

Background

The Health Policy Commission (HPC) is an independent state agency established in the Commonwealth’s landmark health care cost containment law, Chapter 224 of the Acts of 2012 (Chapter 224). Chapter 224 established a benchmark for a sustainable rate of health care cost growth and created the HPC to set goals for health care spending, monitor the health care delivery and payment systems in the Commonwealth, and develop policies to reduce overall cost growth while improving quality and protecting patient access to necessary health care services.

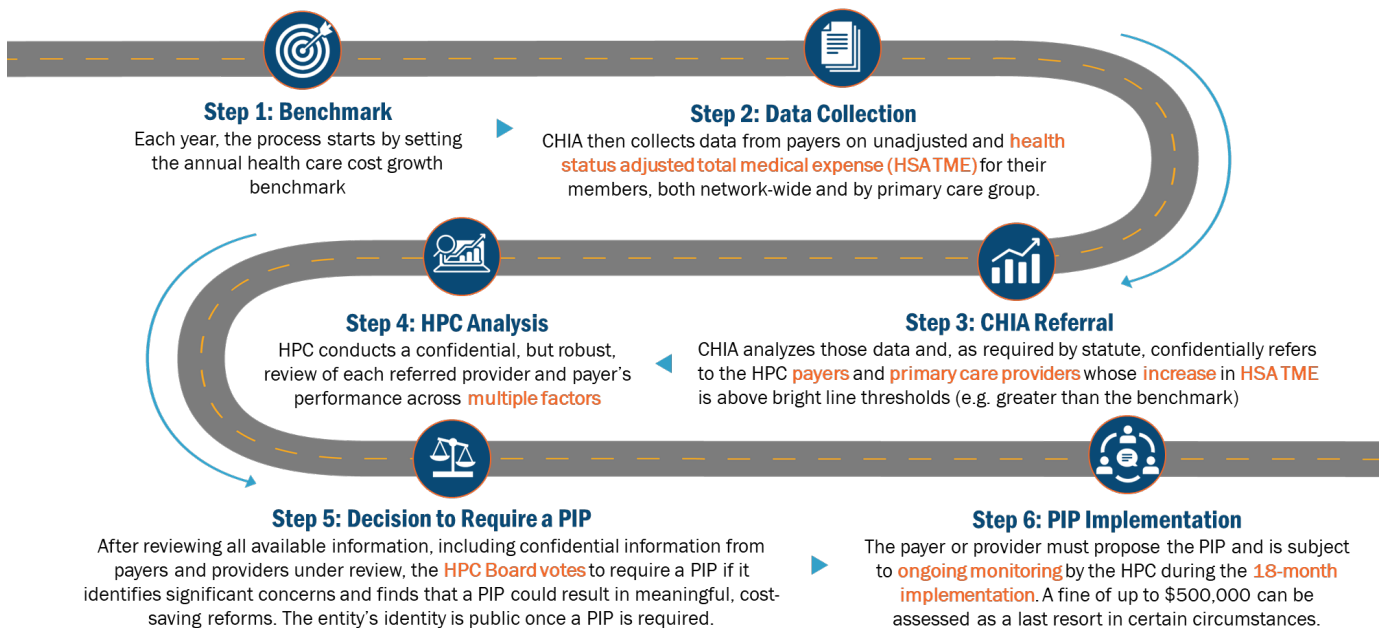
The HPC and the Center for Health Information and Analysis (CHIA) share responsibility for monitoring health care spending in Massachusetts and annually measuring performance against the state’s [health care cost growth benchmark](#). In addition to evaluating performance for the Commonwealth as a whole, the agencies annually review individual payer and provider spending performance, and the HPC may require payers and providers with excessive spending growth to implement a Performance Improvement Plan (PIP). The PIP process, which began in 2016, is one of the key enforcement mechanisms for the health care cost growth benchmark.

Performance Improvement Plan Process

Each year, the HPC’s 11-member Board of Commissioners, in conjunction with the Legislature’s Joint Committee on Health Care Financing, sets the benchmark for the following calendar year. Based on data collected from payers on both the unadjusted total medical expenses (TME) and health status adjusted total medical expenditure (HSA TME) of their members,¹ both network-wide and by primary care physician group, CHIA confidentially refers to the HPC a list of the payers and providers whose increase in HSA TME for their members (for payers) or primary care patients (for providers) it considered excessive and threatens the ability of the Commonwealth to meet the healthcare cost growth benchmark.

Specifically, CHIA refers to the HPC payers or physician groups with HSA TME growth

- (1) greater than or equal to the benchmark; and
- (2) greater than or equal to 85% of the benchmark where the payer or provider is large (greater than or equal to 2% of statewide member months within an insurance category) and has either unadjusted TME growth greater than or equal to the benchmark or, for providers, a high baseline level of spending (HSA TME greater than or equal to the 75th percentile in a given payer network).

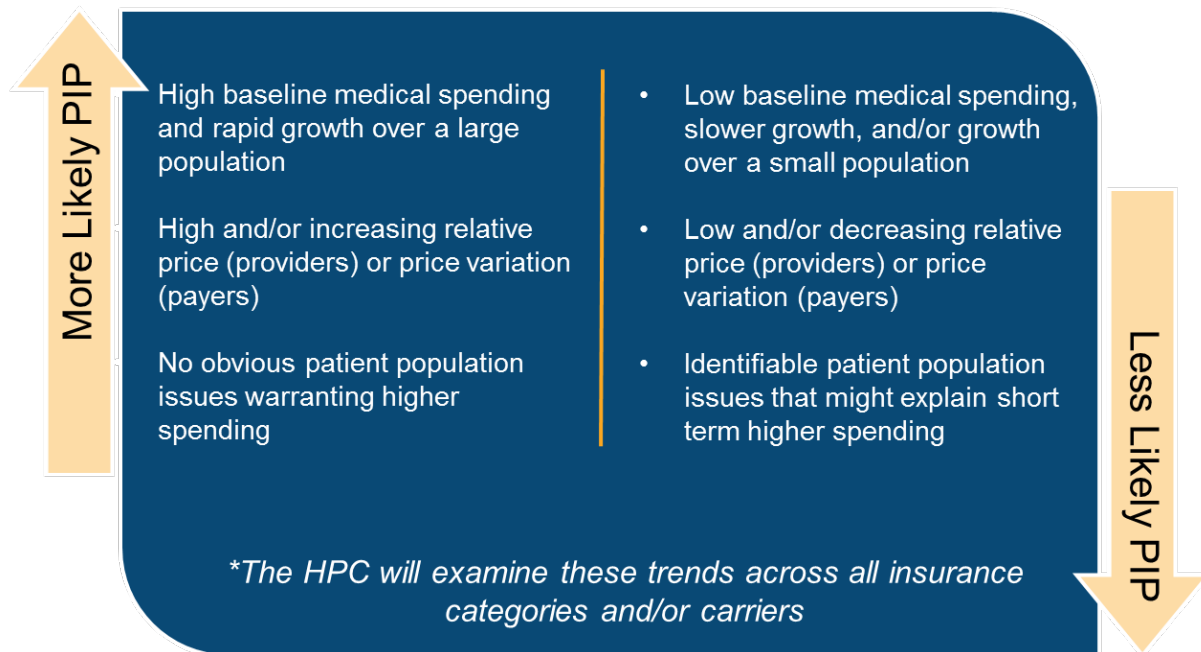


¹ TME reflects all health care spending (e.g., spending at any health care provider and prescription drug spending) for a group of patients over time, as well as spending by both insurers and patients (e.g., co-payments and deductibles). Unadjusted TME reflects the actual dollar spending, whereas health status adjusted TME is calculated by dividing the unadjusted spending by a “risk score” intended to reflect the relative health of the patient population.

After receiving this list, the HPC conducts a thorough and confidential review of each identified payer’s and provider’s spending performance, including in the identified book(s) of business or contract(s), respectively, for which they were referred and across all books of business or contracts for which the HPC has data. The HPC also considers payer and provider performance on a comprehensive set of factors as required by statute and HPC regulation, including:

- Baseline spending and spending trends over time, including by service category, and including both health status adjusted and unadjusted spending
- Pricing patterns and trends over time
- Utilization patterns and trends over time
- Population(s) served, payer mix, product lines, and services provided
- Size and market share
- Financial condition, including administrative spending and cost structure
- Ongoing strategies or investments to improve efficiency or reduce spending growth over time
- Factors leading to increased costs that are outside of the entity’s control
- Other factors that the Commission considers relevant, which allows the HPC to consider facts specific to individual reviews.

Referred entities have the opportunity to confidentially provide additional data, including any mitigating factors that may not have otherwise been available to the HPC. The HPC then weighs the payer or provider’s performance across these factors to gauge the level of concern, and can vote to require a PIP if it determines that it has significant concerns and that a PIP could result in meaningful, cost-saving reforms..



In order to ensure a confidential process, and in accordance with the HPC’s policy on PIPs (HPC Policy 2017-1), the HPC’s Board discussions about the payers and providers identified by CHIA as having excessive cost growth may occur in executive session. During these executive sessions, the HPC Board reviews all available information and may vote to close review of an entity, continue collecting data on an entity, or require a PIP. The HPC’s Board may vote to require a PIP if it identifies significant concerns and concludes that a PIP could result in meaningful, cost-saving reforms.

If the HPC Board votes to require a PIP, the entity’s identity is made public and it is publicly posted on the HPC’s website. The entity is provided a PIP notice, which includes the HPC’s basis for requiring a PIP and the timing and process for filing a PIP, an extension request, or a waiver request. The entity must file a proposed PIP within 45 days from receipt of the PIP notice to file a proposed PIP, or to make a written request for an extension or waiver. The [proposed PIP](#) must identify the

causes of the entity's spending growth and include a savings goal along with specific action steps that the entity will take to achieve the savings goal. The entity may consult with the HPC during the development of the PIP to ensure that all criteria have been met.

Following receipt of a proposed PIP, the HPC Board may vote to approve the PIP if it determines that the PIP is reasonably likely to successfully address the underlying cause(s) of the entity's cost growth and if the Board has a reasonable expectation that the entity will be capable of successfully implementing the proposed PIP. If the HPC Board votes to approve a PIP, the entity is subject to ongoing monitoring by the HPC during an 18-month implementation period. At the conclusion of the 18-month implementation, the entity will report on the outcome and the HPC Board will evaluate the success of the PIP. If the HPC Board finds the PIP to have been unsuccessful, it may require further action from the entity.

A fine of up to \$500,000 can be assessed by a vote of the HPC Board for non-compliance