



Michael T. Caljouw
Vice President
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March 17, 2022

Dr. Stuart Altman, Chair
Health Policy Commission
50 Milk Street
Boston, MA 02109

The Honorable Cindy Friedman, Senate Chair
Joint Committee on Health Care Financing
State House Room 208
Boston, MA 02133

The Honorable John Lawn, Jr., House Chair
Joint Committee on Health Care Financing
State House Room 445
Boston, MA 02133

Dear Chair Altman, Chair Friedman, and Chair Lawn:

Thank you, on behalf of Blue Cross Blue Shield of Massachusetts (BCBSMA), for the opportunity to present some thoughts as you review the important issue of the health care cost growth benchmark for average growth in total health care expenditures for calendar year 2023. BCBSMA is proud to be a part of the Massachusetts health care community, partnering with our provider colleagues in many ways, small and large, to ensure that our nearly 3 million members continue to receive the best care possible. We are deeply committed to our continued leadership in the areas of health equity, telehealth, behavioral health care, and COVID-19 treatment, vaccination, and testing, all issues at the forefront of health care.

BCBSMA strongly supports the Health Policy Commission's (HPC) work examining and providing a spotlight on Massachusetts health care cost growth, along with the legislature's careful consideration of this critical topic. While BCBSMA's total medical expenses continue to be below benchmark, there are some concerning trends for the Commonwealth as a whole. Prior to the COVID-19 pandemic, Massachusetts health care spending remained above benchmark year after year. Health care costs have continued to grow at a fast rate with consumers feeling greater financial impacts over time. The rise in health care costs has resulted in challenges to affordability and many consumers feeling as though they don't have adequate coverage even if they buy an expensive policy. The issue of health care affordability must be addressed with urgency and collaboration across the Commonwealth. As we know, the challenges with high

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prices, equity, affordability, and access are all deeply intertwined and deserve our timely, thoughtful, and deliberate consideration.

We are mindful of the broad impacts COVID-19 has had and will continue to have on the health care sector over several years. Further, we are aware of the concurrent mental health crisis that is being felt throughout the state. As we learn more of the full impacts of dual pandemics of COVID-19 and mental health, the state's ability to meet the benchmark may be impacted due to unanticipated cost additions, their cumulative impact, and the year-over-year nature of the benchmark. This will need to be monitored closely as we learn more about the complete data from 2021 and the continued impacts into 2022 and future years.

As the Center for Health Information and Analysis (CHIA) found in recent Annual Reports, the largest areas of growth for total health care expenditures are hospital services and pharmaceutical costs for the last few years. While the most recent Annual Report released earlier this week highlights the impact of the pandemic in 2020, and the anticipated decline in spending, we have already seen a return of spending at or above pre-pandemic levels in 2021 and into the early months of 2022. As CHIA noted, many of the recent findings focus solely on calendar year 2020 and should be viewed within the context of these extraordinary, time-limited circumstances, and do not accurately predict future cost growth. If costs continue to increase at these rates, it will seriously impede the Commonwealth's ability to meet the cost benchmark.

As the Health Policy Commission's own analysis of 2020 data shows, commercial price growth increased and was greater in the hospital setting than other settings. Price increases also reflect shifts toward higher-priced settings. Dr. Aditi Sen, the keynote speaker, found that growing price pressure is driving up health care spending, with two thirds of the increase in health care spending being due to growth in services prices. Prices paid by private health plans are higher and growing faster than Medicare, with over 50% of inpatient admissions being paid above 150% Medicare; almost 33% paid above 200%. Hospital prices for care paid for by private insurance increased by 4.2% in January 2022, which is a steady rise from October 2021 when the rate was 2.9% year over year. This is a concerning trend and attention must be paid to this continuing issue of provider prices.

As the Health Policy Commission Board considers the appropriate benchmark, BCBSMA supports maintaining the benchmark at PGSP minus 0.5% and not adjusting it up to PGSP for 2023. Stability in planning is an important consideration for this recommendation since there is much work to be done by all stakeholders – health plans, hospitals, doctors and other providers, pharmaceutical manufacturers, and pharmacy benefit managers. Consistent pressure from the HPC is a critical tool to educate all stakeholders as we collaborate to make health care more affordable.

Given the clear evidence of health care costs growth, it is becoming apparent that additional tools for cost containment may be warranted. In addition to maintaining a reasonable cost growth benchmark in 2023, BCBSMA would suggest that the HPC consider expanding the entities that are subject to measurement against the benchmark. This will not only provide a broader view of the market but will also allow a deeper examination of the identified cost drivers. As we have

shared in other forums, a hospital efficiency measure would further assist the HPC in monitoring potential cost growth in addition to the existing measurement of payer and physician groups.

While the state considers ways to contain costs, we also note that the HPC has several tools that can lead to a more affordable, equitable system. As we offered during our Cost Trends Hearing testimony, the Performance Improvement Plan (PIP) process should be amply employed as one such powerful tool. Recently, the HPC initiated its first PIP when a health care provider exceeded the benchmark for consecutive years. The PIP process, and the subsequent monitoring and enforcement of the PIP, are strong regulatory signals to the market that the Commonwealth is serious in its efforts to reduce costs.

Thank you for your consideration and I look forward to continuing our continuing efforts to focus on still-growing costs and protect the gains we have made in access.

Please do not hesitate to contact me with any questions or for additional information.

Sincerely,

A handwritten signature in cursive script, reading "Michael T. Caljouw". The signature is written in black ink and is positioned below the word "Sincerely,".

Michael T. Caljouw