician practices specializing in urology.

RECEIVED SINCE 9/13

The proposed clinical affiliation between **Tufts Medicine** and **Labcorp**, in which Labcorp would manage and staff the inpatient and outpatient hospital laboratories at Tufts Medical Center, Lowell General Hospital, and MelroseWakefield Hospital.

The proposed clinical affiliation between **Tufts Medicine** and **Sturdy Health** under which Tufts would staff Sturdy's pathology service of two FTE physicians and a part-time medical director.

Material Change Notices Currently Under Review

RECEIVED SINCE 9/13

- The proposed acquisition of **Amedisys**, a publicly-held, for-profit home health and hospice care company based in Louisiana that owns nineteen home health, hospice, or palliative care locations across Massachusetts, by **UnitedHealth Group**, a national diversified healthcare company.
- The proposed acquisition of certain outreach laboratory assets of **Baystate Medical Center** and establishment of a clinical laboratory by **Labcorp**.
- A proposal by **Beth Israel Lahey Health Performance Network,** the primary contracting entity for Beth Israel Lahey Health, to reorganize several of its legacy contracting entities: Northeast Health Systems Physician Hospital Organization, New England Community Medical Group, Winchester Physician Hospital Organization, and the Lower Merrimack Valley IPA.

Material Change Notices Currently Under Review

A proposed affiliation in which **Mount Auburn Cambridge Independent Practice Association (MACIPA)** would become a member of BIDCO Physician LLC, d/b/a **Physician Performance LLC**. MACIPA is a contracting organization for physicians affiliated with Mt. Auburn Hospital; Physician Performance LLC is a component of BILHPN that contracts on behalf of BILH-affiliated independent physician practices.

A proposed joint venture between **Greater Springfield Surgery Center, LLC**, which operates an ambulatory surgery center located in Springfield, and **Mercy Medical Center**, a community hospital also located in Springfield, owned by Trinity Health of New England. Through the joint venture, Mercy would acquire a majority ownership stake in the existing surgery center.

A proposed joint venture between **Atrius MSO, LLC**, the subsidiary of Optum Inc. that owns and provides management services to Atrius Health, and **Shields Imaging Services, LLC**, an affiliate of Shields HealthCare Group, to own and operate a new PET/CT service that would be licensed as a clinic co-located at an existing Shields site in Dedham.

A proposed clinical affiliation between **Dana-Farber Cancer Institute (DFCI)**, an acute care cancer hospital and research institute, **Beth Israel Deaconess Medical Center (BIDMC)**, and **Harvard Medical Faculty Physicians at BIDMC (HMFP)**, the employed physician group of BIDMC. The parties propose to collaborate to provide cancer care services, anchored by the joint construction of a new hospital facility for DFCI

DFCI-BIDMC-HMFP Affiliation Proposal and DoN Project Overview

- Dana-Farber Cancer Institute (DFCI) currently provides inpatient and outpatient services at its own licensed sites and at clinical affiliate sites statewide.
- DFCI's 30 inpatient beds are leased from Brigham and Women's Hospital (BWH) as part of a clinical affiliation of more than 25 years. DFCI physicians also provide medical oncology services to cancer inpatients at BWH.
- DFCI announced this year that it will end its clinical affiliation with BWH in 2028. It has proposed an alternative clinical affiliation with Beth Israel Deaconess Medical Center (BIDMC) and Harvard Medical Faculty Physicians at BIDMC (HMFP).
- The parties would construct a new facility adjacent to BIDMC at 1 Joslin Place, Boston, and collaborate to provide cancer services in the new facility and the greater Longwood medical area.
- The HPC is currently reviewing a notice of material change for the proposed clinical affiliation, including the proposed collaboration to construct the new facility. The Department of Public Health's Determination of Need (DoN) Program is assessing DFCI's application to construct the facility.

DFCI-BIDMC-HMFP Affiliation Proposal and DoN Project Overview

CONSTRUCTION OF NEW CANCER HOSPITAL

- **$1.67B** in construction cost
- **30 relocated** adult inpatient beds
- **270 new** adult inpatient beds
- **2 new** MRI units
- **2 new** CT units
- **1 new** PET-CT unit
- **2 new** CT simulators
- **3 new** linear accelerators (LINACs)

CLINICAL AFFILIATIONS AND JOINT VENTURE

- Medical Oncology/Infusion provided by DFCI
- Surgical Oncology provided by BIDMC/HMFP
- Radiation Oncology (professional services) provided by new DFCI/BIDMC/HMFP joint physician org
- Radiation Therapy (technical services) provided by new DFCI/BIDMC joint venture

Timeline for DoN Process and Interaction with HPC

The DoN program has not yet deemed the DFCI DoN application complete.

Application deemed "complete" and posted to DPH website

Within 30 days
DPH staff decide whether to require independent cost analysis (ICA)

At any time during review
Public hearing at DPH discretion. A public hearing is **required** if requested by HPC or other party of record

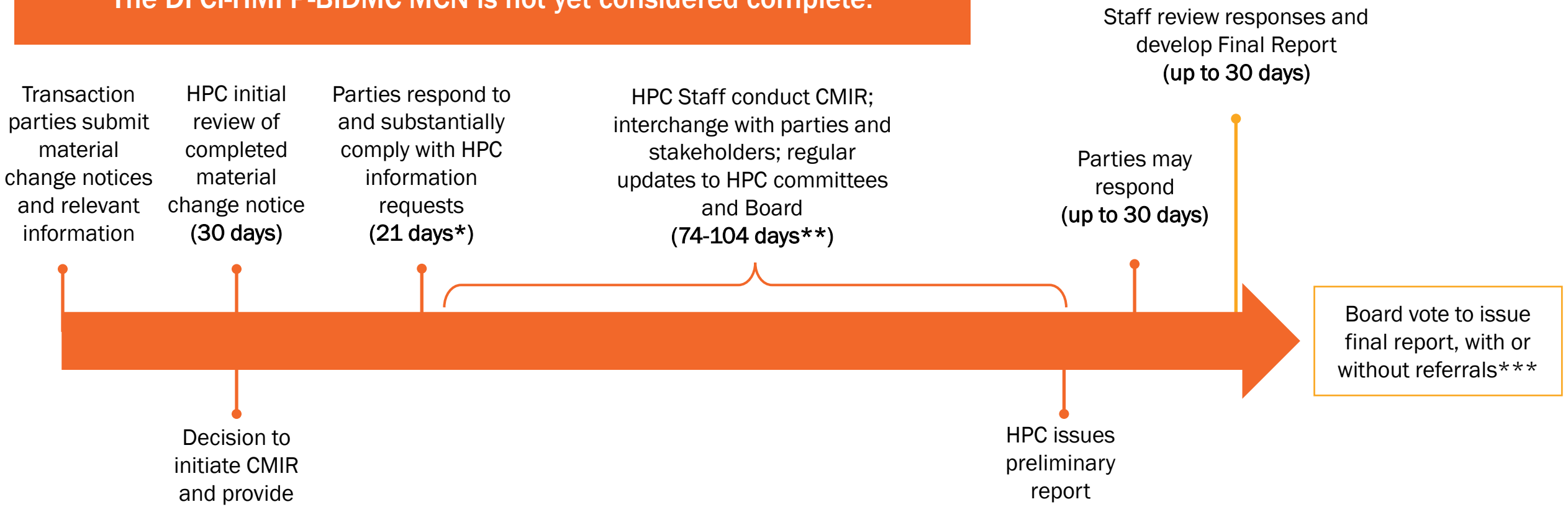
At least 30 days before PHC hearing staff report provided to HPC and other parties of record and posted to DPH website

PHC hearing to approve or reject application and staff report recommendations (4-month standard review + one-time 2-month extension + time required for ICA)

CMIR Interaction
A DoN is not effective until 30 days after a final CMIR report, and PHC may rescind or amend the DoN based on information in the CMIR as it relates to compliance with the DoN Factors.

Timelines for MCN/CMIR Review

The DFCI-HMFP-BIDMC MCN is not yet considered complete.



*The parties may request extensions to this timeline which may likewise affect the timing of the report
**Plus any time granted to parties for responses to information requests
***The parties must wait 30 days following the issuance of the final report to close the transaction

Agenda

Call to Order

Approval of Minutes **(VOTE)**

Private Equity in Health Care

Notices of Material Change and Determination of Need

RECAP OF 2023 HEALTH CARE COST TRENDS HEARING

2023 Year in Review

Executive Director's Report

Executive Session **(VOTE)**

Community Voices on Health Care Affordability and Equity

What I frequently hear from people is that they cannot afford the health care they need the most… For many in my community, because health care is so expensive, they would rather wait until the last minute to seek care and treatment, which as we know often leads to more expensive emergency care down the line.

–Pastor "Keke" Dieufort Fleurissaint, True Alliance Center

Getting access to care shouldn't be about luck. We have a moral obligation to address these racial inequities in health and our state has an opportunity to lead.

– Sheila Och, Lowell Community Health Center; Health Equity Compact

Advancing Policy Solutions to Achieve Health Care Affordability and Equity

The fact that you are putting equal weight to the equity conversation as you are to the affordability conversation just marks the incredible progress and the continued recognition that those two are inextricably linked.

–Juan Fernando Lopera, Beth Israel Lahey Health; Health Equity Compact

Opening and Keynote Remarks

The number one issue we're hearing from constituents is affordability. Everything is just too expensive, including the cost of health care.

-- Attorney General Andrea Campbell

Health care costs are rising, and I am here today to say that as an Administration, we are looking forward to partnering with the HPC and with the Legislature on steps we need to take to reduce health care costs across the state.

– Governor Maura Healey

Achieving Affordability and Health Equity for All: Witness Panels

The Role of Health Plans in Driving Affordability and Equity

Although it is a challenging rate negotiation environment, we have to stick to our conviction around increases that are as close to the benchmark as possible.

-- Cain Hayes, Point32Health; Health Equity Compact

Navigating the Changing Provider Landscape in Massachusetts

[The] biggest risk, threat, issue – to our company, but more broadly to health care across the Commonwealth – is the lack of enough primary care.

– Dr. Christopher Andreoli, Atrius Health

Charting a Path Forward on Affordability and Equity: The Perspective of Health System Leaders

There are people dying unnecessarily right now. For us to accept that is disturbing as a Commonwealth. Are we willing to do something disruptive and change the system [...] and do it with a sense of urgency?

-- Michael Curry, Massachusetts League of CHCs; Health Equity Compact

Agenda

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Private Equity in Health Care

Notices of Material Change and Determination of Need

Recap of 2023 Health Care Cost Trends Hearing

2023 YEAR IN REVIEW

Executive Director's Report

Executive Session **(VOTE)**

2023: BY THE NUMBERS ▶ Cost Trends Hearing

HPC

8th

Cost Trends Hearing held at Suffolk University Law School

1,700+

livestream views on YouTube

120

in-person attendees throughout the day

23

guest speakers and panelists

70 slides and **1** video presented

65

tweets with

7.1K

impressions

2023: BY THE NUMBERS ▶ Market Monitor

HPC

7
monitoring meetings with MGB for the PIP

3.6%
Health Care Cost Growth Benchmark for 2024

46
provider organizations in MA in RPO data released in 2023

14
Material Change Notices submitted and reviewed

294
health insurance external review requests

6
ACO/RBPO external review requests

986
open enrollment waiver requests

1,496
calls to the OPP hotline

2023: BY THE NUMBERS ▶ Partner

42

babies born through the BESIDE Investment Program

100+

total caregivers and substance-exposed newborns enrolled in C4SEN

38

patient surveys collected and 16 patient interviews conducted across BESIDE + C4SEN

14

applications for ACO LEAP 2024-25 Certification received/reviewed

92%

statewide fidelity to the Aligned Measure Set

11

L+D Outputs published

2023: BY THE NUMBERS ▶ Research and Reporting

2

legislatively mandated reports

Telehealth Use in the Commonwealth and Policy Recommendations
Health Care Workforce Trends and Challenges in the Era of COVID-19

3

special policy reports and data chartpacks

Consolidation and Closures in the Massachusetts Pediatric Health Care Market
Emergency Ground Ambulance Utilization and Payment Rates in Massachusetts Chartpack
Health Care Workforce Trends and Challenges in the Era of COVID-19

2

issues of DataPoints

Persistent Cost-Sharing for Contraception in MA
Shifts in Where People Get Flu Vaccines in MA

100+

data exhibits in the 2023 Cost Trends Report

2

episodes of *HPC Shorts*

Health Care Workforce Trends and Challenges in the Era of COVID-19
Excessive Pricing in the Massachusetts Health Care System

7 posters and **1** presentation at AcademyHealth's 2023 Annual Research Meeting (including Best Abstract overall!)

114

articles citing HPC research and activities

6

additional invited conference presentations

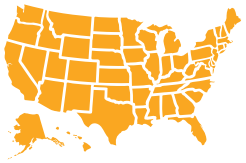
2023: BY THE NUMBERS ▶ Convener

1,170+
in-person and remote participants at the HPC special event, *Building a Robust Health Care Workforce*

19
public meetings convened by the HPC, totaling
+52 hours

1.7K+
views of the Cost Trends Hearing livestream

98K
tweet impressions on X



21
states collaborated with the MA- HPC on topics like drug pricing review and cost growth benchmark setting

10
ACO stakeholder engagement sessions on health equity requirements

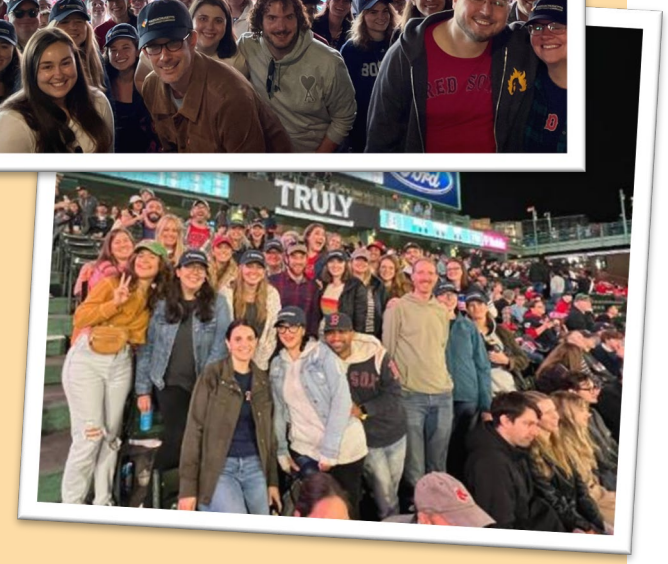
5
shared learning sessions with investment program awardees

9th
cohort of HPC summer fellows, consisting of 11 graduate students from 5 universities

HPC: Behind the Numbers

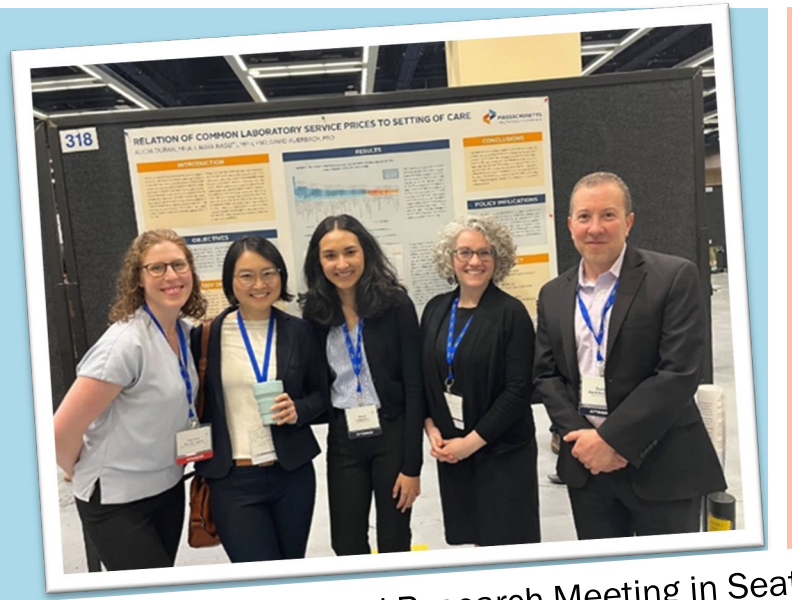
20+ HPC staff and summer fellows volunteered at Community Servings, which provides medical tailored meals to Commonwealth residents with critical and chronic illnesses.

The team behind the scenes at the 2023 Cost Trends Hearing.



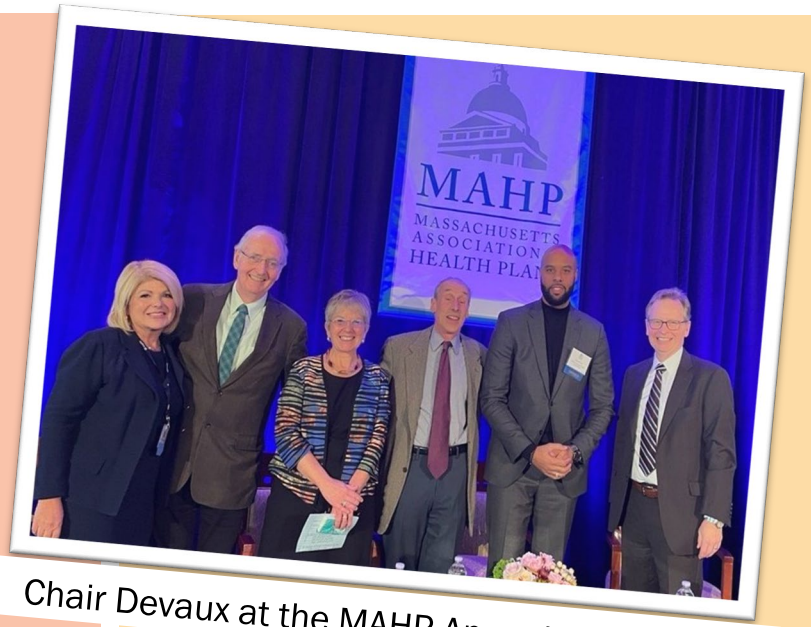
HPC staff attended the last home game of the season for the Red Sox at Fenway Park.

HPC: Behind the Numbers



AcademyHealth Annual Research Meeting in Seattle

NASHP Conference in Boston



Chair Devaux at the MAHP Annual Conference

David Seltz at the Health Equity Compact Trends Summit

David Seltz at the Greater Boston Chamber of Commerce

2023 HPC Action Plan

Bolster the HPC's Cost Containment Activities

Address Health Care Workforce Challenges and Identify Solutions

Advance Health Equity

Enhance Pharmaceutical Pricing Transparency and Accountability

Reduce Unnecessary Administrative Complexity

Key Accomplishments in 2023: Bolster the HPC's Cost Containment Activities

- Set the **2024 Health Care Cost Growth Benchmark** for calendar year 2024 at **3.6%**, following annual benchmark hearing.
- Monitored implementation of Mass General Brigham's **$176 million Performance Improvement Plan (PIP).**
- Reviewed **14 market transactions** for their impact on costs, quality, access/equity.
- Published a special policy report on **consolidation and closures** in the Massachusetts **pediatric health care market**.
- Analyzed health care spending growth in Massachusetts, including price and utilization trends, and identified **more than $3 billion in excess commercial spending** in the 2023 Annual Health Care Cost Trends Report.
- **Highlighted growing health care affordability challenges** at the 2023 Annual Cost Trends Hearing, including through the participation of community voices, and **initiated development of an affordability index** to complement the Benchmark.

Key Accomplishments in 2023: Address Health Care Workforce Challenges and Identify Solutions

- Issued a report and recommendations on **health care workforce trends and challenges in Massachusetts** and hosted a special event to discuss recommended solutions.
- Consulted with CHIA on enhanced data collection of workforce trends through a new **Massachusetts Healthcare Workforce survey** to examine staffing, turnover, and workforce diversity.
- Invested in innovative care models that **leverage non-traditional and complementary health care workers (e.g. doulas, recovery coaches, community health workers)**; featured doula caregivers at an HPC Committee meeting to discuss their experiences working in birthing hospitals.
- Initiated **research on workforce trends and dynamics in the primary care sector** for an upcoming report.
- Consulted with the **Nursing Council on Workforce Sustainability** on its recommendation to join the **Nurse Licensure Compact** which followed HPC's report and recommendation.

Key Accomplishments in 2023: Advance Health Equity

- Adopted new **equity-focused standards for HPC's ACO Certification** to improve health equity capabilities on data-driven interventions, patient engagement, and strategy.
- Partnered with a range of public/private organizations focused on health equity, including the **Health Equity Compact,** and supported inter-agency efforts within the Executive Office of Health and Human Services.
- Highlighted the **intersection between affordability and health equity** at the 2023 Health Care Cost Trends Hearing, including through the participation of community voices, and discussed the opportunity to develop health equity goals to complement the Health Care Cost Growth Benchmark.
- Issued recommendations, through the **Quality Measurement Alignment Task Force**, on data standards for collection of race, ethnicity, language, disability status, sexual orientation, gender identity, and sex.
- Explored opportunities to align new HPC investment opportunities with other state partners (e.g. AGO, EOHHS) to **reduce identified disparities or otherwise advance health equity**.
- Compiled a **comprehensive inventory of health care disparities** in Massachusetts for an upcoming report.

Key Accomplishments in 2023: Enhance Pharmaceutical Pricing Transparency and Accountability

- Issued **new research evaluating drug prices** for the highest spending drugs and examined price variation across payers in the U.S. and internationally.
- Released two **new DataPoints briefs** focused on:
  1. out-of-pocket costs for common contraceptive methods, including prescription oral contraception, and
  2. differences in access and spending related to cost of flu vaccines among residents.
- Coordinated with MassHealth on the **drug pricing review process** to support their supplemental rebate negotiations.
- Provided input and technical assistance to policymakers on **potential statutory changes to enhance oversight and accountability** of the pharmaceutical sector.

Key Accomplishments in 2023: Reduce Unnecessary Administrative Complexity

- Engaged with the **Network for Excellence in Health Innovation (NEHI)** and the **Mass Health Data Consortium (MHDC)** to define policy recommendations for implementing prior authorization automation.
- Estimated **provider and payer administrative costs** in the 2023 Health Care Cost Trends Report.
- Convened stakeholders across 4+ meetings, including at the 2023 Cost Trends Hearing, to **identify additional priority areas of unnecessary administrative complexity for streamlining, simplification, or standardization**.
- Continued to support ongoing development and management of the **aligned measure set**. Statewide fidelity to the measure set in 2023 reached **92%**, up from **85%** in 2022.

Agenda

Call to Order

Approval of Minutes **(VOTE)**

Private Equity in Health Care

Notices of Material Change and Determination of Need

Recap of 2023 Health Care Cost Trends Hearing

2023 Year in Review

EXECUTIVE DIRECTOR'S REPORT

- HPC Lease Renewal **(VOTE)**

Executive Session **(VOTE)**

HPC Publications

RECENTLY RELEASED

- **DataPoints:** Sites of Vaccine Administration (November)
- **HPC Shorts:** 2023 Cost Trends Report Chapter 3: Opportunities to Reduce Excess Spending – Prices (November)
- **Report:** Trends in the Pediatric Market in Massachusetts (September)
- **Health Care Innovation Spotlight:** Substance Exposed Newborns of Southeast MA Collaborative (August)
- **Profiles:** BESIDE Investment Program (July)
- **HPC Health Equity Practice and Style Guide** (July)
- **DataPoints:** Persistent Cost-sharing for Contraception in Massachusetts, 2017-2020 (May)

UPCOMING

- **Report**: 2023 Summer Fellowship Report
- **Evaluation Report**: SHIFT-Care Challenge – Addressing Health Related Social Needs and Behavioral Health Access
- **DataPoints**: Landscape of Ambulatory Surgical Centers in Massachusetts
- **Report:** Supply, Access, and Affordability – How Health System Factors Perpetuate Disparities

HPC Summer Fellowship Program

- In 2023, the HPC hosted 11 fellows from 5 universities across the country
- 10-week, paid fellowship opportunity for graduate students with an interest in health policy
- Summer Fellows work alongside colleagues on each HPC team to complete a standalone research project or other deliverable
- Applications for the 2024 Summer Fellowship Program will be accepted beginning **December 22**

Agenda

Call to Order

Approval of Minutes **(VOTE)**

Private Equity in Health Care

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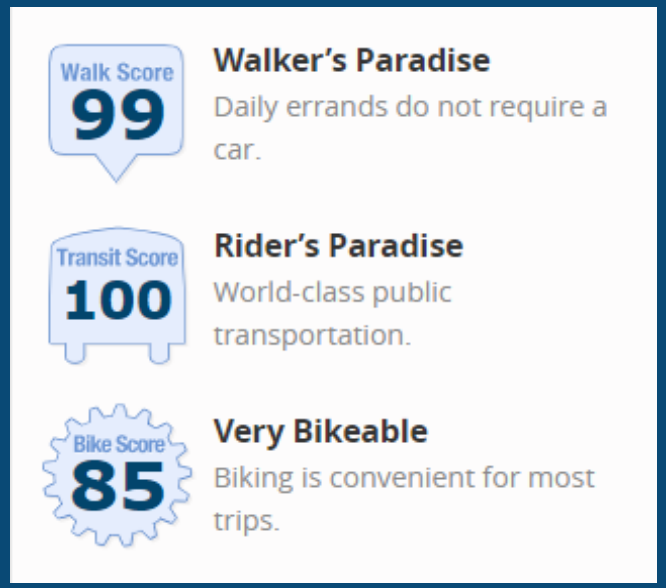
Executive Director's Report

HPC LEASE RENEWAL (VOTE)

Executive Session **(VOTE)**

Benefits of Rental at 50 Milk Street



Optimal Location. 50 Milk Street is close to MBTA subway and commuter rail stations and public parking garages and is walking distance to the State House and state agency partners.

Altman Conference Center. The Altman Conference Center was custom built for HPC public meetings with live-streaming capabilities and is available for use by other state agencies and external organizations.

- 2023 reservations include: the EOHHS Quality Measure Alignment Taskforce (QMAT), Department of Public Health (DPH), and MassHealth meetings, the Massachusetts Health Policy Forum, and Fellows from the Robert Wood Johnson Foundation

Staff Capacity. The office space was custom-built for HPC staff, with a combination of offices, cubicles, and collaborative spaces. Ample room for ~75 FTEs, and annual Summer Fellows.

Technology. During the pandemic, the HPC invested in upgraded audio-visual technology in all conference rooms for hybrid meetings.

Proposed Terms of New Lease

- **Proposed Lease Term:** 10.5 years, inclusive of 6 months of free rent.
  - Lease begins on December 14, 2024
  - Lease expires on June 14, 2035
- No increase in rent for first year, with modest annual increases thereafter.
- Generous allowance that HPC may apply to rent or office improvements.
- Rates per useable square foot that are very competitive based on market comparisons, as confirmed by the state's Department of Capital Asset Management and Maintenance (DCAMM).
- Same terms and conditions as current Lease, consistent with standard public agency terms.

VOTE

HPC Lease Renewal

MOTION

That, pursuant to G.L. c. 6D, § 3(d), the Executive Director is hereby authorized to execute a lease renewal for the Commission's office space at 50 Milk Street in Boston for a term of ten and one-half years, consistent with the proposal presented and subject to further agreement on terms deemed advisable by the Executive Director.

2024 Public Meeting Calendar – Now Available!

HPC

– JANUARY –

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– FEBRUARY –

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– MARCH –

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– APRIL –

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– MAY –

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– JUNE –

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– JULY –

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– AUGUST –

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– SEPTEMBER –

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– OCTOBER –

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– NOVEMBER –

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– DECEMBER –

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BOARD MEETINGS

Thursday, January 25
Thursday, April 11
Thursday, June 13
Thursday, July 18
Thursday, September 19
Thursday, December 12

COMMITTEE MEETINGS

Thursday, February 15
Thursday, May 9
Monday, July 15 (ANF)
Thursday, October 10

ADVISORY COUNCIL

Thursday, February 29
Thursday, June 27
Thursday, September 26
Thursday, December 5

SPECIAL EVENTS

Thursday, March 14 – Benchmark Hearing
Thursday, November 14 – Cost Trends Hearing

All meetings will be held virtually unless otherwise noted. This schedule is subject to change, and additional meetings and hearings may be added.

Agenda

Call to Order

Approval of Minutes **(VOTE)**

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Executive Director's Report

EXECUTIVE SESSION (VOTE)

VOTE

Enter Executive Session

MOTION

That, having first convened in open session at its December 13, 2023 board meeting and pursuant to M.G.L. c. 30A, § 21(a)(7), the Commission hereby approves going into executive session for the purpose of complying with M.G.L. c. 6D, § 10 and its associated regulation, 958 CMR 10.00, M.G.L. c. 6D, § 2A, and M.G.L. c. 12C, § 18, in discussions about whether to require performance improvement plans by entities confidentially identified to the Commission by the Center for Health Information and Analysis.