



MASSACHUSETTS
HEALTH POLICY COMMISSION

Health Policy Commission Board Meeting

September 27, 2018



AGENDA

- Call to Order
- Approval of Minutes from the September 12, 2018 Meeting
- Market Oversight and Transparency
- Upcoming Meetings
- Executive Session



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VOTE: Approving Minutes

MOTION: That the Commission hereby approves the minutes of the Commission meeting held on September 12, 2018 as presented.



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- **Market Oversight and Transparency**
 - Update on Notices of Material Change
 - Final Report on the Cost and Market Impact Review (CMIR) on the proposed Beth Israel Lahey Health (BILH) transaction (VOTE)
- Upcoming Meetings
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Types of Transactions Noticed

April 2013 to Present

Type of Transaction	Number of Transactions	Frequency
Clinical affiliation	21	22%
Physician group merger, acquisition, or network affiliation	20	21%
Acute hospital merger, acquisition, or network affiliation	19	20%
Formation of a contracting entity	17	18%
Merger, acquisition, or network affiliation of other provider type (e.g., post-acute)	11	12%
Change in ownership or merger of corporately affiliated entities	5	5%
Affiliation between a provider and a carrier	1	1%

Notice Currently Under Review

Received Since 7/18

Proposed joint venture between **Shields Health Care Group** and **Reliant MSO**, the parent organization of Reliant Medical Group. The proposed joint venture would open and operate a freestanding ambulatory surgery center west of Boston.

Elected Not to Proceed

- Proposed contracting affiliation between **Partners HealthCare System** and the **Cooley Dickinson Physician Hospital Organization**, which is jointly owned by Partners' Cooley Dickinson Hospital and approximately 266 employed and affiliated physicians.

Received Since 7/18

- Proposed acquisition of **Health Express** by a subsidiary of **South Shore Health System (SSHS)**. Health Express is a for-profit company that operates walk-in urgent care centers on the South Shore. Under the proposed transaction, SSHS would acquire substantially all assets of Health Express, offer to employ its physicians and other staff, and operate the urgent care centers as South Shore Health Express, a non-profit subsidiary of SSHS.
- Proposed acquisition of **Home Health Foundation (HHF)** by **Wellforce**. HHF is the parent organization of Home Health VNA, Merrimack Valley Hospice, and HomeCare. Under the proposed transaction, Wellforce would acquire HHF and the two existing Wellforce home health entities (Circle Home and Hallmark Health Visiting Nurse Association) would be merged into HHF.



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Beth Israel Lahey Health Cost and Market Impact Review: Process Recap

Preliminary Report & Response

- Preliminary Report issued on July 18
- Joint written response from the parties received on August 17
- The written response included new information about some of the parties' proposed care delivery plans
- HPC staff and other outside experts analyzed the parties' response, including the new information
- The HPC also received written comments from a number of other stakeholders

Final Report

- Reflects consideration and analysis of the parties' response
- Parties' response and the HPC's analysis of the response are attached as Exhibits A and B of the Final Report, respectively
- Updates certain analyses to reflect newly available information and technical updates.
- May include referrals to other state agencies, e.g., the Massachusetts Attorney General's Office and the Commissioner of the Department of Public Health, upon approval by the Board
- The proposed transaction may not be finalized until 30 days after issuance of the final report

Parties' Response and HPC Analysis: Commissioner Questions

The HPC invited the parties, in their Response, to address a number of significant outstanding questions and concerns raised in the Preliminary Report and at the July Board meeting.

Specifically, Commissioners asked for:

- Commitments to ensure that price increases would either not occur or be moderated;
- Information about why the transaction is different from the merger that created Partners and how corporately merging would make BILH more attractive;
- Explanation of how the merger enables the parties to do things they are unable to do while independent (e.g., narrow network products, population health management);
- Information about the financial implications if the merger does not go through;
- Additional information about the parties' projected back office efficiencies, including if and how those might translate into reduced prices;
- Commitments to maximize the potential benefits and minimize the potential negative impacts of the transaction on vulnerable patient populations (e.g., Medicaid patients) and other health care providers;
- Information about how the BILH merger will result in transformation of care delivery models and plans to expand the Lahey behavioral health model across BILH; and
- Further information about how the parties plan to shift care to lower-priced settings.

Parties' Response and HPC Analysis: The parties' new plans for care delivery initiatives

- The parties provided new details, including targets for improvement and estimated savings by year five of BILH operations, for four programs:

Proposed program	Identified goals (by year 5 of BILH operation)	Estimated savings
Behavioral health integration with primary care	Expand from 20 offices to all 85 employed PCP offices; reduce patient spending by 5%-10%	\$23M-\$58M
Pharmacist management for high-risk discharges	Pharmacist intervention for all patients discharged with polypharmacy; reduce 30-day ED visits 10.4%	\$8M
Expanded nurse triage program	Expand program to all employed PCP offices; reduce spending per physician	\$6M
Preferred post-acute care network development	Integrate the parties' independent preferred SNF networks; reduce 30-day readmissions 6.1%	\$15M

- The programs could result in savings and quality improvement if implemented as described, and this potential is reflected in the Final Report.
- There are some outstanding questions regarding the parties' identified goals, and they have not provided estimates of implementation costs.

Parties' Response and HPC Analysis: Potential Savings to the Public vs. Financial Benefits to BILH

Categorization of Estimates in Figure 3 of Parties' Response

Parties' Description	Parties' Estimated Annual Impact	HPC Analysis
1 Care redirection from higher-priced provider	\$9M - \$14M*	Potential savings from care redirection from higher- and lower-priced providers (HPC estimate)
2 TME savings related to select integration initiatives	\$52M - \$87M*	Potential savings from care delivery initiatives (parties' estimate)
3 Cost synergies	\$42M - \$66M	Internal operating efficiencies for BILH (parties' estimate; described in Preliminary Report)
4 Other savings as a result of transaction	\$46M - \$103M	Revenue to BILH from care redirection (parties' estimate; HPC analysis of savings to the public from care redirection is in row 1)

Potential Savings to the Public

Revenue and Internal Savings to BILH

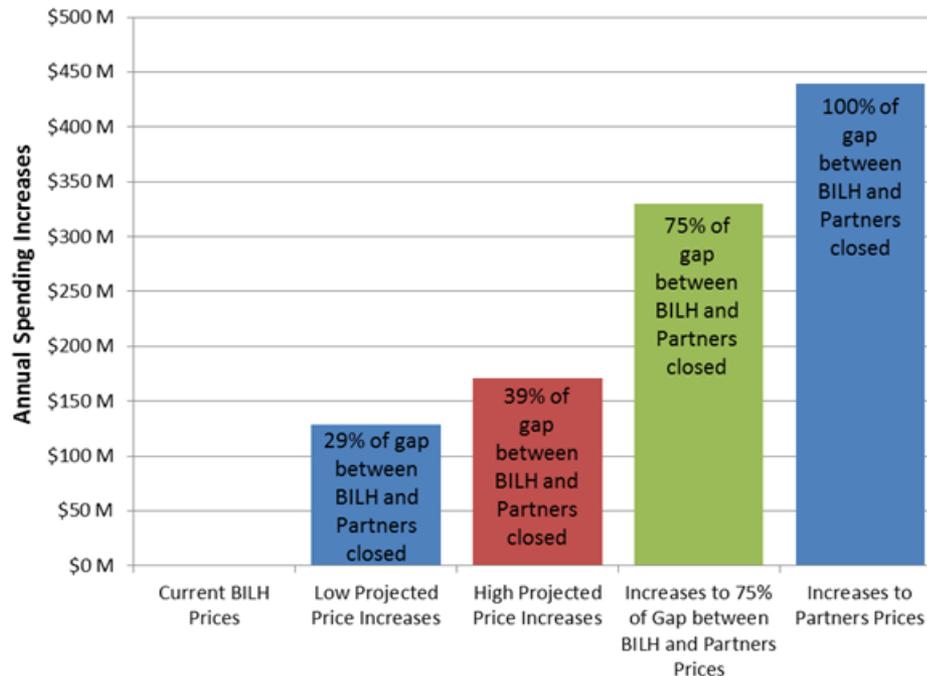
*These savings estimates assume both that the parties' goals are fully achieved *and* that prices do not increase.

The parties state that internal savings and new revenue would allow them to invest in care delivery plans and enable BILH to be financially successful without significant price increases.

Parties' Response and HPC Analysis: Prices and Spending

- The parties do not provide new information or commitments that change the range of HPC's projected price and spending increases.
- The HPC's price increase projections remain conservative, closing approximately 29% to 39% of the gap between the parties' prices and those of Partners.

Impact of Projected Inpatient, Outpatient, and Primary Care Price Increases and Alternative Scenarios for Closing of the Price Gap Between BILH and Partners



Parties' Response and HPC Analysis: Competition

- The Parties' Response frames the transaction as the creation of a “*new* competitor” rather than the consolidation of *existing* competitors.
 - There is extensive evidence in economic literature that consolidation generally *decreases* competition and *increases* prices.
- The Response discusses the impact of BILH on the market leader (Partners), but does not address the impact on smaller or more financially vulnerable competitors.
- The parties state generally that they would more effectively compete with Partners as a combined system, because:
 - Their reputation would be enhanced; and
 - Tiered or limited networks would be effective in shifting market share.

Parties' Response: Other Information

Medicaid access: The Response includes information about BIDMC's support for community health centers and clinically affiliated community hospitals and the payer mix of Lahey's behavioral health services.

- It does not include prospective commitments to expand access for Medicaid patients.

Community-appropriate care: The Response includes information about the parties' support of their community hospitals.

- It does not include further information about how the parties plan to shift care to lower-priced settings.

Financial performance: The Response includes information about the parties' FY17 financial performance and the parties state that they may have to cut clinical services (e.g., behavioral health) if the merger does not go forward.

- It does not include revisions to the parties' future financial projections or information suggesting any of the parties is in immediate danger of closure.

Other care delivery and integration initiatives: The Response includes high-level descriptions of a number of proposals besides the four previously discussed.

- It does not include information that would allow the HPC to assess potential impacts of these programs on costs, quality, or access

The Final Report updates certain analyses, incorporates more recent data, and makes minor technical updates.

- The Final Report includes updates to certain analyses that were published in the Preliminary Report to incorporate more recent data and make minor technical updates, including:
 - Price impacts
 - Market shares
 - CG-CAHPS and AHRQ quality measures
 - Payer mix
 - Patient demographics
 - Patient socioeconomic statistics for the parties' hospitals and comparator hospitals and systems
- Updated figures in the Final Report are consistent with those published in the Preliminary Report.
- The HPC has also reviewed FY17 audited financial information for the parties and comparator systems and updated the Final Report accordingly.

Final Report Key Findings: Cost and Market

- The HPC estimates that the proposed consolidation would significantly enhance the bargaining leverage of BILH to obtain higher prices from commercial insurers, which could increase total health care spending by **\$128.4 million** to **\$170.8 million** annually for inpatient, outpatient, and adult primary care services.
- With similar price increases for specialty physician services, spending could increase by an additional **\$29.8 million** to **\$59.7 million** annually.
- The parties' care delivery plans and plans to shift care to lower-cost settings may result in savings, but these savings would not offset spending increases if the parties obtain the projected price increases.
- While the parties have stated they would achieve internal savings and generate new revenue that would allow them to invest in their proposed plans and be financially successful without price increases, they have declined to offer any commitments to limit future price increases to date.

Final Report Key Findings: Quality and Access

- **Quality and Care Delivery Impact:** The parties are considering plans for integrating their unique quality oversight and management structures, but have not yet identified baseline data or transaction-specific quality improvement goals, except in relation to a few specific care delivery initiatives. More detailed plans for these specific initiatives suggest a potential for quality improvement.
- **Access Impact:** Based on the current patient mix of the proposed BILH-owned hospitals, the BILH-owned system would have among the lowest mix of Medicaid discharges and proportion of discharges and ED visits for non-white patients and Hispanic patients compared to other large eastern Massachusetts hospital systems. The parties so far have declined to offer any commitments to expand access for Medicaid patients. The parties are important providers of behavioral health services in eastern Massachusetts, and their plans for expanding these services have the potential to enhance access.

The Final Report may include a referral to the Attorney General and/or the Department of Public Health for further review.

- The HPC is not required to refer this transaction to the Attorney General. However, under the HPC's regulations, it **may refer** its report to the Attorney General to take further action on the basis of the findings in the Final Report.
- Under the Determination of Need (DoN) regulations, the HPC **may also recommend** to the Commissioner of Public Health that the Department reconsider its approval with conditions of the parties' DoN application.

VOTE: Inclusion of referral language in final CMIR report

MOTION: That, pursuant to section 13 of chapter 6D of the Massachusetts General Laws, the Commission hereby includes the following referral language in the attached final report on the cost and market impact review of the proposed Beth Israel Lahey Health merger:

Based on these findings, the HPC concludes that the transaction warrants further review and refers this report to the Attorney General to assess whether there are enforceable steps that the parties may take to mitigate concerns about the potential for significant price increases, and maximize the likelihood that BILH will enhance access to high quality care, particularly for underserved populations. The HPC additionally recommends that the Commissioner of the Department of Public Health reconsider the approval with conditions of the Determination of Need Application NEWCO-17082413-TO and assess the need for additional or revised conditions to ensure that the applicable Determination of Need factors are met.



VOTE: Final Report on the CMIR on the proposed BILH transaction

MOTION: That, pursuant to section 13 of chapter 6D of the Massachusetts General Laws, the Commission hereby authorizes the issuance of the attached final report (as amended per above motion) on the cost and market impact review of the proposed Beth Israel Lahey Health merger.



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2018 Meetings and Contact Information



Board Meetings

Thursday, December 13, 2018



Committee Meetings

Wednesday, October 3, 2018
Wednesday, October 10, 2018
Wednesday, November 28, 2018



Contact Us

Mass.Gov/HPC
 @Mass_HPC
HPC-Info@state.ma.us



Special Events

Tuesday and Wednesday, October 16
and 17, 2018: Cost Trends Hearing



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VOTE: Executive Session

MOTION: That, having first convened in open session at its September 27, 2018 board meeting and pursuant to M.G.L. c. 30A, § 21(a)(7), the Commission hereby approves going into executive session for the purpose of complying with M.G.L. c. 6D, § 10 and its associated regulation, 958 CMR 10.00, M.G.L. c. 6D, § 2A, and M.G.L. c. 12C, § 18, in discussions about whether to require performance improvement plans by entities confidentially identified to the Commission by the Center for Health Information and Analysis.

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