MASSACHUSETTS
HEALTH POLICY COMMISSION

Introduction to the Massachusetts Health Policy Commission and the Health Care Cost Growth Benchmark

Connecticut Health Council Meeting
November 14, 2019

In 2012, Massachusetts became the first state to establish a target for sustainable health care spending growth.

Chapter 224 of the Acts of 2012

An Act **Improving the Quality** of Health Care and **Reducing Costs** through Increased **Transparency**, **Efficiency**, and **Innovation.**

GOAL

Reduce total health care spending growth to meet the **Health Care Cost Growth Benchmark**, which is set by the HPC and tied to the state's overall economic growth.

VISION

A **transparent** and **innovative** healthcare system that is **accountable** for producing **better health** and **better care** at a **lower cost** for all the people of the Commonwealth.

HPC

Health Care Cost Growth Benchmark

- Sets a target for controlling the growth of total health care expenditures across all payers (public and private), and is set to the state's long-term economic growth rate:
  - Health care cost growth benchmark for 2013 - 2017 equals **3.6%**
  - Health care cost growth benchmark for 2017 - 2019 equals **3.1%**

- If target is not met, the Health Policy Commission can require health care providers and health plans to implement **Performance Improvement Plans** and submit to strict public monitoring

TOTAL HEALTH CARE EXPENDITURES

Definition: Annual per capita sum of all health care expenditures in the Commonwealth from public and private sources

Includes:

- All categories of medical expenses and all non-claims related payments to providers
- All patient cost-sharing amounts, such as deductibles and copayments
- Administrative cost of private health insurance

HPC

Vision for achieving the health care growth benchmark while improving quality, access, patient engagement, and overall market functioning

1. Transforming the way we deliver care
2. Reforming the way we pay for care
3. Developing a value-based health care market
4. Engaging purchasers through information and incentives

A more transparent, accountable health care system that ensures quality, affordable health care for Massachusetts residents

Two independent state agencies work together to monitor the state's health care performance and make data-driven policy recommendations

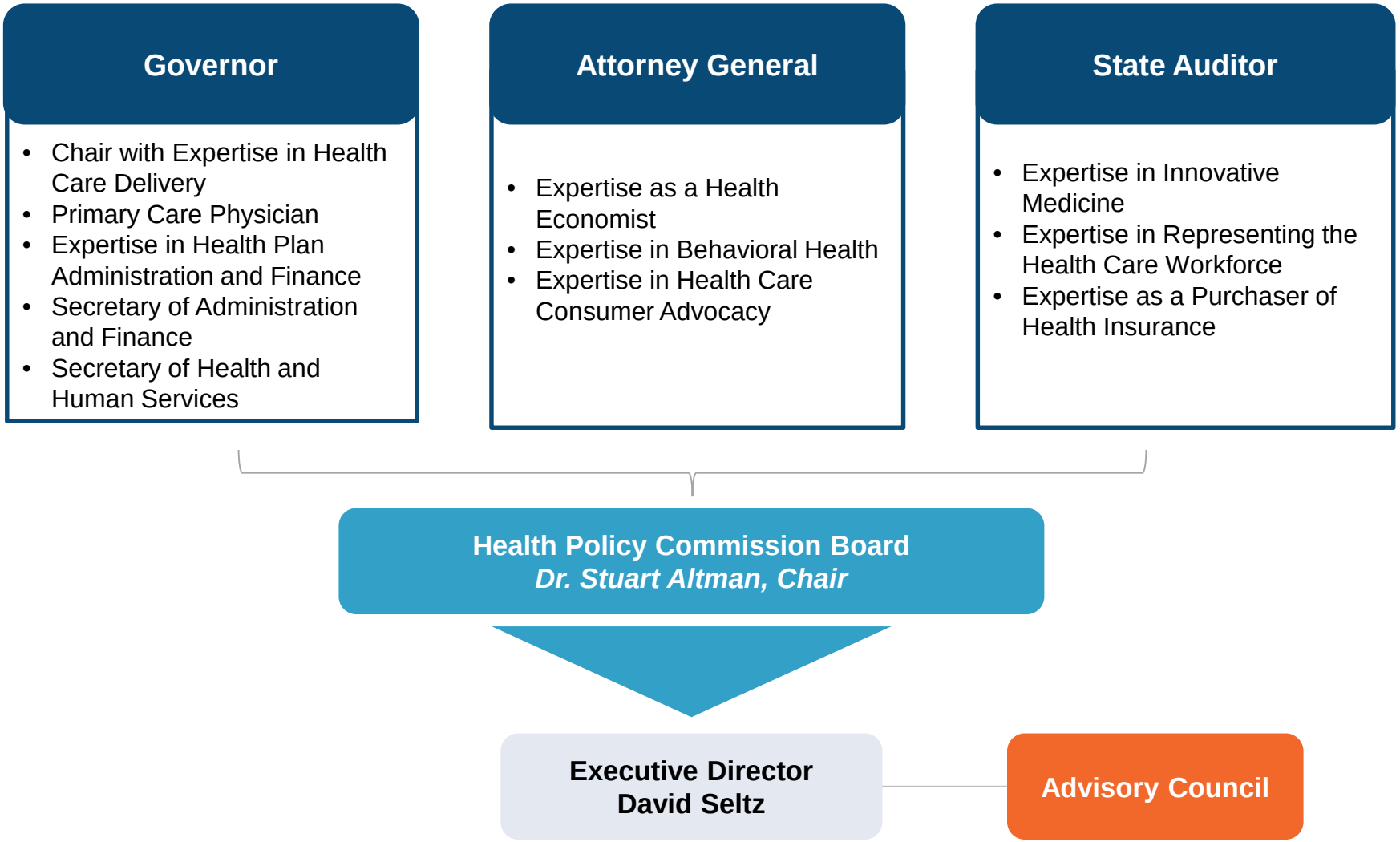
Massachusetts Health Policy Commission (HPC)

- **Policy hub**
- Independent state agency governed by an 11-member board with diverse experience in health care
- Duties include:
  - Sets statewide health care cost growth benchmark
  - Enforces performance against the benchmark
  - Certifies accountable care organizations and patient-centered medical homes
  - Registers provider organizations
  - Conducts cost and market impact reviews
  - Holds annual cost trend hearings
  - Produces annual cost trends report
  - Supports innovative care delivery investments

Center for Health Information and Analysis (CHIA)

- **Data hub**
- Independent state agency overseen by a Council chaired by the Secretary of Health and Human Services
- Duties include:
  - Collects and reports a wide variety of provider and health plan data
  - Examines trends in the commercial health care market, including changes in premiums and benefit levels, market concentration, and spending and retention
  - Manages the All-Payer Claims Database
  - Maintains consumer-facing cost transparency website, CompareCare

The HPC: Governance Structure



Role of the Health Policy Commission's Advisory Council

BACKGROUND ON THE HPC'S ADVISORY COUNCIL

1. Convened in 2013 with a body of **30+ diverse health care leaders and other key stakeholders**. The council meets quarterly with the HPC Executive Director and available Board members.

2. Appointed members include representatives of the largest health systems and health plans in Massachusetts, physician organizations, community hospitals, behavioral health care providers, community health centers, organized labor, nurses, home health care, long term care, pharmaceutical and life sciences industry, social service providers, public health advocates, consumer advocates, equity advocates, **multiple large and small employer groups**, and sister governmental health care agencies such as the Medicaid program, the state employee health commission, and the state's health insurance exchange.

3. Meetings enhance the HPC's robust policy discussions by allowing for varied perspectives on the issues facing the health care market, including:
   - Advising on and providing specific input towards the HPC's research and policy initiatives;
   - Contributing feedback and setting priorities for investment and certification programs;
   - Facilitating direct communication between HPC staff, HPC Board members, and a broad distribution of health care industry participants and stakeholders.

The HPC employs four core strategies to realize its vision of better care, better health, and lower costs for all people of the Commonwealth.

RESEARCH AND REPORT

INVESTIGATE, ANALYZE, AND REPORT TRENDS AND INSIGHTS

CONVENE

BRING TOGETHER STAKEHOLDER COMMUNITY TO INFLUENCE THEIR ACTIONS ON A TOPIC OR PROBLEM

WATCHDOG

MONITOR AND INTERVENE WHEN NECESSARY TO ASSURE MARKET PERFORMANCE

PARTNER

ENGAGE WITH INDIVIDUALS, GROUPS, AND ORGANIZATIONS TO ACHIEVE MUTUAL GOALS

The HPC Approach

- **Collaborate** with stakeholders and all interested constituencies in the development of policy.
- **Engage** experts, both within and outside the health care industry.
- **Encourage** innovation without a “one-size fits all approach”.
- **Coordinate** with other local, state, and federal initiatives.
- **Minimize** administrative burden and duplication while maximizing the use of existing resources, including data and information.
- **Promote** public transparency and accountability in all activities of the HPC.

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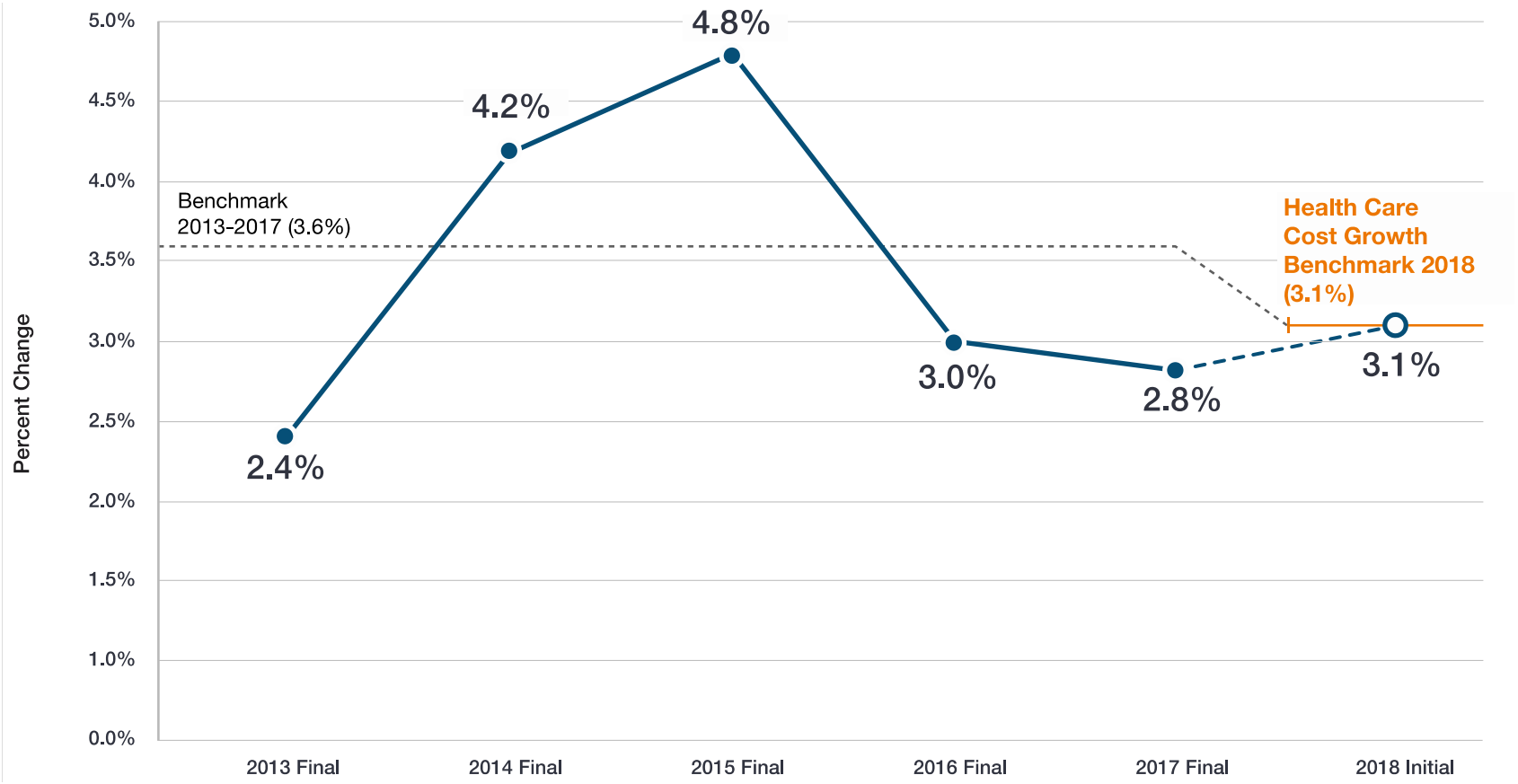
From 2012 to 2018, annual health care spending growth averaged 3.4%, below the state benchmark.



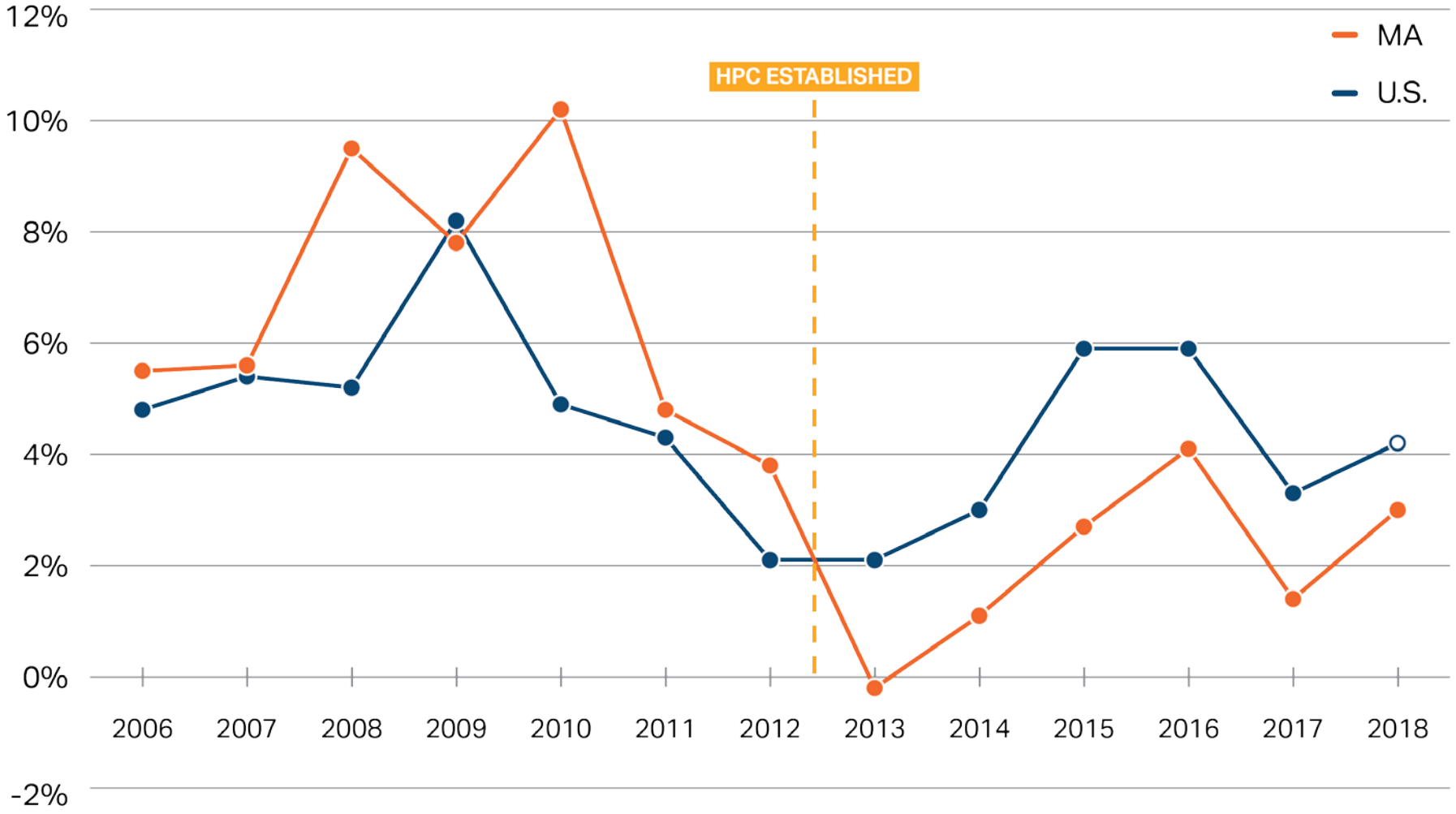
The initial estimate of THCE per capita growth for 2018 is 3.1%

This is the third consecutive year it met or fell below the health care cost growth benchmark.

HPC

Commercial spending growth in Massachusetts has been below the national rate every year since 2013, generating billions in avoided spending.

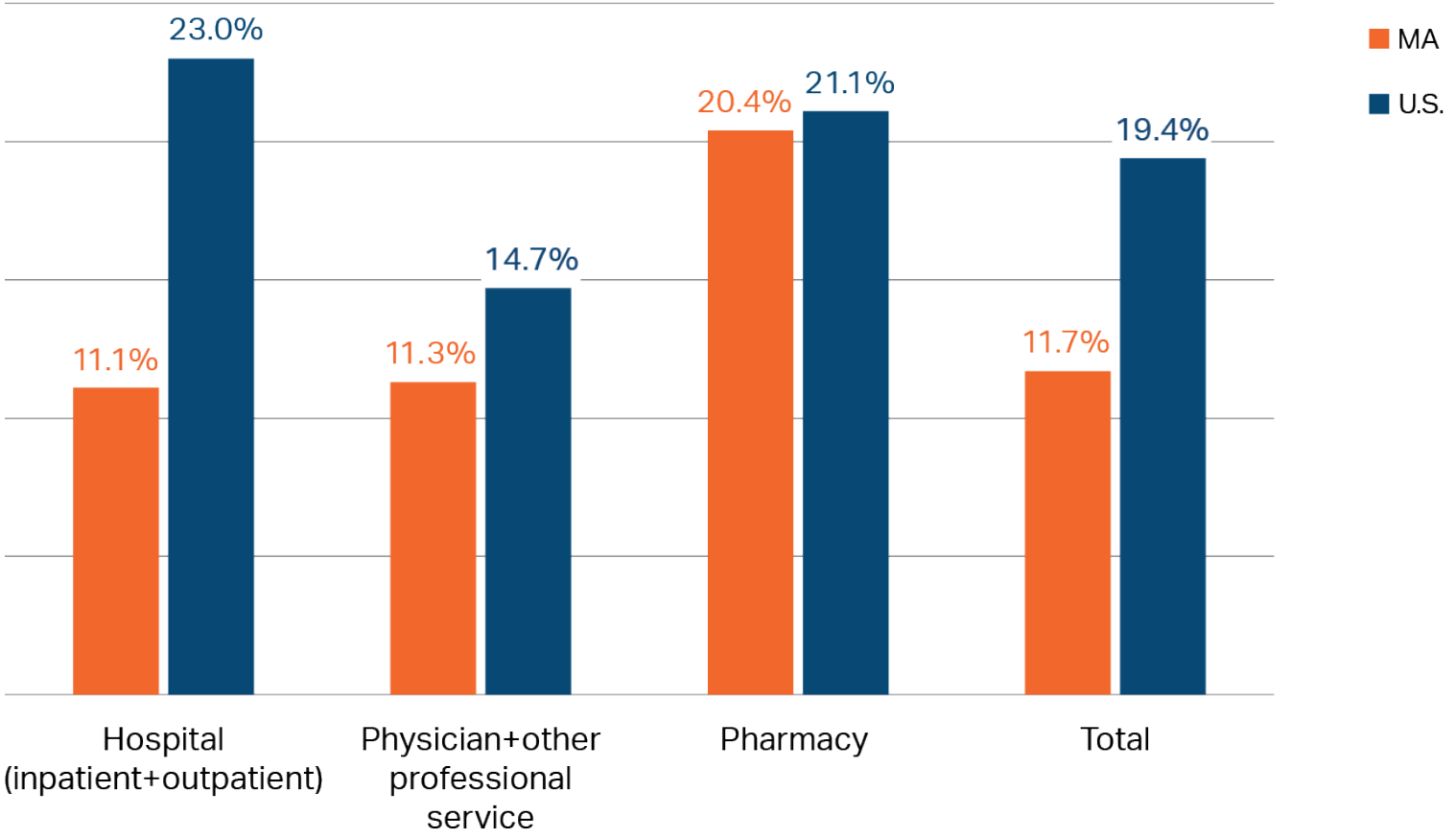
Annual growth in commercial medical spending per enrollee, Massachusetts and the U.S., 2006-2018



Notes: U.S. data includes Massachusetts. U.S. data point for 2018 is partially projected. MA data point for 2018 is preliminary.
Sources: CMS National Healthcare Expenditure Accounts, Personal Health Care Expenditures Data (U.S. 2014-2018) ; CMS State Healthcare Expenditure Accounts (U.S. 2000-2014 and MA 2000-2014); CHIA Annual Report THCE Databooks (MA 2014-2018).

Since 2013, total hospital spending growth (inpatient and outpatient) in Massachusetts has been far below national growth rates

2013 – 2017 cumulative growth in commercial spending by service category, MA and U.S.

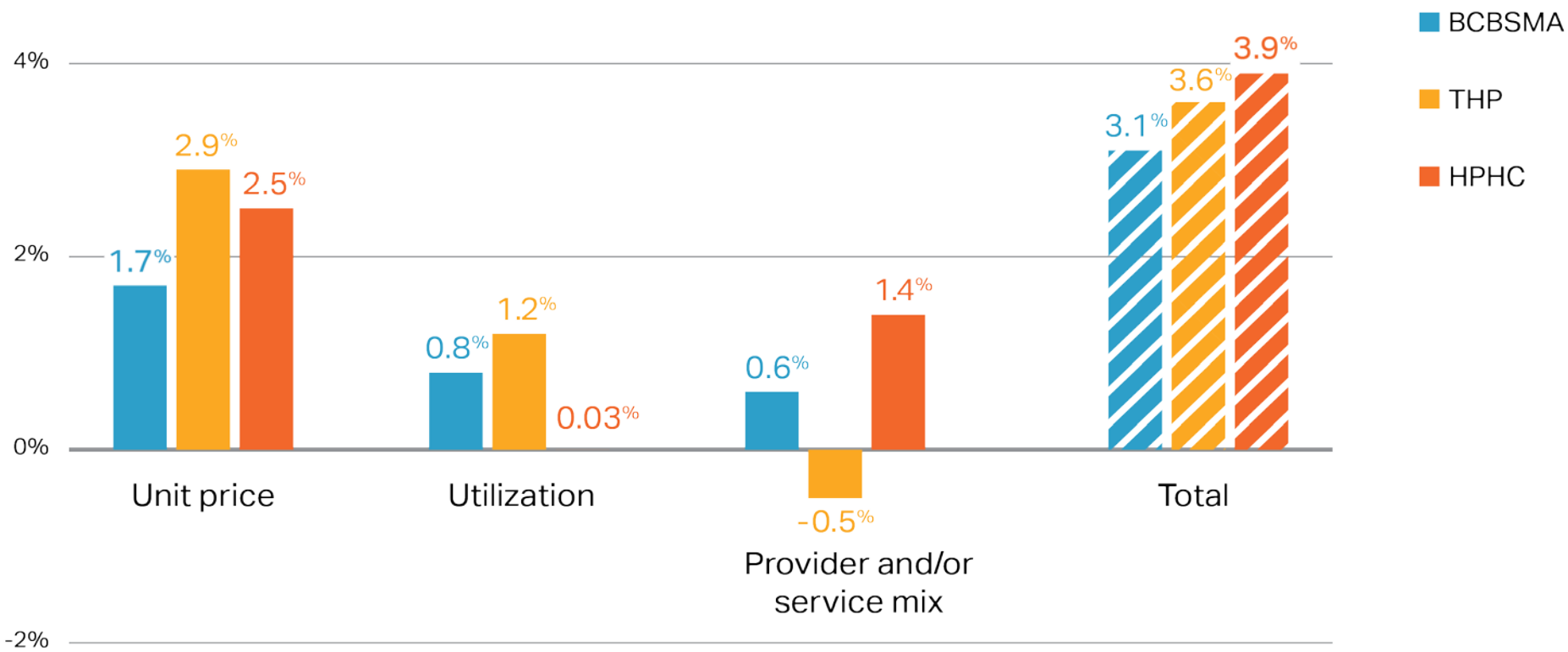


If Massachusetts commercial spending grew at the national rate from 2013-2017, residents would have spent $1.7B more in 2017 alone ($367 per person)

Notes: US data include Massachusetts. Pharmacy spending is net of rebates.
Sources: Centers for Medicare and Medicaid Services, National Healthcare Expenditure Accounts, Private Health Insurance Expenditures and Enrollment Data (U.S. 2013-2017); Center for Health Information and Analysis Annual Reports (MA 2013-2017).

Unit price increases have moderated, and utilization growth is level, leading to lower cost growth among Massachusetts' largest insurers.

Average annual growth in spending by component for top three Massachusetts payers, 2016-2018

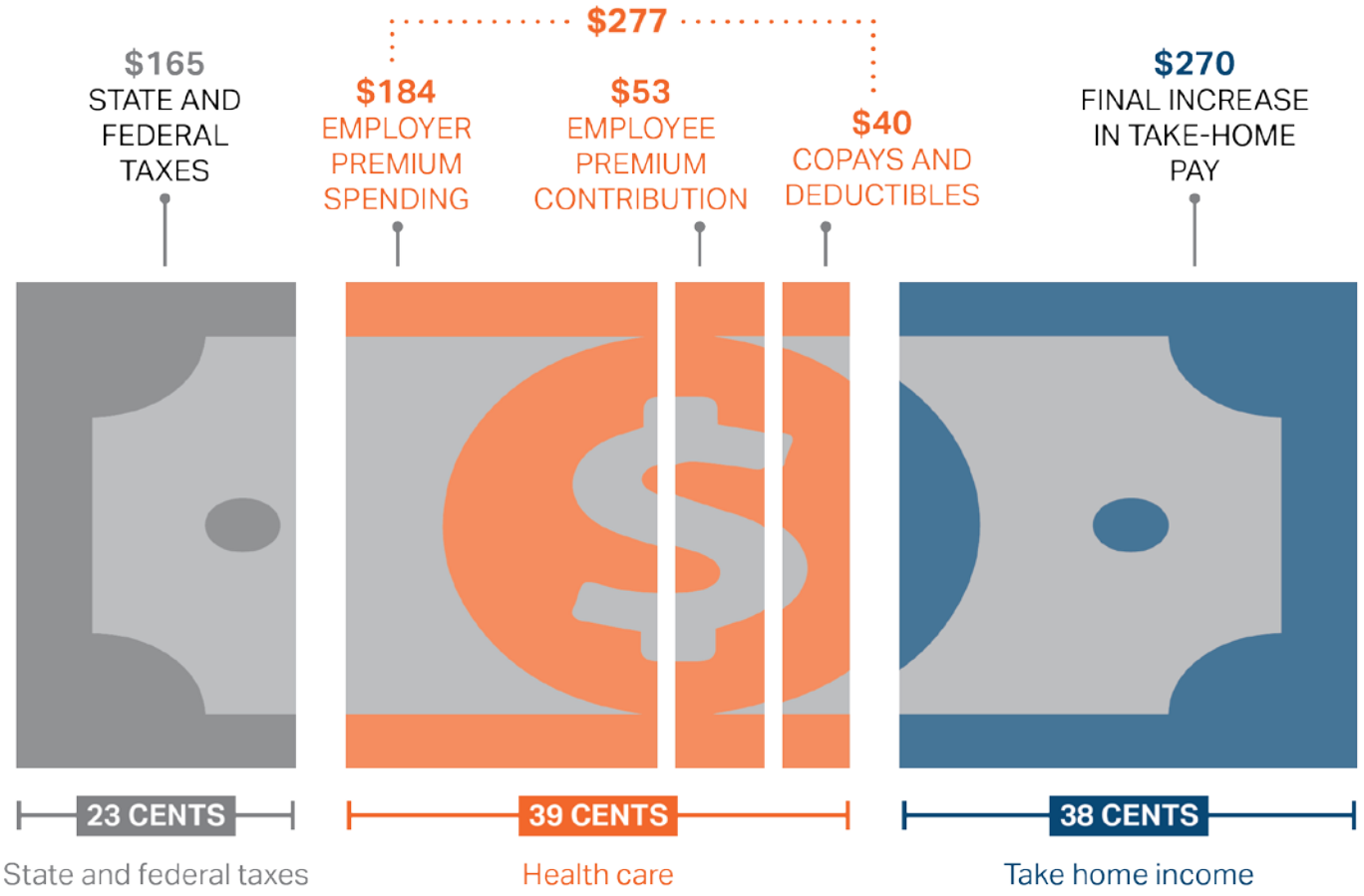


Notes: Average of medical expenditure trend by year 2016-2018. BCBSMA = Blue Cross Blue Shield of Massachusetts; THP = Tufts Health Plan; HPHC = Harvard Pilgrim Health Care.

Source: HPC analysis of Pre-Filed Testimony pursuant to the 2019 Annual Cost Trends Hearing

Why focus on health care costs? Nearly 40 cents of every additional dollar earned by Massachusetts families between 2016 and 2018 went to health care, more than take home income.

Allocation of the increase in monthly compensation between 2016 and 2018 for a median Massachusetts family with health insurance through an employer



Notes: Data represent Massachusetts families who obtain private health insurance through an employer. Massachusetts median family income grew from $95,207 to $101,548 over the period while mean family employer-sponsored insurance premiums grew from $18,955 to $21,801. Compensation is defined as employer premium contributions plus income as recorded in the ACS and is considered earnings. All premium payments are assumed non-taxable. Tax figures include income, payroll, and state income tax.

Sources: HPC analysis of Agency for Healthcare Research and Quality (AHRQ) Medical Expenditure Panel Survey Insurance Component (premiums) American Community Survey (ACS) 1-year files (income), and Center for Health Information and Analysis 2019 Annual Report (cost-sharing).

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The HPC is supporting a new the Massachusetts Employer Health Coalition, which is focusing on reducing avoidable ED use.

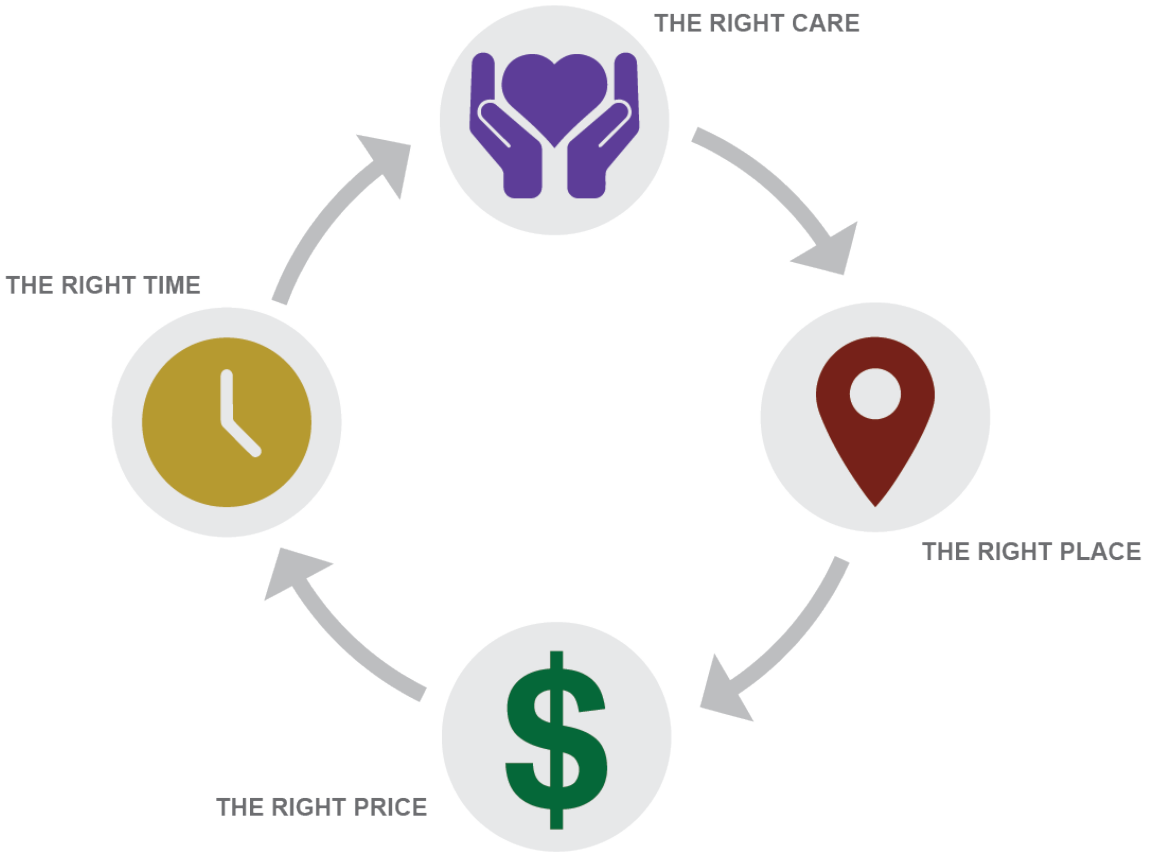
Founded in 2018, the Coalition is an **employer-led effort** that seeks to use our collective influence to uncover solutions that **drive real change** in the health care delivery system and **reduce costs**.

Achieve a **20% reduction** in potentially avoidable ED use to generate as much as **$100 million** in health care savings over the next **2 years**

Coalition Members are over 25 **business organizations** or **associations** that represent a wide array of employers from regions across the Commonwealth. Members share a desire to bring the **purchaser voice** to the forefront of the health care dialogue and will not consist solely of entities whose primary revenue source is health care.

Strategic Partners are 6 **non-profits** or **government agencies** that are essential, significant stakeholders within the health care system. Strategic Partners recognize and are supportive of the role of employers in driving change within the health care system. They use their unique perspective to help identify strategies and best practices for employers to pursue, and commit to supplying **data**, **expertise**, and **influence** to inform Coalition activities and achieve goals.

The Coalition's Vision for Achieving Avoidable ED Savings: Right Care 4 You



State efforts to reduce cost growth through the benchmark and the work of the HPC continue to receive broad multi-sector stakeholder support

Consumer Advocate	"Given the ongoing challenges with **health care affordability** for our state's residents, we believe it's critically important to continue to pursue approaches that signal to the health care community that current efforts to address costs are insufficient. We therefore recommend that the HPC set the 2018 benchmark at equal to the potential gross state product minus 0.5 percent, or 3.1%."
Business	"As we continue to track **trends in health-care cost and utilization**, the cost-growth benchmark has become a critical component for understanding year-over-year increases in health-care spending."
Business	"We strongly believe that the annual health care cost benchmark can be a major tool in achieving the state's cost goals. The benchmark should be maintained at 3.1 percent and providers should be encouraged to pursue even more **aggressive and innovative cost reduction measures**."
Provider	"MHA supports the goals we all have to address rising costs and to insure that **affordable access to healthcare** in the commonwealth is sustainable. Moving to a 3.1% benchmark is aspirational and potentially achievable."
Provider	"The Medical Society strongly supports the intent of Chapter 224, and the mission of the Health Policy Commission to develop policy to reduce health care cost growth and improve the quality of patient care. The Medical Society strongly supports thoughtful policies to **drive sustainable containment of health care costs** below the benchmark on an ongoing basis- whether at 3.6% or 3.1%. "

The HPC makes annual policy recommendations to the Legislature and Governor on opportunities to achieve health care savings.

The 2018 Annual Cost Trends Report includes a set of eleven policy recommendations necessary to continue progress in achieving the Commonwealth's goal of better health, better care, and lower costs.

HPC Recommendations by Topics

1. Administrative Complexity
2. Pharmaceutical Spending
3. Out-of-Network Billing
4. Provider Price Variation
5. Facility Fee Reform
6. Demand-Side Incentives
7. Unnecessary Utilization
8. Social Determinants of Health
9. Health Care Workforce
10. Innovations in Integrated Care
11. Alternative Payment Methods

Contact Information

For more information about the Massachusetts Health Policy Commission

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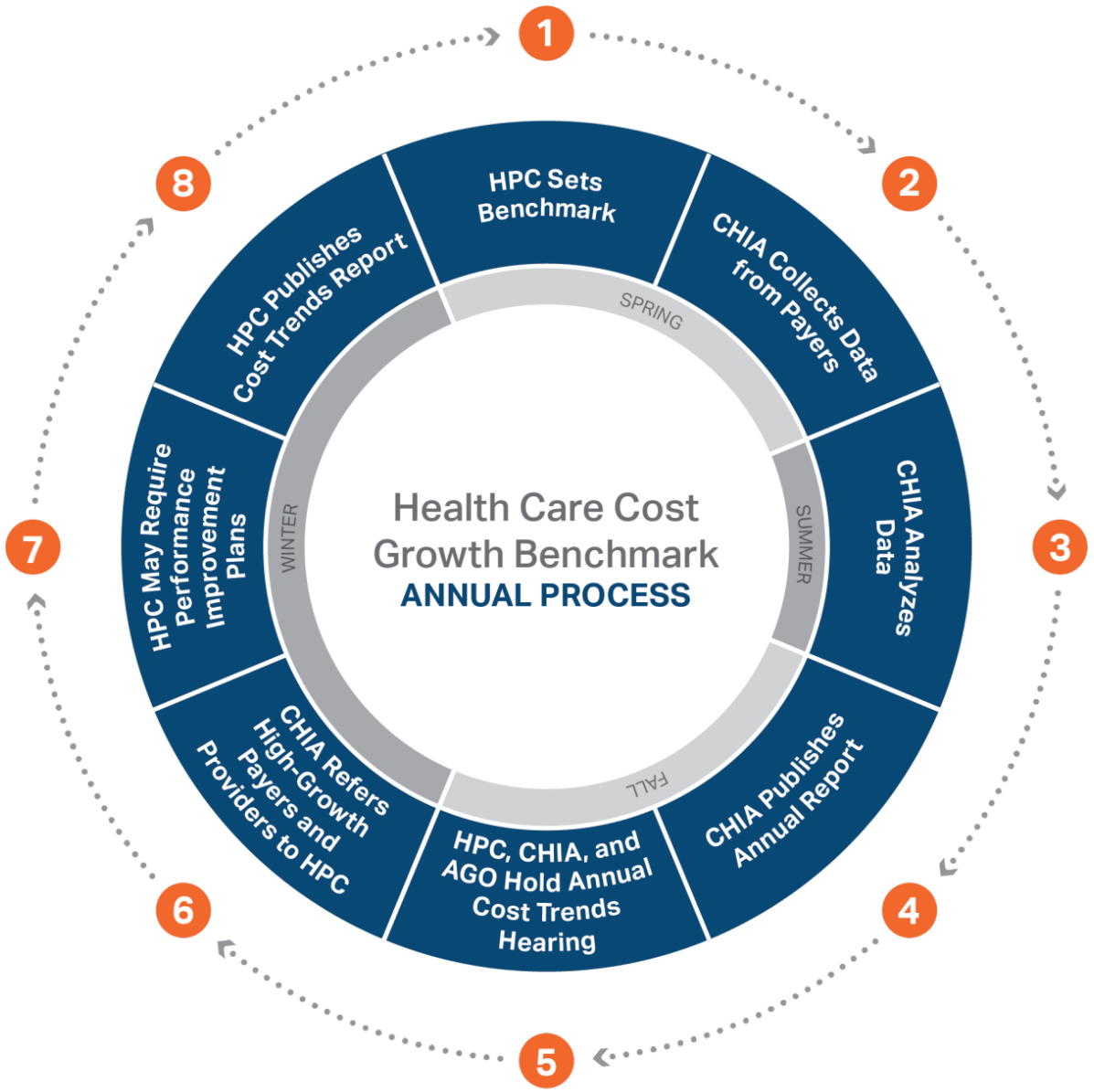
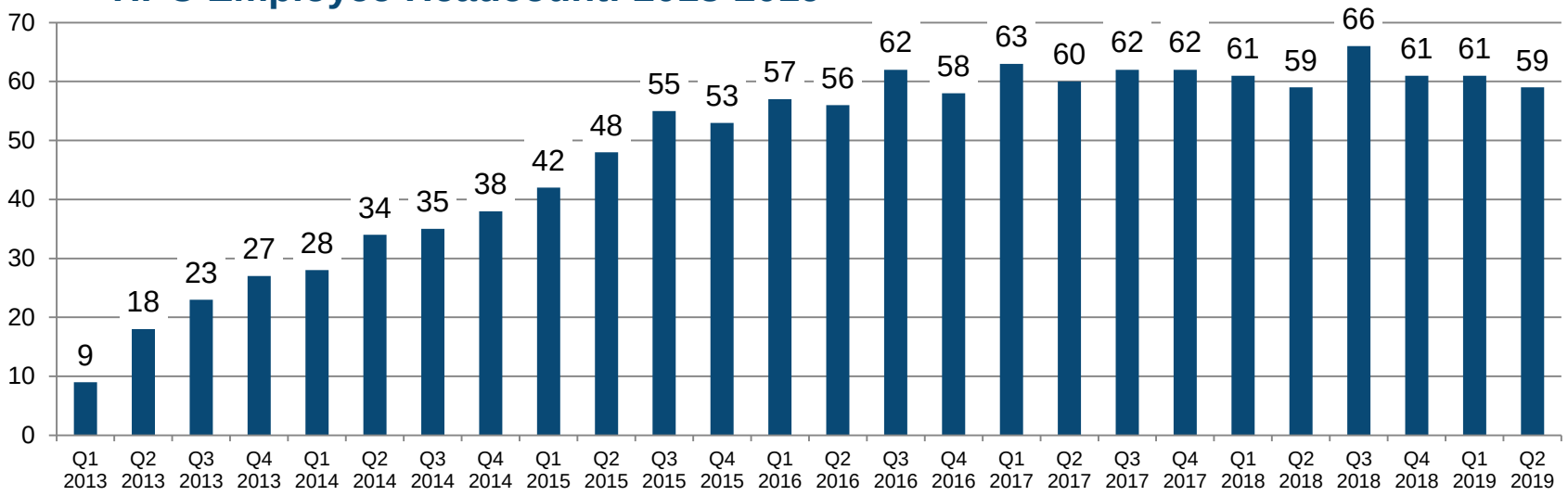
Appendix

Annual Timeline for HPC and CHIA to Establish the Health Care Cost Growth Benchmark and Evaluate the State's Performance



The total number of HPC employees has been stable over the past four years, even as agency responsibilities and activities have grown

HPC Employee Headcount: 2013-2019*



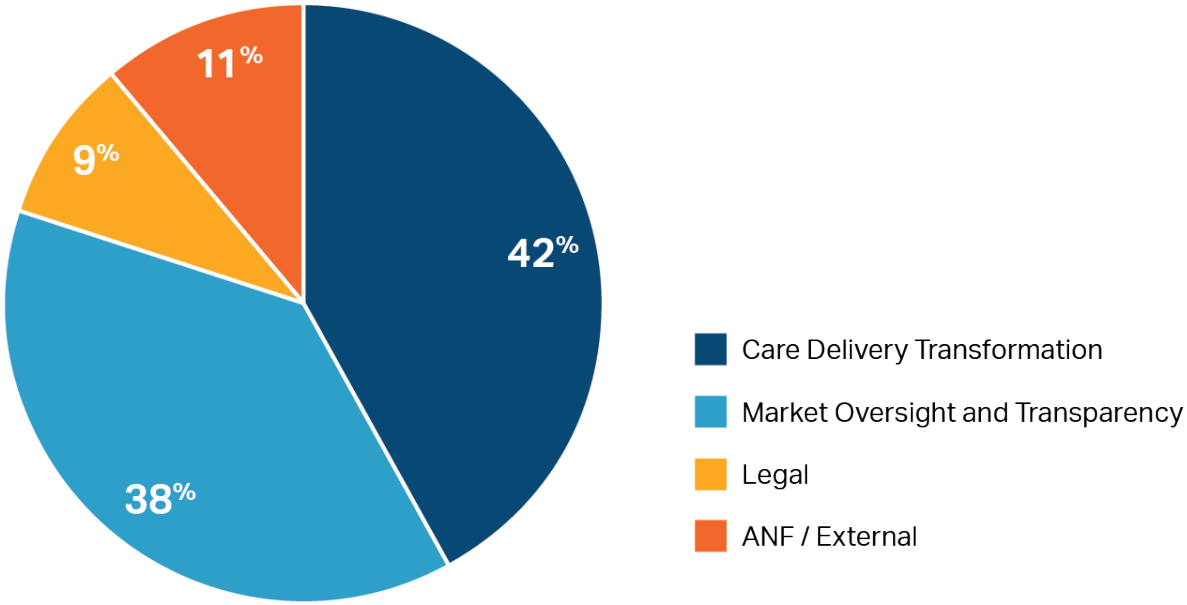
FTE by Department, September 1, 2019

Care Transformation and Innovation	17
Market Oversight and Transparency	10.4
Research and Cost Trends	7.4
Internal/External Operations + EXEC	14.2
Legal/Office of Patient Protection	10
Total FTE	59

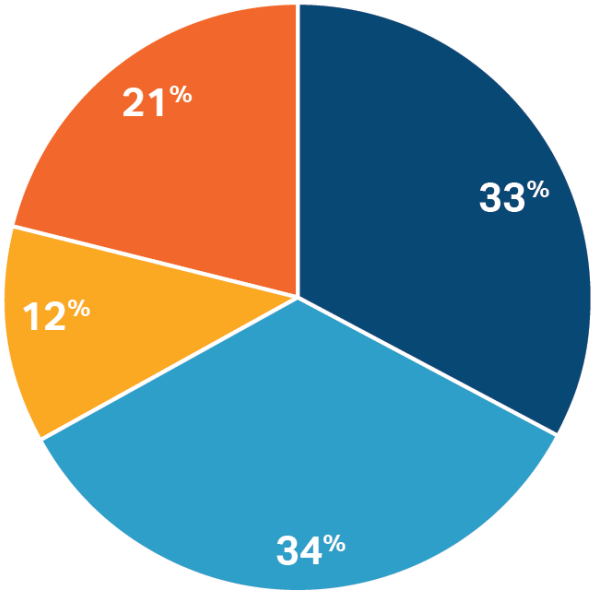
*Note: This graph includes a headcount of both full time and part time paid employees, including temporary employees. The table below is an adjusted count based on 37.5 hour work week (FTE).

The FY19 budget proposal balances the primary policy priorities of the HPC

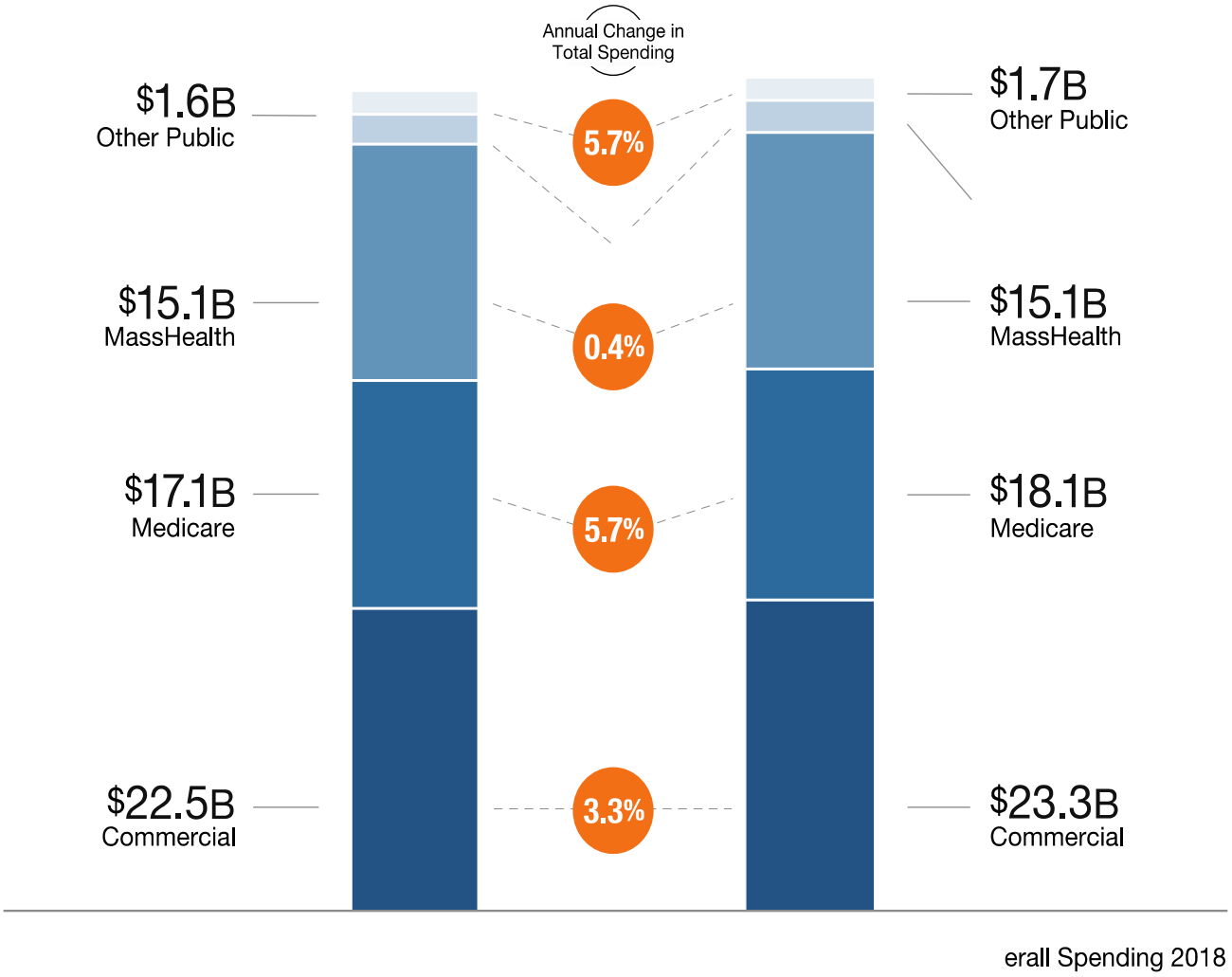
Total Payroll and Professional Services by Major Category



Total FTEs by Major Category



In 2018, Medicare expenditures grew fastest among the largest components of THCE, while growth in Medicaid expenditures were flat.



erall Spending 2018

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Overview of Cost and Market Impact Reviews (CMIRs)

1. Market structure and new provider changes, including consolidations and alignments, have been shown to impact health care system performance and total medical spending

2. Chapter 224 directs the HPC to track **"material change[s] to [the] operations or governance structure"** of provider organizations and to engage in a more comprehensive review of transactions anticipated to have a significant impact on health care costs or market functioning

3. CMIRs promote **transparency and accountability** in engaging in market changes, and encourage market participants to minimize negative impacts and enhance positive outcomes of any given material change

The HPC tracks five different transaction types, many of which are not typically monitored by states.

5 Types of Material Change Notices

Merger, Affiliation or Acquisition by a Carrier

Merger or Acquisition with/by hospital or hospital system

Clinical Affiliation between 2 or more providers (NPSR >25M)

Partnership, joint venture, etc. contracting on behalf of one or more providers

Acquisition, Merger or affiliation (corporate, contracting or employment) by or with another Provider resulting in an NPSR increase of 10M or more, or near-majority market share

HPC

Types of Transactions Noticed

TYPE OF TRANSACTION	NUMBER	FREQUENCY
Physician group merger, acquisition, or network affiliation	23	22%
Clinical affiliation	23	22%
Acute hospital merger, acquisition, or network affiliation	21	20%
Formation of a contracting entity	19	18%
Merger, acquisition, or network affiliation of other provider type (e.g., post-acute)	12	12%
Change in ownership or merger of corporately affiliated entities	5	5%
Affiliation between a provider and a carrier	1	1%

HPC

Factors for Evaluating Cost and Market Impact of Provider Transactions

MARKET FUNCTIONING

- Unit prices
- Health status adjusted total medical expenses
- Provider costs and cost trends
- Provider size and market share within primary service areas and dispersed service areas
- Quality of services provided, including patient experience
- Availability and accessibility of services within primary service areas and dispersed service areas
- Impact on competing options for health care delivery, including impact on existing providers
- Methods used to attract patient volume and to recruit or acquire health care professionals or facilities
- Role in serving at-risk, underserved, and government payer populations
- Role in providing low margin or negative margin services
- Consumer concerns, such as complaints that the provider has engaged in any unfair method of competition or any unfair or deceptive act
- Other factors in the public interest

HPC

Benefits of HPC's Reviews of Provider Affiliations

The Material Change Notice (MCN) and Cost and Market Impact Review (CMIR) process, in addition to increasing public awareness of provider affiliations, has produced the following benefits for consumers in Massachusetts:

Future Accountability: Requiring entities to disclose goals for a transaction allows the HPC and others to assess whether those goals have been achieved in the future.

Voluntary Commitments: Some entities have addressed concerns raised by the HPC by making certain public commitments (e.g., increasing access for Medicaid patients, not implementing facility fees at acquired physician clinics).

Support for Enforcement Actions: Findings in CMIR reports have been used by the Massachusetts Attorney General and Department of Public Health to negotiate enforceable commitments to address cost, market, quality, and access concerns.

- CMIR findings may be considered as evidence in Massachusetts antitrust or consumer protection actions, and in Determination of Need reviews.

Impacts on Transaction Plans: In some cases, entities have planned affiliations in part based on the likelihood of a CMIR, and in other cases have decided not to pursue an affiliation after the HPC raised concerns in the MCN or CMIR process.

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Through the HPC's CHART investment program, community hospitals made significant progress in reducing utilization and transforming care.

Through the CHART Program, the HPC invested $70 million across 30 community hospitals between 2014 and 2018. The CHART Program Impact Brief provides an overview of the program and highlights community hospital achievements in reducing acute care utilization and establishing a foundation for sustainable care delivery transformation.

MASSACHUSETTS HEALTH POLICY COMMISSION

CHART Investment Program

Engaging Patients, Building Partnerships, and Transforming Care

The CHART Investment Program

The Massachusetts Health Policy Commission (HPC) launched the Community Hospital Acceleration, Revitalization, and Transformation (CHART) program in 2014. The goal was to establish the foundation for sustainable care delivery transformation through innovative investments in the Commonwealth's community hospitals. The program was funded through an assessment established in Massachusetts' landmark health care cost containment law, Chapter 224 of the Acts of 2012.

Community hospitals are vital providers of care in their communities, often serving patients with a variety of medical, behavioral health, and social needs. This role gives them a unique opportunity to leverage investment support and make improvements that have the potential to both enhance patient care and reduce overall health care costs for the Commonwealth.

The CHART program invested approximately $70 million in 30 community hospitals through two phases of funding. Combined with hospital in-kind contributions, the total program investment exceeded $85 million. The funds enabled the hospitals to assess local needs, modify services, and expand relationships with medical, social, and behavioral health community organizations. The investment was critical in helping community hospitals transition into the new era of value-based care.

From Traditional Care

- Medical Model
- In-Hospital Care
- Fee-for-Service
- Limited Use of IT

To CHART Care

- GOAL 1: Integrated Medical, Behavioral Health, and Social Services
- GOAL 2: Care in the Community
- GOAL 3: Value-Based Care
- GOAL 4: Better Data and Analytics

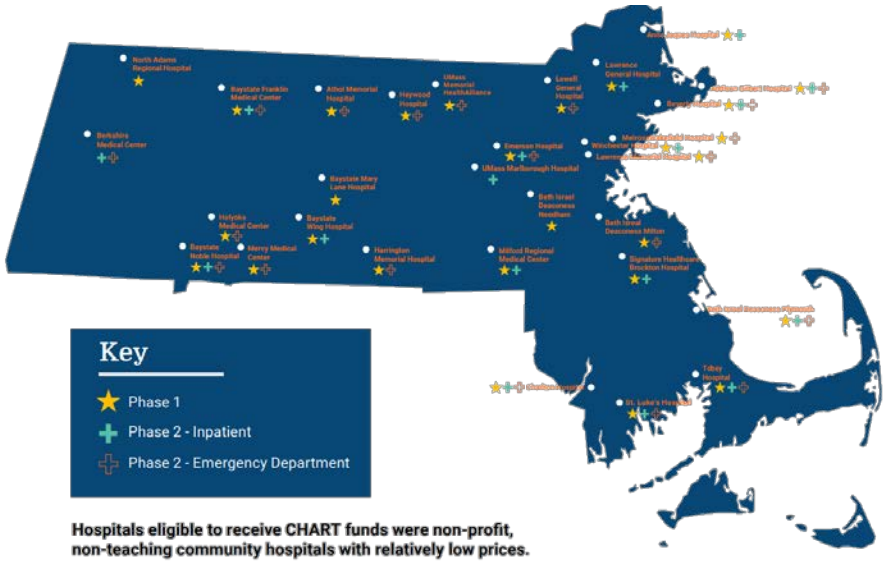
Phase 1: 2014, $10 million, 28 awards. CHART hospitals engaged in business planning, capacity building, and program piloting to prepare for implementing their full CHART programs.

Phase 2: 2015-2018, $60 million, 24 awards. CHART hospitals implemented innovative new care models requiring significant transformation in their delivery.

20 awardees met or made significant improvement toward their target aims, such as reducing hospital readmissions and/or emergency department revisits by at least 20%.

"The CHART program has produced a change in how care is approached by introducing a holistic, person-centered approach... They address the patient's most pressing needs... Local organizations are now better connected."

- CHART Hospital Staff



Hospitals eligible to receive CHART funds were non-profit, non-teaching community hospitals with relatively low prices.

CHART Program: Goals and Achievements

GOAL 1:
Deliver Integrated Care Across Medical, Behavioral Health, and Social Needs

of hospitals instituted new staffing models or processes to integrate behavioral health and medical care.

GOAL 2:
Shift Care From the Hospital to the Community

~10,000

fewer ED visits
at CHART hospitals than expected over the 24-month program.[2]

GOAL 3:
Prepare to Succeed in Value-Based Care Models

of hospitals reported that CHART facilitated broader hospital culture changes that helped prepare them to participate in the new MassHealth ACO program.

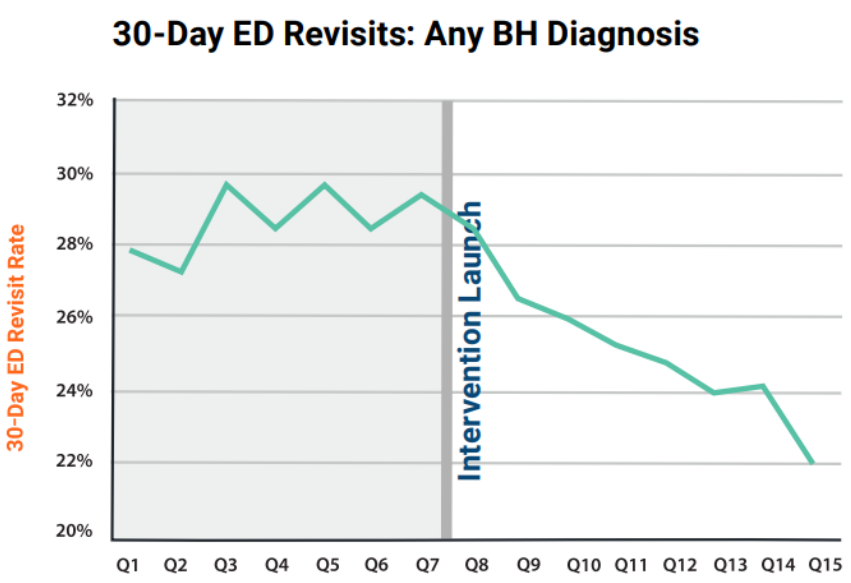
GOAL 4:
Use Data and Analytics to Better Serve Patients

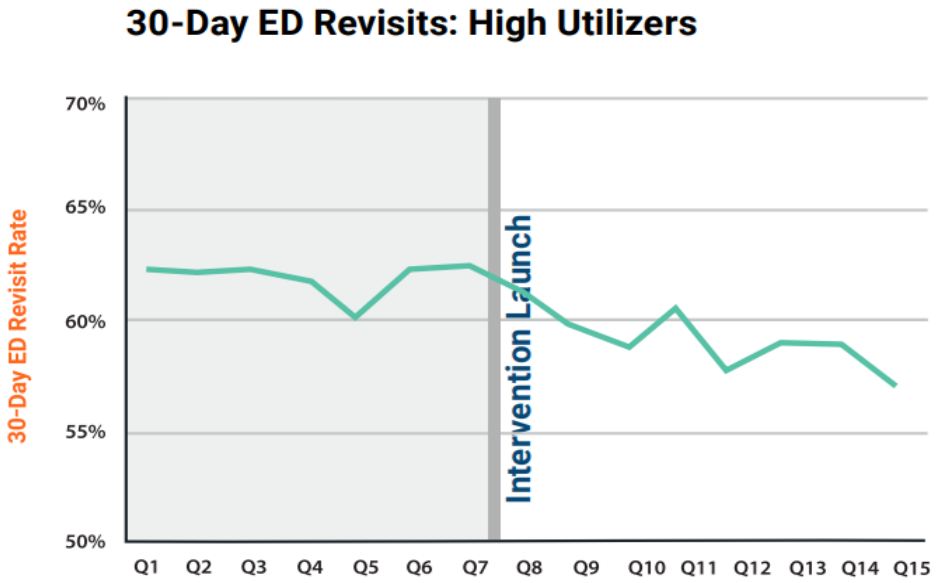
24

awardees invested in a case management platform to track target population patients, measure services delivered by CHART team members, and generate reports.

[2] *This estimate covers all ED patients, not only those who were served by the CHART program. CHART funding is likely one of many factors contributing to a decline in ED visits at community hospitals.*

CHART Program: Impact on Reducing Acute Care Utilization





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