Beth Israel Deaconess
CARE ORGANIZATION

Affiliated with
Beth Israel Deaconess Medical Center
HARVARD MEDICAL SCHOOL TEACHING HOSPITAL

March 10, 2017

Ms. Lois Johnson
General Counsel
Health Policy Commission
50 Milk Street, 8th Floor
Boston, MA 02109

RE: Testimony – Modification of the health care cost growth benchmark for calendar year 2018

Dear Ms. Johnson:

Thank you for the opportunity to comment on the potential modification of the health care cost growth benchmark for the average growth in total health care expenditures for calendar year 2018. Beth Israel Deaconess Care Organization (BIDCO) is a premier, independent Accountable Care Organization (ACO) focused on building communities of care with a network of diverse and highly skilled physicians and hospitals. Our mission is to move health care forward by engaging providers in their communities to achieve success in a value-based delivery system. We are committed to creating innovative, industry leading best practices in the clinical, administrative and financial aspects of health care.

As a leading ACO in the ever-evolving health care marketplace, BIDCO supports the Health Policy Commission's (HPC) objectives to control rising health care costs and improve the quality of patient care. BIDCO is organized and equipped with the tools to take on the challenges that lie ahead, including potential, pending federal reforms and the initiation of a new public payer model – MassHealth ACO. In light of these circumstances, BIDCO recommends the HPC take into consideration factors that are largely outside payers' and providers' control when deliberating whether to adjust the health care cost growth benchmark, including: the impact of pending federal policies, the use of the benchmark in payer/provider contract negotiations, and the impact of increased prescription spending and the aging population. BIDCO outlines its considerations in further detail below.

1. Uncertainty given pending federal policy proposals

As the HPC states clearly in its *Annual Health Care Cost Trends Report 2016*, "[t]he future outlook for health care spending growth in Massachusetts is *highly uncertain*, in large part due to the likelihood of significant changes to state and federal health policy."[1] Indeed, Commissioner Altman was cited for wanting to analyze forward-looking information "that would provide a national context before making the decision to adjust the benchmark" and that the "board should make its decision 'based on facts, not what we want or would like to see

[1] Massachusetts Health Policy Commission, *Annual Health Care Cost Trends Report 2016* (emphasis added) (Feb. 2017).

One University Avenue, North Entrance
Westwood, MA 02090

(617) 754-1000 Phone
(617) 754-1040 Fax
www.bidco.org

happen.'"[2] The HPC, soundly, bases its determinations on present facts and data to project future performance. However, this may not be entirely possible since future health care policy is not well-settled at this time. Ani Turner from the Altarum Institute agreed and stated during her March 8, 2017 presentation to the HPC that the big unknowns for 2018 will remain economy-wide price inflation, prescription drug spending, and of course, changes in coverage. She further stated, "I don't know how you factor that into 2018."[3]

Though many groups argued the converse at the March 8, 2017 hearing, indicating that we must continue focusing our efforts on cost containment in light of federal and state policy uncertainty, BIDCO argues that the position may be interpreted as a factor in favor of modifying the benchmark. Nonetheless, the only fact we can glean is that a major change in the health care system is likely coming. It would be prudent to factor in the uncertainty caused by such circumstances. It may not be easily quantifiable; however, if it is significant enough for the HPC to cite as a factor, it must be granted due weight considering that payers and providers will need to adjust functions and operations based on such policy modifications. For example, should the federal government enact significant changes to the Medicaid program thereby affecting the Commonwealth's Section 1115 Waiver and the MassHealth ACO program, there would be significant impact to a major initiative that could ostensibly support the Commonwealth's ability to meet the statewide cost growth benchmark in 2018.

2. Using the benchmark as a provider rate increase cap in payer contract negotiations

The HPC recognizes that provider organizations like BIDCO are undertaking initiatives to address the opportunities cited in the HPC's 2016 Cost Trends Report, and they strive to maximize that opportunity because it benefits everyone in the system—providers, hospitals, payers, and consumers. For example, BIDCO continually strives to improve the network's hospital utilization, discharge, readmission and post-acute care rates. While this occurs, the burden for meeting the benchmark should not be solely placed on the payer/provider contracting process. BIDCO does not believe this to be the legislature's intent when enacting the Cost Growth Benchmark in Chapter 224 of the Acts of 2012. While ACOs and the work of provider groups attempting to achieve greater efficiencies without sacrificing quality should be held accountable to meeting the target, so should other industries that contribute to increasing health care costs.

Additionally, BIDCO understands that when a provider organization, provider or payer exceeds the cost growth benchmark, there are no traditional monetary "penalties." However, there are potential administrative burdens placed on such health care entities that will then need to respond to inquiries from the HPC or who will need to conduct a Performance Improvement Plan or a Cost and Market Impact Review. These are not insignificant endeavors and come at a cost to the providers or payers who are subject to these review processes.

[2] Katie Lannan, "State mulls lower benchmark as health costs exceed existing target," *State House News Service* (Jan. 13, 2017).
[3] Ani Turner, Altarum Institute, Hearing on the Potential Modification of the Health Care Cost Growth Benchmark (Mar. 8. 2017).

3. Increased prescription spending and the impact of the aging population

Per the Center for Health Information and Analysis 2016 Annual Report on the Performance of the Massachusetts Health Care System, pharmacy spending is responsible for one-third of the overall growth in total health care expenditures in 2015 per capita. Understanding that this statistic does not capture the impact rebates may pose on overall growth, BIDCO is not involved with the pharmacy benefit negotiation between our payers and pharmacy benefit managers. BIDCO can and does manage its own pharmacy management program designed to optimize medication efficiency, efficacy, and safety while ensuring high-quality patient care. BIDCO will continue to use whatever tools and resources it has at its disposal to manage pharmaceutical usage, and BIDCO encourages the HPC to consider the implications and pressures levied on ACOs in light of the fact that drug prices, the entry of new high-cost drugs and fewer patent expirations contributed to recent overall pharmacy expenditure growth.

BIDCO also appreciates the Health Policy Commission's recognition of the impact the aging population will have on health care expenditures, including the finding that total health care expenditure growth per year due to aging could contribute approximately 0.6% growth per capita.[4] Though BIDCO has significant experience with managing aging populations, the general increase in growth by virtue of the fact that the overall aging population in Massachusetts is increasing is a factor beyond BIDCO's control. As with pharmaceutical spending, BIDCO encourages to the HPC to consider this factor as it deliberates potentially modifying the benchmark.

Though BIDCO does not articulate methodologies the state could apply given the above considerations, BIDCO suggests the HPC could look at the relative weight of certain drivers. For example, if pharmacy spending and the aging population are significant causes of the excessive growth, the HPC could recommend an adjustment commensurate to those factors' overall impact on the state's ability to achieve the benchmark.

BIDCO will continue to do its part by actively engaging in activities that will help the Commonwealth meet the benchmark, and we look it forward to collaborating with state leaders throughout the process.

Sincerely,

Jeffrey R. Hulburt

[4] Presentation from the Massachusetts Health Policy Commission, Hearing on the Potential Modification of the Health Care Cost Growth Benchmark (Mar. 8, 2017).