VOTE 1: MEETING MINUTES

Date of Meeting: July 18, 2024
Start Time: 12:00 PM
End Time: 1:35 PM

	Present?	Vote 1: Approval of Minutes (June 13, 2024)	Vote 2: FY 2025 HPC Operating Budget	Vote 3: Executive Session
Deborah Devaux*	X	X	X	M
Barbara Blakeney	X	X	X	X
Matilde Castiel	A	A	A	A
Martin Cohen	X	M	M	X
David Cutler	X	X	2nd	X
Timothy Foley	A	A	A	A
Patricia Houpt	X	2nd	X	X
Ron Mastrogiovanni	X	X	X	2nd
Alecia McGregor	A	A	A	A
Secretary Kate Walsh or Karen Tseng (Designee)	X	X	X	X
Secretary Matthew Gorzkowicz or Martha Kwasnik (Designee)	X	X	X	X
Summary	**9 Members Attended**	**Approved with 9 votes in the affirmative**	**Approved with 9 votes in the affirmative**	**Approved with 9 votes in the affirmative**

Presented below is a summary of the meeting, including time-keeping, attendance, and votes.

*Chairman

(M): Made motion; (2nd): Seconded motion; (ab): Abstained from Vote; (A): Absent from Meeting

Proceedings

An in-person meeting of the Health Policy Commission (HPC) was held on July 18, 2024 at 12 PM. Commissioners attended in-person at the HPC office (50 Milk St. 8th Floor). A recording of the meeting is available on the HPC's YouTube Channel. Meeting materials are available on the HPC website.

Participating commissioners who attended in-person were Ms. Deborah Devaux (Chair); Mr. Martin Cohen (Vice Chair); Ms. Barbara Blakeney; Dr. David Cutler; Ms. Patricia Houpt; Mr. Ron Mastrogiovanni; Ms. Karen Tseng, designee for Sec. Kate Walsh, Executive Office of Health and Human Services (EHS); and Ms. Martha Kwasnik, designee for Sec. Matthew Gorzkowicz, Executive Office of Administration and Finance (ANF).

Ms. Devaux began the meeting at 12 PM and welcomed the commissioners, staff, and members of the public attending in person and those viewing the meeting live on the HPC's YouTube channel.

ITEM 1: Approval of Minutes

Ms. Devaux turned the meeting over to Ms. Coleen Elstermeyer, Deputy Executive Director, to handle the roll call vote to approve the minutes from the June 13, 2024 Board meeting. Mr. Cohen made the motion to approve the minutes and Ms. Houpt seconded it. The vote was taken by a voice vote. The motion was approved.

ITEM 2: Market Oversight and Transparency

Notices of Material Change

Ms. Devaux turned to Mr. David Seltz, Executive Director to provide opening remarks and introduce the topic, he then turned to Ms. Kate Scarborough Mills, Senior Director, Market Oversight and Transparency, to provide an update on the notices of material change (MCNs) received since the last Board meeting and share a progress update on the Cost and Market Impact Review (CMIR) of the proposed clinical affiliation of Dana-Farber Cancer Institute (DFCI), Beth Israel Deaconess Medical Center (BIDMC), and Harvard Medical Faculty Physicians (HMFP). Ms. Mills also reviewed the four other MCNs currently underway, including the expected withdrawal of the proposed Stewardship-Optum MCN. For more information, see slides 7-13.

Steward Health Care

Ms. Mills provided an update on Steward Health Care, including an update on the proposed sale of Stewardship Health to OptumCare, which publicly disclosed that they would no longer pursue the acquisition of Stewardship Health. Ms. Mills also shared information regarding the sale and auction of Steward Health Care hospitals and the anticipated timeline of the bankruptcy process. For more information see slides 15-16.

Ms. Houpt asked if the HPC knew of any bids for the Steward Hospitals in Massachusetts. Ms. Mills responded that the agency does not have specific information about the bids other than Steward publicly announcing their evaluation of bids. Mr. Seltz commented that Steward had stated in a public filing with the bankruptcy court that the company was entertaining multiple bids on their hospitals in Massachusetts.

Ms. Blakeney asked with regard to Steward's physician group, Stewardship Health, if there was timeline or obligation for an entity, such as Optum Care, to either move forward with a proposed transition or withdraw the notice within a set time limit. Ms. Mills responded that there is not a formal time limit to withdraw the

notice of a proposed transaction, however if the HPC knows that a transaction is not moving forward and an extended amount of time passes, the agency does ask the relevant parties to withdraw the notices of the transaction. Ms. Mills noted that once the bid deadline passes for Stewardship Health, and if Optum is no longer a bidder, the agency could anticipate the notice being withdrawn, but at the time of the Board meeting nothing had been withdrawn from the HPC.

ITEM 3: Policy Brief: *Private Equity Investments in Massachusetts Health Care and State Policy Opportunities*

Mr. Seltz introduced the topic and turned to Ms. Yue Huang, Senior Manager, Research and Cost Trends to review the findings outlined in the HPC's upcoming policy brief, *Private Equity Investments in Massachusetts Health Care and State Policy Opportunities* which can be found on the HPC's website. For more information, see slides 18-25.

Ms. Blakeney asked if there was insight into if particular types of practices or specialty health care attract private equity investors into market. Ms. Huang responded that it is often dependent on the health care sector but a common characteristic found in HPC research is that private equity is often interested in areas of the health care sector that are more fragmented so there are more opportunities to consolidate, notably in physical therapy and the dental market, which is relatively fragmented. Ms. Huang said that another characteristic common for investment is where procedures are typically not covered by medical insurance, or they are elective procedures, such as dermatology, where there may be a significant number of patients who are self-pay. Additionally, in areas such as gastroenterology and ophthalmology there are a lot of opportunities to offer various procedures which may interest private equity and in other sectors of the health care system, such as hospitals and nursing homes, private equity may have different motivations, such as real estate ownership. Ms. Blakeney said that this is critical information for the HPC to keep track of so that more providers can be aware of what makes them vulnerable and more susceptible to private equity investment and allow for them to make informed decision-making in terms of new partnerships with other providers.

Mr. Mastrogiovanni commented on the point raised that over half of private equity exits from certain sectors of health care occurred within three years of initial investment, noting that is very successful from their perspective. He said that this is good news on this topic because when private equity acquires a firm or sector the objective is to get out within a certain period of time, but in order to do that a sector needs to appear attractive in order to be sold again. He said it would be worthwhile to examine the different actions taken to ensure sales within three years of investment, including examining the financials and the quality of care in a given sector.

Dr. Cutler commented on the complications within private equity investment, underscoring Mr. Mastrogiovanni's comments. He said that in some ways private equity is too broad of a description – for instance with Iora Health, which was created in Massachusetts under private equity, it was centered around creating a better practice of primary card and has since been sold and that the goal was not to have a quick return on investment but to provide better care. Dr. Culter also said that often with private equity today, a firm will buy into a local health care sector, raise the prices in that sector, and then exit that sector in a couple of years. He said that it is worth stressing that he does not want to prevent a better care model from being created through private equity investment but it's not reasonable that private equity can have such a disruptive impact in various health care sectors.

Mr. Mastrogiovanni said that with private equity, it is important to consider what business a private equity firm is in before getting involved in certain sectors, for example, if a real estate firm is buying in the nursing home sector or another sector of health care, and that a challenge is figuring out how that can be regulated. Dr. Cutler added a point about CMS regulations for nursing homes as mentioned in the presentation, stating that regulation is a neutral policy designed to outline how a nursing home should be operated and said that in some ways that may be better than trying to explicitly regulate a private equity owned nursing home. He stated that those regulations at least that lay out a minimum standard for operating those types of facilities.

Mr. Cohen said that when discussing private equity ownership there is also a discussion about access to capital. He noted that within the material change notices received by the HPC there are notices where hospitals have sold off assets, labs, imaging and other services to raise capital within the non-profit sector, including local community health centers that have been selling off their assets for capital. He said that this begs the question about where there is capital within the health care marketplace and how is it used, noting that this could be something to further research.

Ms. Devaux recapped some of the comments from commissioners noting areas for future research regarding private equity investment, including looking further at the types of investors entering specific industries and their results within that industry as well as examining where investments are going within specific sectors of health care and how the investments impact that sector. She provided an example that would be interesting to know how the bankruptcy process differs for companies with a private equity investor versus without private equity investment.

Mr. Seltz acknowledged the comments and recommendations for research opportunities made by the commissioners and thanked Dr. Cutler for his comments on Iora Health, noting that he thinks of the creation of Iora Health as a venture capital opportunity instead of considering it a private equity investment. He then provided an overview of the HPC's state policy opportunities related to private equity investments in health care.

Dr. Cutler asked if Mr. Seltz could identify the policy opportunities that the HPC could implement on its own and what policy opportunities would require legislative intervention. Mr. Seltz said the changes outlined in the presentation would require changes to the HPC's current rules and would require legislative intervention but many of the topics outlined in the policy opportunities are being considered by the legislature during this legislative session. He noted that the HPC is feeling optimistic about legislative intervention regarding private equity in health care.

Mr. Cohen asked if the threshold on the material change notices would also need to be changed by the legislature to include private equity transactions. Mr. Seltz stated that the HPC has some flexibility in terms of where the dollar amount is set for a notice of material change.

Ms. Houpt asked about the oversight of rollup acquisitions as referenced under the federal policy changes and asked if the HPC is keeping track of the entities that are filing repetitive material change notices, noting that a lot of the same payers and providers have come up in the MCN process, and if the agency is tracking the cumulative impact of these various transactions. She said that given community hospitals selling off their assets this is a local and national level issue. Mr. Seltz responded affirmatively that the HPC is longitudinally keeping track of the serial transactions that are reported to the agency especially with certain hospitals and health systems selling off their services and the HPC wants to track how much that market is changing. Ms. Huang also noted that within the context of federal policy there is specific dollar amount that requires a transaction above a certain dollar amount to be filed with the Federal Trade Commission (FTC) and if a transaction is below that value then it's not reported to them.

Dr. Cutler commented on the HPC's policy opportunities and said that without policy intervention to address the impacts of private equity investment within health care another possible option would be to set maximum limits to pricing for services to prevent the increased inaccessibility in certain sectors.

Ms. Tseng commented on the earlier points made about access to capital and said that something to consider with nonprofit operators is that when they assess future next steps and how to meet the needs of their communities, they are not necessarily going straight to these more complex financial approaches to get access to capital. She said that with the reality of health care operations, larger capital investments are sometimes needed and in both the U.S. and Massachusetts there have been creative, public-minded ways to finance capital improvements to the health care sector for the public good, such as community health centers. She said that using this model for nonprofit, community-based hospitals to access capital in a nonpredatory way would be valuable to include in the conversation.

ITEM 4: HPC Health Equity Lens in Action

Ms. Blakeney, Committee Chair, Care Delivery Transformation policy committee to introduce the topic. Ms. Blakeney turned to Ms. Hannah Kloomok, Chief of Staff, to provide an overview of the HPC's implementation of a health equity lens within all of the agency's workstreams. Ms. Kloomok ntroduced the HPC's new video highlighting the impact of the HPC's *Birth Equity and Support through the Inclusion of Doula Expertise (BESIDE)* Investment Program. The video can be found on the HPC's website. For more information, see slides 27-39.

Ms. Blakeney commented that she has been most impressed with the HPC's action of bringing equity and inclusion deeply into the workstreams of the agency. She said that "equity in everything" is a powerful claim that the HPC staff have successfully made possible through systematically bringing equity, equality and inclusion to the agency's processes. She said that she anticipates the work the agency will do moving forward will be increasingly strengthened since this framework has been systematically and institutionally included in the process and thanked the staff of the HPC for their work.

Ms. Tseng acknowledged the HPC and Executive Director Seltz for the agency's involvement in advancing health equity within state government and across Massachusetts. She expressed gratitude for the HPC's partnership with the state and the agency's efforts to advance equity within the maternal health care space and addressing the social drivers of health disparities within the state.

Ms. Kloomok acknowledged the Healey-Driscoll administration, EHS and the HPC's partners for their involvement and commitment to advancing the agency's equity agenda.

ITEM 5: Executive Director's Report

Ms. Devaux turned the meeting over to Ms. Elstermeyer to present agency updates in the Executive Director's report portion of the meeting. For more information, see slides 41-45.

ITEM 6: Fiscal Year 2025 HPC Operating Budget

Mr. Seltz reviewed the FY 2025 HPC operating budget for Commissioners to vote to approve. For more information, see slides 47-53.

Ms. Devaux commented on the HPC's budget process and the meeting of the HPC's Administration and Finance (ANF) Committee meeting to review and discuss the proposed operating budget for FY 2025, noting that the committee felt confident about the budget based on the discussion at the ANF meeting.

Mr. Mastrogiovanni commended the agency and staff for achieving great levels of productivity across the agency's workstreams with a flat budget over the last eight years.

Mr. Cohen said that during the ANF meeting there was some concern regarding the capacity of the HPC to handle the extensive amount of work that is anticipated over the next year and acknowledged commissioners needing to come back to together to discuss a different budget as needed and that there is a lot of work ahead for the HPC.

Dr. Cutler asked if in the budget currently being discussed by the legislature proposes any additional funding sources for the HPC such as pharma or PBMs. Ms. Elstermeyer responded that change was not being considered within the state budget but that the House and Senate have bills to included additional funding sources from other market participants that HPC regulates, but currently the assessment that funds the HPC is very narrow.

Ms. Devaux recapped the comments made by commissioners and acknowledged that the HPC's current workstreams are considered within the scope of the proposed budget but if any additional workstreams are given to the HPC through legislation this session, the Board would need to reconvene to discuss the new responsibilities and funding for the agency.

Mr. Cohen made the motion for the Board to accept the proposed operating budget and take a vote. Dr. Cutler seconded it. The vote was taken by a voice vote. The motion was approved.

ITEM 7: Executive Session

The Board took a roll call vote and voted unanimously to enter into a confidential executive session *(for purposes of discussing confidential information under MGL c. 6D, §10)* at 1:35 PM. The Board did not return to the public meeting.