MAHP
MASSACHUSETTS ASSOCIATION of HEALTH PLANS

March 10, 2017

David Seltz, Executive Director
Health Policy Commission
50 Milk Street, 8th Floor
Boston, MA 02109

re: Health Policy Commission's Modification Hearing on the 2018 Health Care Cost Growth Benchmark

Dear Director Seltz:

On behalf of the Massachusetts Association of Health Plans (MAHP), which represents 17 health plans that provide coverage to approximately 2.6 million Massachusetts residents, I am writing in response to the Health Policy Commission's Modification Hearing on the 2018 Health Care Cost Growth Benchmark. We appreciate the Commission engaging with stakeholders to seek input and the opportunity to offer our comments.

As the Commission's recent *Annual Health Care Cost Trends* report (CTR2016) noted, Massachusetts health care costs are among the most expensive in the United States and rising health care costs are a major issue facing consumers and employers in the Commonwealth. Premiums reflect the cost of care. The persistent increases in the prices that doctors, hospitals and other providers charge, coupled with care largely being delivered by high-cost providers, and the excessive prices that the pharmaceutical industry is charging for specialty, brand-name and generic drugs will continue to threaten the cost growth benchmark, regardless of whether it is set at potential gross state product minus 0.5 percent, increased to 3.6 percent, or somewhere in between.

While the growth in Massachusetts health care spending has been lower than the increase in national health care expenditures, rising health care costs remain a significant challenge for individuals, families, employers and the Commonwealth and potential changes at the Federal level make it essential for the health care system to focus on containing health care costs. To that end, we would encourage the Commission to set the 2018 Health Care Cost Growth Benchmark at potential gross state product minus 0.5 percent (3.1 percent).

Our member health plans are doing everything they can to contain costs and bend the trend to improve the quality and affordability of health care. Among the initiatives that they have undertaken:

- Care management programs to ensure that care is coordinated for individuals with acute, chronic and complex health issues;
- Measures to integrate medical and behavioral health case management to help individuals struggling with addiction;
- Developing wellness programs with employers to help improve the health of their workforce;
- Support for providers as they move to alternative payment methods; and
- Engaging in value based contracts as one of several tools to deal with rising drug costs.

Setting the cost benchmark at potential gross state product minus 0.5 percent is likely to lead to an increase in the number of entities deemed to exceed the benchmark, which could potentially subject them to a Performance Improvement Plan (PIP). While these are important tools to containing health care costs and holding the entire

system accountable, it would be important for the Commission to consider the following factors in determining performance against the benchmark and the prospect of requiring entities to engage in a PIP.

- **Prescription Drug Prices**
  While breakthrough medications offer tremendous clinical benefits for patients, the prices charged for prescription drugs is a major threat to keeping health care affordable for Massachusetts employers and consumers. State reports have concluded that exorbitant increases in prescription drug prices have been a major factor for rising health care spending and, as the Attorney General's examination on specialty drugs noted, "Even after accounting for all discounts and rebates, growth in the health plans' spending on prescription drugs has significantly outpaced overall health care spending growth."

  The state's Center for Health Information and Analysis' (CHIA) annual reports on the *Performance of the Massachusetts Health Care System* have found that pharmacy spending grew by 13.5 percent in 2014 and 10.2 percent in 2015, representing 15 percent of total health care expenditures (THCE) and 36 percent of the overall growth in THCE in 2015. As part of the annual Health Care Cost Trends hearings, the Commission noted that if pharmaceutical spending had been in line with the benchmark, total health care spending in Massachusetts would have been below 3.6 percent the last two years. Further, the Commission's CTR2016 noted, "Estimates suggest that high cost growth will continue, in the absence of policy changes; data from the first three quarters of 2016 show national drug spending grew 3.5 percent from the previous year."

  The growth in prescription drug costs is not unique to Massachusetts and is broadly consistent with national trends. As the Commission considers performance against the benchmark, it would be important for pharmaceutical manufacturers to justify their price increases. While health plans and providers are subject to the benchmark, similar accountability is needed for pharmaceutical manufacturers. We agree with the Commission's recent recommendation of expanding the witness list for the Cost Trends Hearings to add pharmaceutical manufacturers to explain the reasons for the high prices being charged for new and existing drugs. At the same time, the statute already allows for the Commission to call any witness identified by the Attorney General or CHIA.[1] We recognize that the Commission has invited representatives from individual pharmaceutical manufacturers to testify at the hearings in recent years and would urge that the Commission consider issuing a list of entities that have declined or not responded to the invitation in future years.

- **Addressing Provider Prices**
  Over the past eight years, more than two dozen state reports have examined the health care costs and cost drivers in the Commonwealth. Report after report has found that provider prices remain the most significant factor driving health care costs. The wave of mergers, acquisitions and affiliations among hospitals, physicians and other providers will reshape the health care system for years to come. Leading experts continue to raise concerns with the consolidation taking place, noting that "(more consolidation) isn't good for patients and their families, either for their pocketbooks or for the quality of care they receive."[2] Further, recent research notes that hospital consolidation has few positive effects and many harmful ones as "hospitals have assumed more market power, producing worse outcomes and higher prices for patients."[3]

  As the Commission's CTR2016 notes, "From 2013 through December 2016, the HPC received notice of 72 proposed mergers, acquisitions, and affiliations" with 40 percent of these transactions involving physician

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[1] M.G.L. c. 6D§8(d)(xi)

[2] **New Health Care Symposium: Consolidation And Competition In US Health Care,** Martin Gaynor (March 1, 2016), *Health Affairs Blog* http://healthaffairs.org/blog/2016/03/01/new-health-care-symposium-consolidation-and-competition-in-us-health-care/

[3] **The Perils of Hospital Consolidation**, Yevgeniy Feyman & Jonathan Hartley (Summer 2016), *National Affairs* http://www.nationalaffairs.com/doclib/20160616_FeymanHartley_Indiv.pdf

group acquisitions or contracting affiliations, increasing market concentration for physician services. The vast majority of material notice changes have been approved with only a few undergoing a full cost and market impact review. It is essential that these changes lead to better care and lower prices rather than higher costs through enhanced bargaining power. However, in examining the impact of provider market consolidation in the Commonwealth, the Commission's CTR2016 found that, "hospitals with higher market shares and those with certain large system affiliations tend to have higher inpatient prices that are not tied to increased quality."

We appreciate the Commission's efforts to monitor whether the affiliations, acquisitions and mergers that have been approved have actually resulted in lower costs and better care for consumers and employers. As the Commission considers performance against the benchmark, it would be important to pay special attention to these transactions, including how the actual results align with the anticipated benefits providers articulated in their material change notices, whether they have leveraged higher prices as a result of these transactions, and what impact the concentration of institutions are having on the state's ability to meet the benchmark.

- **Impact of Changes to the Affordable Care Act**
  The Affordable Care Act (ACA) has had a profound impact on expanding coverage for Massachusetts residents. While our state's health care reform law paved the way for national health care reform, changes to the ACA could have the potential to create an environment of extreme uncertainty and disrupt care and coverage for thousands of Massachusetts residents. The Commonwealth's ability to retain the gains in coverage realized under state and federal health reform will be contingent on the elements included in any ACA replacement proposals. While some may suggest increasing the benchmark out of concern over the impact that federal changes may have on the state, the uncertainty of potential changes makes it more important than ever for stakeholders to redouble their efforts to contain health care costs. However, as the Commission considers performance against the benchmark, it would be important to recognize the impact that the ACA may have on enrollment and how costs may be shifted across the different categories of THCE.

We appreciate the opportunity to offer comments as the Health Policy Commission considers the 2018 Health Care Cost Growth Benchmark. Please feel free to contact me directly should you have any questions or need additional information on our comments.

Sincerely,

Lora Pellegrini
President & CEO

cc: Stuart Altman, Ph.D., Chairman, Health Policy Commission
Wendy Everett, Sc.D., President of NEHI, Vice Chair, Health Policy Commission
Kristen Lepore, Secretary, Executive Office for Administration and Finance
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