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Submitted electronically to Benjamin.A.Thomas@mass.gov

March 25, 2021

Health Policy Commission
50 Milk Street, 8th Floor
Boston, MA 02109

Re: Health Care Cost Growth Benchmark for Calendar Year 2022

Dear Commissioners:

On behalf of Health Care For All (HCFA), thank you for the opportunity to submit testimony regarding potential modification of the health care cost growth benchmark for the average growth in total health care expenditures for calendar year 2022. HCFA advocates for health justice in Massachusetts by working to promote health equity and ensure coverage and access for all.

We believe it is critically important to pursue approaches to ensure health care is more affordable and accessible to consumers. Given the impacts the COVID-19 pandemic has had on people across the state, affordable and accessible health care is vital now more than ever. Making health care more affordable requires continuing to use the cost growth benchmark to keep system costs down, and considering additional policy changes. This is important across market segments, but especially in the small group and individual commercial market. HCFA recognizes that drops in utilization rates due to the COVID-19 surge last spring may lead some to seek higher reimbursement rates moving forward to compensate for losses and that others may argue that rebounding utilization suggests a need for higher premium rates. However, HCFA believes neither are warranted given the data we have so far.

Analysis from the Center for Health Information and Analysis (CHIA) shows that while hospitals sustained losses and had negative margins in April and May, COVID-19 relief funds resulted in large positive margins for June and July.¹ Notably, academic medical centers rebounded the fastest and already showed positive margins by May. COVID-19 relief funds for hospitals appear to have done exactly what they were intended to do, stabilizing hospital margins so that future rate increases would be unnecessary. Therefore, the benchmark should not be adjusted for hospital rate increases. At the same time, the CHIA analysis showed that while utilization of services in Massachusetts, including ED visits and inpatient hospital admissions, rebounded to a steady state by July, they remained 20 percent and 10 percent below 2019 averages respectfully. This suggests there is little evidence to date that utilization is rebounding above previous average levels in a manner that requires significant premium rate increases and any adjustment to the benchmark.

¹ Massachusetts Health Policy Commission, "Estimating the Impact of COVID-19 on the Health Care System." November 18, 2020. Available at: <https://www.mass.gov/doc/impact-of-covid-19-on-health-care-system/download> (slide 39).

We, therefore, recommend that the Health Policy Commission (HPC) continue to set the 2022 benchmark at equal to the potential gross state product minus 0.5 percent, or 3.1 percent. We also strongly urge HPC to identify ways to ensure consumer costs do not exceed the benchmark across the entire market.

Massachusetts Cost and Affordability Challenges

The health care cost growth benchmark remains a critical tool to monitor total health expenditures across the system and help apply pressure to bring down health care spending growth. However, this tool should not only produce savings for the health care system – it should also translate into savings for consumers. The high levels of health insurance coverage in Massachusetts do not guarantee access to health care or the affordability of care. While the state has seen success in keeping overall health care spending under the cost growth benchmark over the past three years, the same cannot be said for the costs consumers have faced. Instead, health care consumers in the state have seen out-of-pocket costs and premiums grow twice as fast as overall health care costs, straining family budgets and putting care out of reach for many individuals and families across the state.

The COVID-19 pandemic has only heightened consumers' need for relief from rising health care costs. During and in the aftermath of the height of the pandemic, access to health care has proven critical, with access to care for chronic conditions being especially critical for those at higher risk for more severe COVID-19 complications. At the same time, residents have faced dire financial predicaments as they lost jobs and saw their hours cut — a financial hole that will take many families years to climb out of. Any increase to the cost growth benchmark in an attempt to adjust for rebounding utilization or compensating rates for providers would come at a significant cost to individuals and families who simply cannot afford it. The weight of this pandemic simply cannot be even further placed on the shoulders of consumers.

We hear affordability concerns daily on our HelpLine that takes 20,000 calls a year, with more than half of the calls coming in Spanish and Portuguese. For example, one caller, Ann, called because even though she has coverage through the Connector with a household income of \$50,000 a year, she could not afford the co-pays for her prescriptions. Another woman whose husband is disabled called because she is the only one working and her income is not enough to continue paying \$567 a month in premiums for her plan through the Connector. She ended up having to cancel her insurance because it was not affordable. HCFA received several hundred calls last year specifically regarding health care affordability, a number that is artificially low because so many residents who lost jobs due to the pandemic were able to enroll in MassHealth during the pandemic. As commercial insurance enrollment declined and MassHealth enrollment rose, the safety net did its job and fewer people faced the challenge of rising premiums and cost-sharing. As this trend slowly reverses, many are again likely to struggle to afford premiums and care.

Data confirms the challenges of health care affordability that we hear daily from our callers. The 2018 Massachusetts Health Reform Survey² conducted by the Blue Cross Blue Shield Foundation

² Blue Cross Blue Shield of Massachusetts Foundation and Urban Institute, "2018 Massachusetts Health Reform Survey," December 2018. Available at: <https://bluecrossmafoundation.org/publication/2018-massachusetts-health-reform-survey>.

and the Urban Institute documented the affordability challenges – including inability to afford premiums, deductibles and co-pays – that Massachusetts residents continue to face. Nearly half of adults reported difficulty obtaining care, and 18.6% went without needed care because of cost. In addition, CHIA’s Massachusetts Health Insurance Survey³ found that in 2019, over 25% of Massachusetts respondents reported they went without needed medical or dental care due to cost, with more than one-third of these respondents forgoing care because of high co-pays and co-insurance and nearly one in four going without care because the high cost was part of their deductibles.⁴ Put plainly, the high cost of care is preventing even consumers with insurance coverage from accessing necessary treatments and services. The ongoing pandemic has shown the potential deadly consequences of chronic or underlying conditions left untreated. Now more than ever, when access to care is so important and families are struggling with the economic impact of the pandemic, we must do more to make health care more affordable for consumers.

The CHIA 2019 Annual Report on the Performance of the Massachusetts Health Care System,⁵ the most recent previously available report, shed light on the reasons families across the state struggle to access affordable care. Member cost-sharing for those with private commercial coverage rose 5.6% in 2018 after growing 6.7% in 2017. However, the impact is different across market segments. Unsubsidized individual purchasers paid the most out-of-pocket, followed by those with coverage through a small employer. Those with small group coverage also saw the most dramatic growth in member cost-sharing –10.2% in 2018. In addition, the CHIA report found significant premium increases across the commercial market. In 2018, fully insured premiums increased 5.6% after growing 4.8% in 2017. These cost sharing and premium increases are far outpacing the overall cost growth of the system, which was 3.1% in 2018. They also outpace wage and salary growth (2.8%) and regional inflation (2.9%). Consumers are paying more of every dollar they earn toward health care and shouldering more than their fair share of the burden of increasing system costs.

Health care affordability is fundamentally an issue of health equity. There are clear racial disparities in health care affordability with more Black (20%) and Latinx (19%) families reporting problems paying medical bills than white families (16.1%). Black families were also more likely than white families to report medical debt—19.6% compared to 17.4%.⁶ Racial disparities are also reflected in health care access, utilization, and chronic disease burden. Black and Latinx families had lower rates of visits with both general doctors and specialists, and they were less likely to report taking one or more prescription medications.⁷ However, many chronic conditions that require extensive medical treatment, such as asthma and diabetes, disproportionately impact communities of color due to a legacy of longstanding policies that have perpetuated structural racism.⁸ These disparities combined had a deadly effect in the pandemic. Black and Latinx residents were more likely to

³ Center for Health Information and Analysis. “Findings from the 2019 Massachusetts Health Insurance Survey,” April 2020. Available at: <https://www.chiamass.gov/assets/docs/r/survey/mhis-2019/2019-MHIS-Report.pdf>

⁴ Ibid.

⁵ Center for Health Information and Analysis. “Performance of the Massachusetts Health Care System,” September 2019. Available at: www.chiamass.gov/assets/2019-annual-report/2019-Annual-Report.pdf

⁶ Center for Health Information and Analysis. “Findings from the 2019 Massachusetts Health Insurance Survey,” April 2020. Available at: <https://www.chiamass.gov/assets/docs/r/survey/mhis-2019/2019-MHIS-Report.pdf>

⁷ Ibid.

⁸ Kenneth E. Thorpe, Kathy Ko Chin, Yanira Cruz, Marjorie A. Innocent, and Lillian Singh, “The United States Can Reduce Socioeconomic Disparities By Focusing on Chronic Diseases.” Health Affairs. August 17, 2017. Available at: <https://www.healthaffairs.org/doi/10.1377/hblog20170817.061561/full/>

contract, be hospitalized for, and die from COVID-19 in Massachusetts.⁹ This was the direct result of decades of structural racism and years of financial barriers to accessing necessary care.

Given the rising costs Massachusetts residents face, it is not surprising consumers have clearly communicated health care costs as a major concern, identifying lowering health care costs as their number one priority for state policymakers. In a MassINC poll from January 2021, 66% of residents highlighted lowering health care costs as very important, and 60% of residents characterized increasing access to health care as very important.¹⁰ These health care priorities were the top two, rising above many other pressing issues such as education and transportation. The issues of health care affordability and accessibility were even higher priorities for communities of color, with more Black and Latinx residents than white residents saying lowering health care costs and making health care more accessible were their top two priorities. Increasing the cost growth benchmark would be counter to the expressed priorities and needs of Massachusetts residents.

Although consumer costs — growing premiums and out-of-pocket costs — outpace the overall system cost growth, they are nonetheless a response to underlying system cost drivers. In particular, rising drug costs and growing hospital inpatient and outpatient costs are the largest contributors to cost growth. According to the CHIA 2019 Annual Report, hospital costs are the single largest driver of overall cost growth accounting for more than 40% across inpatient and outpatient care. We also know that some hospitals contribute significantly more than others to growing costs based on the 2017 Special Commission on Provider Price Variation Report.¹¹ As the report indicated, insurers can pay two to three times more for the same services at one hospital compared to another. Prescription drug costs were also a top driver of health care cost growth in the 2019 Annual Report, accounting for 14% percent of growth after adjusting for rebates. Tackling the growing challenge of health care affordability in the state will require both a direct approach to rising out-of-pocket costs and premiums, as well as a comprehensive effort to address underlying cost drivers.

Recommended Policies to Address Costs and Affordability

To make health care coverage, services and medications more affordable and accessible, especially for communities of color and low-income people, we need both health insurance reforms to address consumer costs and changes that address the underlying drivers of cost. In addition to recommending that the benchmark remain set at 3.1%, we would like to highlight several other policy recommendations that we believe are critical for protecting consumers and ensuring access to affordable care.

The More Affordable Care (MAC) Act (HD2708/SD1716), introduced by Rep. Barber and Sen. Keenan, would provide consumer-facing reforms by building on the health care cost benchmark process to add a specific consumer benchmark. This consumer benchmark, measuring combined

⁹ Jose F. Figueroa, Rishi K. Wadhwa, Dennis Lee, Robert W. Yeh, and Benjamin D. Sommers, “Community-Level Factors Associated With Racial And Ethnic Disparities In COVID-19 Rates In Massachusetts,” August 27 2020. Available at: https://www.healthaffairs.org/doi/10.1377/hlthaff.2020.01040?url_ver=Z39.88-2003&rfr_id=ori:rid:crossref.org&rfr_dat=cr_pub%20%200pubmed.

¹⁰ The MassINC Polling Group, “Feeling the Effects of the Pandemic, Voters Seek Robust Recovery Plan.” The MassINC Polling Group. January 13 2021. Available at: <https://www.massincpolling.com/the-topline/state-budget-poll>.

¹¹ Representative Jeffrey Sánchez and Senator James T. Welch, “2017 Special Commission on Provider Price Variation Report.” The Massachusetts Health Policy Commission. March 15 2017. Available at: <https://www.mass.gov/doc/special-commission-on-provider-price-variation-report>.

out-of-pocket and premium growth by carrier, would put the experience of consumers at the center of the discussion and ensure more focus on limiting the growth of premiums and out-of-pocket costs. The MAC Act would also establish a reinsurance programs in the merged market to reduce premiums for both individuals and small businesses, enhance the Division of Insurance’s rate review process to increase transparency, and require value-based insurance designs that eliminate cost barriers to certain critical treatments and services for seven types of chronic conditions that disproportionately impact People of Color and low-income communities.

The Transparency for High-Cost Hospitals Act (SD1718) introduced by Sen. Keenan, would work to address the underlying issue of high-cost hospitals that is driving cost growth and leading to higher premiums, co-pays, and deductibles. The legislation would increase transparency by having CHIA report annually on how much each hospital contributes to Total Medical Expense as part of the cost trends process, and it would enable an HPC hearing for the hospitals that contribute the most to growth. The legislation also includes reporting on hospital cost per discharge and hospital cost structures.

HCFA is additionally focused on addressing high and rising prescription drug costs, which result in both higher premiums for individuals and employers and high out-of-pocket costs for consumers. The MassHealth prescription drug transparency and accountability policy enacted in the FY19 state budget has already proven to be highly successful, saving \$103 million gross thus far. Given this success, we believe this policy should be extended to the private market. An Act to ensure prescription drug cost transparency and affordability (HD2948), introduced by Rep. Barber, and An Act relative to pharmaceutical access, costs and transparency (SD2217), introduced by Senator Friedman, both build on the MassHealth process to create a similar framework for the private market, creating an HPC review process for unreasonably or excessively priced drugs. These bills would also implement cost assistance programs to improve affordability for some medications used to treat chronic conditions that disproportionately impact People of Color and are also risk factors for increased COVID-19 complications. The bills would further increase oversight of pharmacy benefit managers through state licensure requirements and enhance drug price transparency to better understand what is driving high and increasing prices.

By addressing each of these areas of reform, Massachusetts can make strides in giving residents relief from the burden of rising health care costs at a time when they need it most, and when reducing financial barriers to care can make a life and death difference in people’s lives.

Thank you again for the opportunity to provide testimony on the health care cost growth benchmark and how to most effectively tackle rising health care costs in the Commonwealth. Please don’t hesitate to contact us with any questions at arosenthal@hcfama.org or (617) 275-2911.

Sincerely,



Amy Rosenthal
Executive Director
Health Care For All