



HPC Board Meeting

December 12, 2024



Call to Order

Approval of Minutes (**VOTE**)

Executive Session (**VOTE**)

Guest Presentation from the Office of the Attorney General: Findings from the AGO Cost Trends Report – Assistant Attorney General Lisa Gaulin and Assistant Attorney General Chloe Cable



HPC EVALUATION OF MASS GENERAL BRIGHAM'S PERFORMANCE IMPROVEMENT PLAN

Mass General Brigham's Performance Improvement Plan (**VOTE**)

Research Presentation: Behavioral Health Emergency Department Boarding in Massachusetts

Executive Director's Report

Adjourn

CHIA and the HPC share responsibility for monitoring performance against the health care cost growth benchmark.



Step 1: Benchmark

Each year, the process starts by setting the annual health care cost growth benchmark



Step 2: Data Collection

CHIA then collects data from payers on unadjusted and **health status adjusted total medical expense (HSA TME)** for their members, both network-wide and by primary care group.



Step 4: HPC Analysis

HPC conducts a confidential, but robust, review of each referred provider and payer's performance across **multiple factors**



Step 3: CHIA Referral

CHIA analyzes those data and as required by statute, confidentially refers to the HPC **payers** and **primary care providers** whose **increase in HSA TME** is above bright line thresholds (e.g. greater than the benchmark)



Step 5: Decision to Require a PIP

After reviewing all available information, including confidential information from payers and providers under review, the **HPC Board votes** to require a PIP if it identifies significant concerns and finds that a PIP could result in meaningful, cost-saving reforms. The entity's identity is public once a PIP is required.



Step 6: PIP Implementation

The payer or provider must propose the PIP and is subject to **ongoing monitoring** by the HPC during the **18-month implementation**. A fine of up to \$500,000 can be assessed as a last resort in certain circumstances.

REQUIRING A PIP

- ▶ The HPC may require any CHIA-identified Entity to file a PIP if, after a review of certain factors, the Commission **identifies significant concerns about the entity's costs** and **determines that a PIP could result in meaningful, cost-saving reforms.**
- ▶ The HPC shall base its determination on a review of the following factors:
 - a) Baseline spending and spending trends over time, including by service category;
 - b) Pricing patterns and trends over time;
 - c) Utilization patterns and trends over time;
 - d) Population(s) served, payer mix, product lines, and services provided;
 - e) Size and market share;
 - f) Financial condition, including administrative spending and cost structure;
 - g) Ongoing strategies or investments to improve efficiency or reduce spending growth over time;
 - h) Factors leading to increased costs that are outside the CHIA-identified Entity's control; and
 - i) Any other factors the Commission considers relevant.

Recap of HPC Rationale for Requiring a PIP from MGB

- MGB regularly had spending growth above the benchmark, with a cumulative spending impact of **\$293 million in above-benchmark unadjusted spending growth** for its commercially insured primary care patients from 2014 through 2019, more than any other Massachusetts provider or system
- MGB had higher absolute **spending levels** for its patients than most other systems, as well as higher hospital and physician prices than nearly all other providers in the Commonwealth
- **Price and mix** were the primary drivers of MGB's spending growth, rather than utilization; and
- Other factors considered (e.g., the acuity and payer mix of patients served, MGB's financial condition) did not mitigate concerns.

Recap of HPC Rationale for Requiring a PIP from MGB

- The Board voted to **require a Performance Improvement Plan from Mass General Brigham.**
- In reviewing MGB's long term spending trends and the regulatory factors¹, the HPC found that:
 - Spending performance for **MGB raised significant concerns** and had likely already impacted the state's ability to meet the health care cost growth benchmark.
 - Unless addressed, MGB's spending performance was likely to continue to **impact the state's ability to meet the benchmark.**
 - The information provided by MGB in meetings and in response to HPC's requests **did not allay the concerns** identified by the HPC in its analyses of MGB's performance.
- The HPC determined that a Performance Improvement Plan could result in **meaningful, cost-saving reforms.**

1. The Board examined a wide array of both public and confidential data sources during the PIPs review. In accordance with its statute, the HPC is only releasing confidential information in summary form or when it has determined that such disclosure should be made in the public interest after taking into account any privacy, trade secret or anticompetitive considerations.

PIP Proposals

Any proposed **PIP shall be developed by the entity** and shall include, among other required items:

- a) Identification of the cause(s) of the entity's cost growth
- b) Specific strategies, adjustments, and action steps the entity proposes to implement to improve health care spending performance without compromising quality of or access to needed services
- c) A proposed timetable for implementing each strategy, adjustment or action step, with an overall timetable for implementation of 18 months or less
- d) Specific identifiable and measurable expected outcomes, with a timetable for measurement, achievement, and reporting of such outcomes

PIP Approval

The HPC shall approve a proposed PIP by vote of the Board if it determines that the proposed PIP is **reasonably likely to successfully address the underlying cause(s) of the entity's cost growth** and has a reasonable expectation that the **entity will be capable of successfully implementing the proposed PIP.**

Overview of MGB's PIP



SAVINGS TARGET

- MGB's PIP set a total savings target of \$176.7 million over the 18-month period.
- MGB anchored its savings target to the financial impact of its cumulative above-benchmark spending growth for its primary care patient population from 2014-2019.

STRATEGIES

- MGB's PIP included 10 strategies organized into 3 categories (see table).
- MGB also described efforts to control costs through its value-based care strategy, but did not quantify savings associated with these efforts.
- The majority of the target savings (\$125M, 70%) were associated with four Price Reductions strategies, which targeted MGB's commercial prices, consistent with HPC's identification of price, rather than utilization, as the primary driver of MGB's spending growth.
- The PIP was expected to generate savings not only for MGB's primary care population, but also for other health care systems' primary care population and total health care expenditures generally.

Strategy	Total Savings Target (\$M)
Price Reductions	
Reducing Outpatient Rates	\$86.8
Mass General Waltham Rates	\$19.2
Reducing ConnectorCare Rates	\$17.9
Other Insurance Discount	\$1.5
Reducing Utilization	
Integrated Care Management Program	\$23.0
SNF Utilization Reduction	\$13.4
MGB Health Plan Utilization Management	\$1.5
MRI and CT Utilization	\$6.5
Shifting Care to Lower Cost Sites	
Home Hospital	\$1.9
Virtual Care Discount	\$5.1
Total	\$176.7

TIMING

- The full 18-month PIP implementation period ran from October 2022 through March 2024.
- Five strategies either began immediately on October 1, 2022 or had start dates that pre-dated the PIP implementation period, but which were continued or expanded during the PIP.
- Several strategies were designated to start on January 1, 2023, to align with payer contract cycles.
- Though some of its strategies pre-dated the PIP, MGB's savings methodologies only account for savings generated during the implementation period.

Strategy	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024
Price Reductions						
Reducing Outpatient Rates	*					
Mass General Waltham Rates						
Reducing ConnectorCare Rates	*					
Other Insurance Discount						
Reducing Utilization						
Integrated Care Management Program						
SNF Utilization Reduction						
MGB Health Plan Utilization						
MRI and CT Utilization	*					
Shifting Care to Lower Cost Sites						
Home Hospital	*					
Virtual Care Discount						

Note: Quarters in blue are those in which at least one sub-component of the strategy was operational, even if not all components were operational. Stars indicate that at least one sub-component of the strategy was initiated prior to the PIP Implementation Period. MGB's integrated care management program pre-dates the PIP implementation period, but MGB expanded the program capacity and began increasing its enrollment numbers on October 1, 2022.

MGB's Reported Savings



- Based on its methodology for calculating savings, MGB reported saving a total of \$197.1M, exceeding its target by more than \$20M, or 12%.
- MGB noted that the Price Reductions and Reducing Utilization categories both outperformed expectations. According to MGB:
 - **Price Reductions:** *“Results were driven by reductions in rates for On-Campus Outpatient procedures and services, MG West procedures and services, and MGB pricing on MGB Health Plan Connector Care products.”*
 - **Reducing Utilization:** *“Results were driven by strong performance in MRI and CT utilization management along with on-target performance for expansion of the Integrated Care Management Program (iCMP) and new utilization management interventions by MGB Health Plan.”*
 - **Shifting Care to Lower Cost Sites:** *“Savings were driven by increasing discounts on the price for virtual care visits with MGB specialist care providers. [T]he Hospital at Home program ...fell short of the target due to staffing challenges, but we continue to see strong momentum in this innovative solution.”*

Strategy	Total Savings Target (\$M)	Total Savings (\$M)
Price Reductions		
Reducing Outpatient Rates	\$86.8	\$85.3
Mass General Waltham Rates	\$19.2	\$24.8
Reducing ConnectorCare Rates	\$17.9	\$29.5
Other Insurance Discount	\$1.5	\$3.3
Reducing Utilization		
Integrated Care Management Program	\$23.0	\$24.9
SNF Utilization Reduction	\$13.4	\$7.3
MGB Health Plan Utilization Management	\$1.5	\$1.5
MRI and CT Utilization	\$6.5	\$14.4
Shifting Care to Lower Cost Sites		
Home Hospital	\$1.9	\$0.9
Virtual Care Discount	\$5.1	\$5.4
Total	\$176.7	\$197.1

PIP Evaluation

The HPC shall **determine whether the PIP was successful by vote of the Board**. The HPC may consider the following factors when determining whether a PIP was successful:

1. Whether and to what extent the entity has addressed significant concerns about its costs, i.e., by achieving the target outcomes as specified in the PIP, in accordance with the Commonwealth's policy goals, including those concerning the cost, quality and accessibility of care;
2. Whether the entity has fully implemented, in good faith, the strategies, adjustments and action steps of the PIP;
3. The sustainability of the efficiencies and cost savings of the PIP;
4. The impact of events outside of the entity's control on implementation or cost growth; and
5. Other factors the Commission determines to be relevant.

A

ACHIEVING TARGET OUTCOMES

To what extent did MGB implement its strategies in good faith and achieve the target savings specified in the PIP?

B

SPENDING AND PRICING DURING THE PIP

To what extent did MGB address significant concerns about its costs, i.e., by impacting its spending and pricing during the PIP?

C

SUSTAINABILITY

To what extent are the strategies and savings from the PIP likely to be sustained?

ACHIEVING TARGET OUTCOMES

Finding A.1: MGB implemented the strategies in its approved PIP in good faith.

Finding A.2: MGB achieved the savings target set forth in its approved PIP.

SPENDING AND PRICING DURING THE PIP

Finding B.1: During the PIP, MGB's spending growth was meaningfully reduced. Though MGB's spending growth with local commercial payers exceeded the benchmark in 2023 based on preliminary TME data, its growth was less than network average growth during this time period. MGB's overall spending growth likely would have exceeded network average growth if its spending were increased by the magnitude of the estimated PIP savings.

Finding B.2: During the PIP, MGB's pricing was likely modestly reduced relative to the market. HPC analysis indicates that MGB's contracted rate changes during the PIP likely slightly reduced its prices relative to the average with each of the local commercial payers, consistent with MGB's stated goal of decreasing price variation.

SUSTAINABILITY

Finding C.1: MGB has stated that it will continue implementing several of its strategies after the PIP.

Finding C.2: MGB's rate increases in recently finalized agreements suggest that MGB is not recouping the savings generated under the PIP Price Reductions strategies in current payer contracts.

Finding C.3: Other factors that MGB identified as evidence of the sustainability of the PIP have not previously been shown to be sufficient to constrain MGB's spending growth. Given the role of pricing in driving MGB's historically high spending growth, the long-term sustainability of the PIP savings will depend on MGB maintaining a commitment to keep pricing at levels consistent with compliance with the benchmark, including in value-based care arrangements..

Finding A.1

MGB implemented the strategies in its approved PIP in good faith.

- Despite the ongoing challenges that the health care system has faced in recent years, MGB worked collaboratively with HPC throughout the PIP process, showing a good faith commitment to the process and its implementation of the PIP.
- When implementation challenges arose, MGB transparently identified and, to the extent possible, addressed these challenges.
- MGB made a commitment to the HPC early in the PIP implementation period that it would achieve its total savings target, even if it did not achieve its target savings for each individual strategy.



Finding A.2

MGB achieved the savings target set forth in its approved PIP.

- The HPC carefully reviewed MGB's savings methodologies and calculations, and MGB made some adjustments to its calculations based on HPC feedback.
- The HPC found MGB's final savings methodologies and estimates to be generally reasonable. Savings associated with addressing MGB's prices with commercial insurers had the most impact.
- The HPC notes that certain ancillary impacts could not be accounted for and that a portion of the reported PIP savings was returned to MGB as revenue through shared savings payments pursuant to MGB's value-based care arrangements with local payers.
- Overall, the scope of savings achieved was consistent with the expectations in MGB's approved PIP. The HPC therefore finds that MGB met its PIP savings target.

Finding B.1

During the PIP, MGB's spending growth was meaningfully reduced.

- The HPC reviewed MGB’s spending trends in the context of the significant strain that has faced the health care system in recent years.
- Based on preliminary TME data, spending growth for MGB’s largest physician group, Partners Community Physicians Organization, generally exceeded the benchmark between 2022 and 2023.
- However, when compared to average spending growth during this time, MGB’s spending growth was generally below that average. These trends differ from MGB’s unadjusted spending trends prior to the PIP, when MGB’s growth was at or above the network average with three of the four payers.
- The HPC estimates that if PIP savings were added to MGB’s 2023 TME spending with local commercial payers its 2023 spending growth would have exceeded network average trends for three of the four local payers evaluated.

Commercial Spending Growth (Preliminary TME):		
Payer	MGB Compared to Network Average: 2022 - 2023	
	HSA TME	Unadjusted TME
Payer 1	-0.5 pts	-0.6 pts
Payer 2	-0.3 pts	-0.1 pts
Payer 3	-3.2 pts	-5.7 pts
Payer 4	-1.8 pts	-2.3 pts

Finding B.1

During the PIP, MGB's spending growth was meaningfully reduced.

- The HPC also examined MGB’s outpatient spending trends, which should have been notably impacted by MGB’s Reducing Outpatient Rates and Mass General Waltham Rates strategies.
- MGB’s 2022-2023 outpatient spending growth was high, tracking statewide commercial trends, but was generally growing more slowly than each payer’s network average from 2022 to 2023.
- This was an improvement from MGB’s historical performance; its annualized outpatient TME growth from 2013-2022 had been higher than the network average outpatient growth with each of the local commercial payers.

Outpatient Spending Growth (Preliminary TME)		
Payer	MGB Compared to Network Average	
	2013-2022 Annualized	2022-2023
Payer 1	+2.0 pts	-0.7 pts
Payer 2	+4.6 pts	-1.6 pts
Payer 3	+1.6 pts	-5.8 pts
Payer 4	+0.1 pts	-2.1 pts

Finding B.2

During the PIP, MGB's pricing was likely modestly reduced relative to the market.

- In its approved PIP, MGB stated that one of its goals for future contract negotiations with local commercial payers was “to decrease price variation between MGB and the marketplace.”
- The HPC’s estimated MGB’s system-level pricing with local commercial payers compared to average in 2022, finding that MGB’s system pricing was:
 - Between 9% and 35% above average on an inpatient basis; and
 - Between 14% below and 35% above average on an outpatient basis.
- After taking into account 2023 and 2024 rate increases for MGB and other provider systems, the HPC estimates that MGB’s price differential decreased modestly by 2024, resulting in estimated prices for MGB that are:
 - Between 5% and 28% above average on an inpatient basis; and
 - Between 17% below and 30% above average on an outpatient basis.
- The HPC therefore finds that MGB’s contracted rate changes during the PIP likely slightly reduced its prices relative to the average with each of the local commercial payers, consistent with MGB’s stated goal of decreasing price variation.

Finding C.1

MGB has stated that it will continue implementing several of its strategies after the PIP.

- Within the context of the PIP, MGB has made specific statements regarding the continuity of some of its PIP strategies, including that:
 - The MG West facility will continue to receive community hospital rates, rather than AMC rates, with local commercial payers; and
 - MGB intends to continue strengthening its SNF strategy after the implementation period.
- Outside the context of the PIP, MGB has made public statements that signal its intention to continue implementing some strategies. For example:
 - MGB announced the attainment of a new “capacity milestone” in its Home Hospital program in August 2024, several months after the close of the PIP implementation period. Since the beginning of the PIP implementation period, MGB has expanded its Home Hospital program from BWH and MGH to include Newton-Wellesley Hospital, Salem Hospital, and Brigham and Women’s Faulkner Hospital.
- A few of MGB’s strategies, such as the iCMP, pre-dated the PIP, and can therefore be credibly viewed as existing parts of MGB’s cost containment portfolio that are likely to continue.

Finding C.2

MGB's rate increases in recently finalized agreements suggest that MGB is not recouping the savings generated under the PIP Price Reductions strategies in current payer contracts.

- The HPC considers MGB's strategies targeting its commercial prices to be of particular importance to the overall success of the PIP, not only because they constitute more than 70% of MGB's total claimed savings, but also because the HPC had identified price as a key spending driver for MGB.
- In its approved PIP, MGB stated that it would not recoup the savings generated from its pricing actions during the PIP via future rate increases.
- The HPC examined MGB's 2024 and 2025 aggregate price increases with local commercial payers compared to the health care cost growth benchmark, MGB's historical increases, and the payer's network average increase for each year, when available.
- Evidence reviewed by the HPC regarding MGB's rates in recently finalized agreements with local commercial payers suggests that it is unlikely MGB recouped the revenue it forewent during the PIP through higher rate increases than it would have sought otherwise.

Finding C.3

Other factors that MGB identified as evidence of the sustainability of the PIP have not previously been shown to be sufficient to constrain MGB's spending growth.

- MGB's final public report on the PIP includes a commitment to short-term and long-term sustainability. MGB cites specific examples of this commitment, such as its use of benchmark data from CHIA, its use of multi-year payer contracts that extend beyond the PIP period, and its participation in value-based care arrangements with payers.
- The HPC notes that most of the factors that MGB cites were in place prior to the requirement that it implement a PIP and were insufficient constraints to prevent MGB from having high unadjusted TME growth across multiple books of business and multiple years, leading to the HPC's decision to require a PIP.
- Ultimately, given the role of pricing in driving MGB's historically high spending growth, the long-term sustainability of the PIP savings will depend on MGB maintaining a commitment to keep pricing at levels consistent with compliance with the benchmark, including in value-based care arrangements.

A

ACHIEVING TARGET OUTCOMES

Finding A.1: MGB implemented the strategies in its approved PIP in good faith.

Finding A.2: MGB achieved the savings target set forth in its approved PIP.

B

SPENDING AND PRICING DURING THE PIP

Finding B.1: During the PIP, MGB's spending growth was meaningfully reduced.

Finding B.2: During the PIP, MGB's pricing was likely modestly reduced relative to the market.

C

SUSTAINABILITY

Finding C.1: MGB has stated that it will continue implementing several of its strategies after the PIP.

Finding C.2: MGB's rate increases in recently finalized agreements suggest that MGB is not recouping the savings generated under the PIP Price Reductions strategies in current payer contracts.

Finding C.3: Other factors that MGB identified as evidence of the sustainability of the PIP have not previously been shown to be sufficient to constrain MGB's spending growth.

PIP Evaluation

- The HPC shall **determine whether the PIP was successful by vote of the Board**. The HPC may consider the following factors when determining whether a PIP was successful:
 - a) To what extent the entity addressed significant concerns about its costs, i.e., by achieving the target outcomes as specified in the PIP;
 - b) Whether the entity fully implemented, in good faith, the strategies of the PIP;
 - c) The sustainability of the efficiencies and cost savings of the PIP;
 - d) The impact of events outside of the entity's control on implementation or cost growth; and
 - e) Other factors the Commission determines to be relevant.

- **If the HPC finds the PIP to be unsuccessful**, the HPC may:
 - a) Extend the implementation timetable of the PIP and request amendments to the PIP;
 - b) Require the entity to submit a new PIP; or
 - c) Waive or delay the requirement to file any additional PIP.