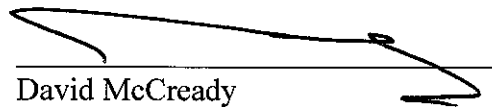


Attestation
Southcoast Hospitals Group, Inc.

I, David McCready, being the duly authorized President and CEO of Southcoast Health System (the "Company"), having been duly sworn, do hereby attest that I am legally authorized and empowered to represent the Company for the purposes of the foregoing testimony, and that the foregoing testimony is provided under the pains and penalties of perjury and is true and accurate to the best of my knowledge and belief.

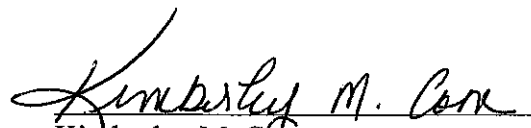
IN WITNESS WHEREOF, I have hereunto set my hand as President and CEO of the Company this 31st of October 2024.



David McCready
President and CEO
Southcoast Health System

COMMONWEALTH OF MASSACHUSETTS): ss New Bedford
COUNTY OF BRISTOL)

The foregoing attestation was acknowledged before me this 31st day of October 2024 by David McCready, as President and CEO of Southcoast Health System as his free act and deed.



Kimberley M. Coon
NOTARY PUBLIC

My Commission Expires: 3/17/28



Kimberly M. Coon
NOTARY PUBLIC
Commonwealth of
Massachusetts
My Commission Expires
3/17/2028

2024 Pre-Filed Testimony PROVIDERS



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

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

INSTRUCTIONS FOR WRITTEN TESTIMONY

If you are receiving this, you are hereby required under M.G.L. c. 6D, § 8 to submit written pre-filed testimony for the [2024 Annual Health Care Cost Trends Hearing](#).

On or before the close of business on **Monday, November 4, 2024**, please electronically submit testimony as a Word document to: HPC-Testimony@mass.gov. Please complete relevant responses to the questions posed in the provided template. If necessary, you may include additional supporting testimony or documentation in an appendix. Please submit any data tables included in your response in Microsoft Excel or Access format.

We encourage you to refer to and build upon your organization's pre-filed testimony responses from 2013 to 2023, if applicable. If a question is not applicable to your organization, please indicate that in your response.

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

You are receiving questions from both the HPC and the Office of the Attorney General (AGO). If you have any difficulty with the templates or have any other questions regarding the pre-filed testimony process or the questions, please contact either HPC or AGO staff at the information below.

HPC CONTACT INFORMATION

For any inquiries regarding HPC questions, please contact:
General Counsel Lois Johnson at
HPC-Testimony@mass.gov or
lois.johnson@mass.gov.

AGO CONTACT INFORMATION

For any inquiries regarding AGO questions, please contact:
Assistant Attorney General Sandra Wolitzky at sandra.wolitzky@mass.gov
or (617) 963-2021.

THE 2024 HEALTH CARE COST TRENDS HEARING: PRE-FILED TESTIMONY

The Massachusetts Health Policy Commission (HPC), along with Office of the Attorney General (AGO), holds the Health Care Cost Trends Hearing each year to examine the drivers of health care costs and consider the challenges and opportunities for improving the Massachusetts health care system.

The 2024 Health Care Cost Trends Hearing will take place in a period of significant upheaval and reflection for the Commonwealth's health care system. The bankruptcy and dissolution of Steward Health Care, previously the third largest hospital system in Massachusetts, led to substantial disruptions to the state's health care market and has taken a significant toll on communities, patients, provider organizations, and health care workers across the region. This market instability is occurring while many providers across the health care continuum are still struggling to adapt to a post-pandemic "new normal" state, wrestling with capacity constraints, financial volatility, administrative burdens, and workforce recruitment and retention challenges.

At the same time, an increasing number of Massachusetts residents are struggling with health care affordability and medical debt. Massachusetts has the second highest family health insurance premiums in the country. The average annual cost of health care for a family exceeds \$29,000 (including out of pocket spending). Recently, more than half of residents surveyed cited the cost of health care as the most important health care issue, far surpassing those that identified access or quality. Due to high costs, 40 percent of survey respondents said they are putting off seeing a doctor or going to a hospital. These affordability challenges are disproportionately borne by populations of color, and those in Massachusetts with less resources, contributing to widening disparities in access to care and health outcomes. The annual cost of inequities experienced by populations of color in Massachusetts is estimated to exceed \$5.9 billion and is growing every year. These challenges require bold action to move the health care system from the status quo to a new trajectory.

This year, in the wake of the considerable harm caused by the bankruptcy of Steward Health Care and other recent market disruptions, the HPC is focusing the 2024 Cost Trends Hearing on moving forward, from crisis to stability, and building a health care system that is more affordable, accessible, and equitable for all residents of Massachusetts.

The pre-filed written testimony affords the HPC and the AGO, on behalf of the public, an opportunity to engage with a broad range of Massachusetts health care market participants. In addition to pre-filed written testimony, the annual public hearing features in-person testimony from leading health care industry executives, stakeholders, and consumers, with questions posed by the HPC's Board of Commissioners about the state's performance under the [Health Care Cost Growth Benchmark](#) and the status of public and industry-led health care policy reform efforts.

QUESTIONS FROM THE HEALTH POLICY COMMISSION

1. Reflecting on the health care market disruptions in Massachusetts in recent years, including the bankruptcy of Steward Health Care and related closures, what have been the most significant impacts of these disruptions on the patients and communities your organization serves, particularly with regard to equitable and affordable access to care? What have been the most significant implications for your organization and workforce?

Southcoast Health is a not-for-profit, high-public-pay, community health system serving Southeastern Massachusetts and Rhode Island. In addition to three acute care hospital campuses – Charlton Memorial Hospital (Fall River), St. Luke’s Hospital (New Bedford) and Tobey Hospital (Wareham) – Southcoast provides an integrated care network with approximately 900 providers, 55 convenient regional care and service locations, two oncology centers, six urgent care centers, Home Health services, and numerous ancillary facilities. Southcoast Health takes great pride in serving our patients – our organization is governed, led, and staffed by community members from the communities in which we serve.

We are the largest provider of primary and specialty care on the South Coast, and serve more than 725,000 residents in 33 communities, including the Gateway Cities of Fall River and New Bedford, covering more than 900 square miles. More than 75% of Southcoast Hospital’s patient revenue is generated from government sponsored programs, while our Statewide Relative Price is currently 0.848.

Southcoast Health consistently delivers high quality care and for the sixth consecutive year was named to Newsweek’s list of the World’s Best Hospitals, one of eight hospitals in the state to earn the title.

While we are proud of these accomplishments, the Massachusetts’ healthcare sector has faced significant instability in recent years, even before the disruption caused by the Steward bankruptcy.

Southcoast Health has been impacted by:

- Pandemic era challenges
- Inequitable payor reimbursements that have failed to keep pace with inflation
- Statewide Relative Price approximately 15 points below average
- Increasing behavioral health cases
- Increasing supply chain costs
- A hyper-competitive labor market
- Emergency Department boarding
- Throughput challenges and sicker patients
- Administrative burdens

These factors have all disrupted our shared mission of caring for patients and sufficiently reinvesting in the communities that we serve.

Our patients experience health challenges at a higher rate when compared to the rest of the Commonwealth. Unfortunately, our region has some of the highest rates of diabetes, heart disease, hypertension, obesity, and stroke. In fact, coupled with chronic conditions, Fall River, New Bedford and Wareham have the 8th, 13th & 28th highest Social Vulnerability Index (SVI) scores, out of 351 cities and towns in Massachusetts.

As a result, the role that regional community health systems play is paramount. Reliable access to cost effective, convenient, affordable healthcare and equitable reimbursement from payors is considerably more important to healthy outcomes for patients in our region.

It is essential for the Commonwealth to not only recognize but also invest in nonprofit, community-based health systems like Southcoast Health—especially those serving vulnerable populations.

As a true community health system, we are deeply committed to collaborating with the Commonwealth and our government partners to ensure our mission to serve patients receives the same support and recognition afforded to larger health systems for their academic and research initiatives. All of these efforts are vital to the health and well-being of the populations we collectively serve.

With equitable resources and supportive policies (outlined in this document), we can continue to provide high-quality care while advancing critical initiatives in population health and health equity.

2. Please identify and briefly describe any policy, payment, or health care market reforms your organization would recommend to better protect the Massachusetts health care system from predatory actors, strengthen market oversight and transparency, and ensure greater stability moving forward.

Southcoast Health recommends several key measures to protect Massachusetts healthcare from predatory practices, improve market oversight and transparency, and ensure stability.

Ensuring Stability Through Policy Changes

Market Review Bill

In 2023-2024, the legislature introduced the Market Review Bill to expand oversight (especially on private equity firms), enhance access to primary care, maintain affordable insurance, and increase transparency.

Southcoast agrees with the concept and many provisions in the Market Review Bill and applauds the Legislature for their work. We specifically support the following:

- Require the HPC to develop a rate equity target to phase in increased payments to “low historic relative price hospitals” which disproportionately serve vulnerable populations

- Increase penalties for failure to comply with CHIA reporting requirements
- Expand DPH’s determination of need process including by subjecting any acquisition of an existing health care facility to the process
- Require any proposed new ambulatory surgical centers to have a letter of support from any existing independent community hospitals with an overlapping service area

Key provisions in the bill affecting Southcoast Health include:

- Statewide relative price calculation for “low historic relative price hospitals”
- Urgent Care exemption from additional assessment

We support these initiatives, that align with our shared goals of better healthcare access, affordability, quality, and transparency.

Southcoast Health has also identified specific ways to ensure greater stability in the Massachusetts healthcare landscape moving forward from affordability and transparency perspective:

Ensuring Stability Through Affordability & Transparency

Value-Based Care Arrangements – Pharmacy Spend

Southcoast participates in a wide range of value-based care arrangements, including two Accountable Care Organizations (ACOs) (Medicare and MassHealth) and a variety of one- and two-sided risk contracts. In these arrangements, pharmacy spend – in particular, spend on new and high-cost drugs, is trending upwards, and in some cases, alarmingly so.

Two main issues hinder ACOs' efforts to control pharmacy spending:

1. **New Medications:** The introduction of high-cost new drugs can cause sudden increases in spending, making it difficult for ACOs to meet spending targets. ACOs must choose between potentially restricting the use of effective but costly drugs or finding other areas to reduce spending.
2. **Lack of Transparency:** ACOs are measured based on gross spending, which doesn't account for rebates from drug manufacturers. These rebates significantly lower actual costs, but because spending targets are based on pre-rebate prices, ACOs are penalized even when actual spending is lower.

Recommendations

Proposed recommendations to realign incentives to make care more affordable, accessible, and equitable in Massachusetts include:

- Incorporating rebates into VBC contracts to provide a more accurate measure of pharmacy spending.
- Rapidly adjusting benchmarks to account for new drug approvals.
- Encouraging the use of clinically effective, high-cost drugs that could save costs in the long term.

- Implementing formularies based on clinical outcomes and cost-effectiveness, rather than rebates, to align incentives between payers, clinicians, and patients.

These reforms will improve transparency, lower costs, and lead to better patient outcomes by encouraging the use of cost-effective medications.

3. Reflecting on consistent HPC findings showing increasing health care affordability challenges, growing difficulties accessing needed care, and widening health disparities based on race, ethnicity, and income among Massachusetts residents, what are your organization's top two to three strategies for addressing these trends? What are the most significant challenges to implementing these strategies?

To address the ongoing challenges of healthcare affordability, access, and disparities highlighted by the HPC, our organization has taken the following approach:

Key Strategies to Advance Health Equity

Southcoast has integrated health equity into our overall organizational strategy, taking deliberate steps to advance this priority including:

- Revising our Quality Plan to reflect equity goals
- Establishing a system-wide Health Equity Committee
- Appointing a full-time Health Equity Program Manager

Our efforts are focused on:

1. Education and Training of All Staff

- As part of its commitment to equity and a learning environment, Southcoast continues to develop and implement training pathways across the organization to ensure both an understanding of diversity, equity, and inclusion and the impact of health disparities on communities and the workforce.

2. Collecting Self-Reported Data

- Southcoast Health is focused on collecting accurate, self-reported data on race, ethnicity, language, disability, sexual orientation and gender identify (RELD SOGI) from patients.
- This data is essential to understand our patient population, to effectively meet their needs, and to reduce health related disparities.
- Improving data collection efforts has improved Southcoast's ability to utilize its existing data and identify disparities.

3. Integrating Equity into Community Health Strategies

Southcoast Health works to integrate equity into community health strategies to address social drivers of health upstream in the communities we serve.

- Southcoast Health has granted over \$100,000 to community organizations to address equity focused issues in the current year.

- Equity is at the forefront of our ongoing Community Health Improvement Plan (CHIP) and Community Health Needs Assessment (CHNA) work.

Overall, asking patients for information beyond RELDSOGI has allowed us to improve practices for meeting patients' individualized needs during clinical encounters.

The most significant challenges we're facing in implementing these strategies include the adjustment period as individuals adapt to these changes and new processes. Additionally, some patients are reluctant to provide self-reported data, and our staff is still acclimating to the ongoing education and training.

4. Please identify and briefly describe any policy, payment, or health care system reforms your organization would recommend to achieve a health care system that is more affordable, accessible, and equitable in Massachusetts.

To promote a more affordable, accessible, and equitable healthcare system in Massachusetts, our organization recommends several key policy reforms as follows:

Medicaid Reimbursement Reform

- Southcoast Health is our region's health care safety-net provider, and a High-Public Payer community hospital – 75% of the care we provide is covered by Medicare and/or Medicaid.
- It remains a challenge to compete with well-resourced hospitals without more equitable reimbursements.
- **Immediate Need:** Thirteen Massachusetts hospitals will be eligible for the 5% Medicaid surplus under the current legislative criteria.
- **Sustainable Solution:** Policy makers should also consider a tiered reimbursement structure where hospitals with lower commercial volumes and lower commercial rates/RPIs receive higher rates of Medicaid reimbursement, while systems with higher commercial volumes and rates receive a lower Medicaid reimbursement; maintaining overall cost-neutrality for the Commonwealth.

Low Historic Relative Price Hospitals

- We support additional funding for hospitals that have a low historic relative price.
- Southcoast Health has historically been paid much less for their services than comparable health systems.
- Currently, Southcoast Health's relative price is 0.848, which is approximately 15% less than the average rate for similar services.
- Equitable payor reimbursement is critical and directly linked to our ability to provide clinical excellence and community-based care.

Minimize ED Boarding and Improve Hospital Throughput

- Insurance **prior authorization** requirements for post-acute rehabilitation placement create significant challenges for both healthcare providers and more importantly patients and their families.

- The often-short window for provider communication with insurance reviewers disrupts vital workflows and patient care delivery.
- We support policy changes to limit the delays caused by prior authorization processes to 24 hours. Policy makers should also consider eliminating prior authorization for services that are infrequently denied.
- Local EMS providers and Hospitals operate 24/7/365, yet we are greatly limited in our ability to appropriately discharge patients from the hospital when clinically ready.
- Payers, post-acute care and skilled nursing facilities who are often required in the discharge planning process typically do not provide care coordination services at night and on the weekends. This creates bottlenecks within all hospital settings, disrupting ideal patient care and increasing cost.

Nurse Licensure Compact

- Given the proximity of neighboring states, the NLC would streamline the licensure process and eliminate unnecessary barriers and help address some of our current recruitment challenges.

340B Protections

- The 340B Drug Pricing Program enables covered entities like Southcoast Health to purchase prescription medications at reduced prices, allowing our hospitals to stretch limited resources further.
- We support 340B protections because the savings are vital to our system to fund health programs in underserved communities.

Mobile Integrated Health

- Our Southcoast team is partnering with Fall River EMS on a Mobile Integrated Health Pilot Program.
- The goal of this program is to deliver high quality care within the community and focus on ED avoidance.
- Policy makers should consider making mobile integrated health services reimbursable by MassHealth as it is not currently a covered service.

Community Supports

- Southcoast supports policy initiatives that fund place-based community supports (e.g., Health Equity Zones) and funding for programs that address social drivers of health.
- Direct financial assistance should be allocated to hospitals in communities with high SVIs, ensuring 24/7/365 coverage in Emergency Departments for social work services that are integrated with community/regional programs and services.
- High Public Pay health systems should receive significant financial investments for community health initiatives that are geared towards front-end disease prevention, like the investments provided to research hospitals focused on the back end of disease treatment.

Technical Assistance

- Southcoast supports policy initiatives that facilitate the development of technical assistance, collaboration, and data-sharing resources among provider organizations and community partners; these efforts could help bolster our collective efforts to advance health equity in the communities we serve.

QUESTIONS FROM THE OFFICE OF THE ATTORNEY GENERAL

- Chapter 224 requires providers to make price information on admissions, procedures, and services available to patients and prospective patients upon request. In the table below, please provide available data regarding the number of individuals that sought this information.

Health Care Service Price Inquiries Calendar Years (CY) 2022-2024			
Year		Aggregate Number of Written Inquiries	Aggregate Number of Inquiries via Telephone or In-Person
CY2022	Q1		279
	Q2		427
	Q3		203
	Q4		114
CY2023	Q1		114
	Q2		111
	Q3		150
	Q4		150
CY2024	Q1		150
	Q2		150
	TOTAL:		1848

- Please describe any steps your organization takes to assist patients who are unable to pay the patient portion of their bill in full.

Southcoast Health assists patients who are unable to pay the patient portion of their bill in full by offering flexible payment options. Using EPIC functionality, patients can set up payment plans with no interest. We also employ patient financial counselors who are Certified Application Counselors for

MassHealth enrollment. Counselors frequently collaborate with patients to set up payment plans, resolve billing issues, and ensure they maximize insurance benefits. Their role is essential in supporting patients' financial well-being while ensuring healthcare facilities receive timely payments. The Southcoast Credit and Collection Policy, which follow state and federal requirements, allow for self-pay discounts and a charity sliding scale once MassHealth has been exhausted.

3. Do any of your commercial global risk arrangements adjust your final settlement for bad debt? Please provide details on any commercial arrangements that make accommodations for uncollectable patient payments.

Southcoast does not have any contracts that adjust for bad debt.

4. For each year **2022 to present**,
 a. For **HOSPITALS**: please submit a summary table for your hospital showing the hospital's operating margin for each of the following four categories, as well as revenue in each category expressed as both NPSR and GPSR): (a) commercial, (b) Medicare, (c) Medicaid, and (d) all other business. Include in your response a list of the carriers or programs included in each of these margins and explain whether and how your revenue and margins may be different for your HMO business, PPO business, and/or your business reimbursed through contracts that incorporate a per member per month budget against which claims costs are settled.

The carriers included in the below margins are as follows: Commercial incorporates both managed and non-managed care contracts such as Aetna, BCBS, Cigna, Point32 and many other HMO/PPO plans. Medicare consists of both FFS and Managed Medicare plans. Medicaid contains both FFS and Managed Medicaid organizations. All Other is the default bucket which includes charity, other govt, self-pay and workers compensation.

		FY 2022			FY 2023			FY 2024		
		GPSR	NPSR	Operating Margin	GPSR	NPSR	Operating Margin	GPSR	NPSR	Operating Margin
a	Commercial	579,969,185	252,349,810	51.0%	623,629,418	265,958,151	54.1%	699,195,279	291,552,806	56.4%
b	Medicare	1,358,170,184	407,429,956	19.5%	1,498,279,954	437,900,449	25.1%	1,750,784,722	485,375,679	25.8%
c	Medicaid	582,256,928	165,007,803	18.5%	642,639,630	190,818,765	27.9%	700,605,446	194,727,689	28.9%
d	All Other	80,316,314	20,613,447	5.7%	87,346,524	19,560,893	5.6%	109,295,370	22,943,319	4.6%

b. For **HOSPITAL SYSTEMS**: please submit a summary table for each hospital corporately affiliated with your organization showing the hospital's operating margin for each of the following four categories, as well as revenue in each category expressed as both NPSR and GPSR): (a) commercial, (b) Medicare, (c) Medicaid, and (d) all other business. Include in your response a list of the carriers or programs included in each of these margins and explain whether and how your revenue and margins may be different for your HMO business, PPO business, and/or your business reimbursed through contracts that incorporate a per member per month budget against which claims costs are settled.

Hospital	FY 2022 GPSR	FY 2022 NPSR	FY 2022 Operating Margin	FY 2023 GPSR	FY 2023 NPSR	FY 2023 Operating Margin	FY 2024 GPSR	FY 2024 NPSR	FY 2024 Operating Margin
Charlton									
a Commercial	296,174,181	127,735,773	52.1%	312,248,325	131,035,882	55.3%	351,092,669	141,279,190	55.4%
b Medicare	670,554,291	198,348,017	20.2%	746,293,487	214,121,048	26.2%	889,221,820	241,968,064	25.4%
c Medicaid	209,435,050	56,423,095	16.8%	239,363,523	69,833,622	28.1%	258,525,331	71,812,689	28.5%
d All Other	27,668,815	6,924,823	16.2%	28,420,442	5,975,080	11.0%	34,860,804	7,683,857	17.4%
St. Luke's									
a Commercial	228,846,561	100,098,609	48.6%	249,144,685	108,396,230	52.1%	277,592,216	120,572,137	55.8%
b Medicare	567,309,855	170,981,458	18.0%	619,011,194	183,975,888	23.6%	708,544,871	200,020,434	25.5%
c Medicaid	321,002,675	94,331,011	18.9%	345,234,250	104,324,852	27.0%	379,468,805	106,693,931	28.2%
d All Other	42,839,619	11,087,257	-3.9%	48,409,418	11,114,776	-0.6%	60,910,712	12,395,245	-6.8%
Tobey									
a Commercial	54,948,443	24,515,428	55.3%	62,236,408	26,526,038	56.4%	70,510,394	29,701,479	63.2%
b Medicare	120,306,038	38,100,482	21.9%	132,975,273	39,803,513	26.1%	153,018,031	43,387,181	29.7%
c Medicaid	51,819,203	14,253,697	23.2%	58,041,857	16,660,292	31.8%	62,611,311	16,221,070	35.8%
d All Other	9,807,880	2,601,366	18.8%	10,516,664	2,471,037	20.6%	13,523,854	2,864,216	19.7%

	Hospital	FY 2022 GPSR	FY 2022 NPSR	FY 2022 Operating Margin	FY 2023 GPSR	FY 2023 NPSR	FY 2023 Operating Margin
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60,910,712	12,395,245	-6.8%
70,510,394	29,701,479	63.2%
153,018,031	43,387,181	29.7%
62,611,311	16,221,070	35.8%
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