



March 16, 2022

Mr. Stuart Altman, Chair
Health Policy Commission
50 Milk Street, 8th Floor
Boston, MA 02109

Senator Cindy Friedman
Chair, Joint Committee on
Health Care Financing
State House, Room 313
Boston, MA 02133

Representative John Lawn
Chair, Joint Committee on
Health Care Financing
State House, Room 236
Boston, MA 02133

RE: Health Policy Commission's Public Hearing on the Potential Modification of the 2023 Health Care Cost Growth Benchmark

Dear Chairman Altman, Senator Friedman, and Representative Lawn:

On behalf of the Massachusetts Association of Health Plans (MAHP), which represents 16 member health plans and two behavioral health organizations that provide coverage to nearly 3 million Massachusetts residents, I am writing to offer testimony to the Health Policy Commission (HPC) as you consider modification of the health care cost growth benchmark for 2023. We appreciate the HPC engaging with stakeholders and the opportunity to offer our comments in support of maintaining a strong cost growth benchmark for 2023, set at 3.6% or below.

It has been ten years since passage of Chapter 224 of the Acts of 2012, the landmark legislation that created both the HPC and our state's health care cost growth benchmark. In that time, the HPC, the Center for Health Information and Analysis (CHIA) and the Massachusetts Office of the Attorney General (AGO) have issued numerous reports identifying and tracking drivers of health care costs in the Commonwealth and offering recommendations to bend the cost curve. However, Massachusetts continues to have among the highest healthcare costs in the nation with health care spending growth exceeding the benchmark for four of the past seven years. Time and again, the same factors continue to challenge our collective ability to meet the cost growth benchmark:

- Persistent increases in the prices that doctors, hospitals, and other providers charge,
- Care largely being delivered by high-cost providers in high-cost settings, and
- Excessive spending growth for prescription drugs and hospital inpatient and outpatient services.

As premiums reflect the cost of care, holding all entities accountable to a strong cost growth benchmark and taking concrete steps to address health care cost drivers are essential to making health care more affordable for our state's residents. Our comments this year reflect on the aberrant impact of COVID-19 on utilization and health care spending during 2020 but urge the HPC to look holistically at the past decade of system-wide performance in setting the benchmark for 2023. Now, more than ever, action

must be taken to curtail continued increases in both unit price and total medical expenditures in Massachusetts.

Impact of COVID-19 Pandemic

CHIA's *Annual Report on the Performance of the Massachusetts Health Care System for 2022* offers insight into the impact of COVID-19 during 2020, confirming that decreased utilization of physician, hospital inpatient, and hospital outpatient services resulted in a marked decrease in health care expenditures in those categories for 2020. During this time period, state and federal public health guidance sharply curtailed in-person visits and MAHP member plans adopted a number of measures to ensure new pathways to care and create stability for members, employers, and providers, including:

- Standing up expansive telehealth coverage and telehealth reimbursement policies at the same rate as an in person visit regardless of technology used
- Relaxing utilization management and prior authorization procedures for scheduled surgeries and admissions at acute care and mental health hospitals, expediting credentialing processes for all practitioners, and providing assistance to hospitals for member discharges to home health and inpatient rehabilitation
- Offering grace periods to employers who could not pay their premiums, and
- Issuing cash payments, grants, and/or loans to providers in need

While these actions offered stability during an uncertain time, utilization of in-person services remained below actuarial predictions for 2020. As a result, health plans in Massachusetts issued close to \$60 million in premium rebate checks to individuals and employers in the Commonwealth in 2021 alone.¹

However, health plans have been faced with requests for double digit rate increases from hospitals and providers seeking to recoup lost revenue, despite receiving federal and state COVID-19 relief funds that mitigated hospital financial losses. These requests exacerbate the challenges health plans face in keeping cost growth below the benchmark. As we emerge from the challenges of the COVID-19 pandemic, action must be taken to address continued increases in both unit price and total medical expenditures, including maintaining a strong benchmark, holding all entities accountable for cost growth, enhancing competition, and correcting market dysfunction. Efforts here will support employers and consumers and make health care more affordable.

Our comments below highlight the primary drivers of health care costs and offer recommendations to address those that challenge our collective ability to meet the cost growth benchmark.

Prescription Drug Prices

Prescription drug spending remains an enormous challenge for Massachusetts employers and consumers, with pharmacy costs accounting for 42.3% of spending increases in 2020 and 18.2% of total health care spending according to CHIA's *Annual Report on the Performance of the Massachusetts Health Care System for 2022*. In January of 2022 amidst a surge in COVID-19 cases, drug manufacturers hiked prices for over 800 everyday medications by an average of 5%². Since 2014,

¹ Centers for Medicare and Medicaid, *MLR Refunds by State and Market for 2020*. October 21, 2021. Available at: <https://www.cms.gov/files/document/2020-rebates-state.pdf>

² GoodRx Health. *January 2022 Drug Price Increases (2022)*. Retrieved from <https://www.goodrx.com/healthcare-access/drug-cost-and-savings/january-drug-price-hikes-2022>

prescription drug prices have risen 33 percent, 20 times faster than the rate of inflation and outpacing price increases for any other medical commodity or service.³

Given the outsized impact of prescription drug costs on health care spending, it is critical that drug manufacturers are held accountable to the benchmark, are called as witnesses at the annual Cost Trends Hearing and are subject to the associated data collection requirements by the HPC, CHIA, and the state's Attorney General, just as health plans and providers are today. Requiring drug manufacturers to be part of the annual hearings would be an important step toward understanding the impact drug pricing has on the statewide cost benchmark, whether the costs associated with novel drug therapies offer value in comparison to other therapies and treatments, and whether they are improving patient care. Without accountability, drug manufacturers have benefited from years of unchecked cost growth, threatening the state's ability to meet the benchmark.

We also strongly support the HPC's recommendation from the *2021 Cost Trends Report* that the state should authorize the expansion of the HPC's drug pricing review authority to include drugs with a financial impact on the commercial market in Massachusetts. This enhanced authority complements current strategies health plans use to maximize value and enhance access for consumers through risk-based contracts and value-based benchmarks and ensuring access to high-quality pharmacy services at competitive prices. We caution policymakers against taking steps to eliminate these important tools through mandating expansion of specialty pharmacy networks or mail order pharmacy networks.

Hospital Inpatient and Outpatient Prices

Since 2010, over 30 state reports have examined health care costs and the key cost drivers in the Commonwealth – all have found that the prices charged by providers remain the most significant factor driving health care costs.⁴ Price, rather than utilization, has been identified as a primary driver of health care spending and CHIA estimates that approximately 50% of spending growth in Massachusetts is explained by growth in unit prices.

While hospital spending on both inpatient and outpatient services declined in 2020 due to the COVID-19 pandemic, over the past decade hospital spending has accounted for the largest share of commercial spending and spending growth. In the commercial inpatient market in Massachusetts, hospital spending accounted for 54% of growth from 2018 to 2019. Hospital inpatient spending has continued to grow despite a constant or declining number of hospital stays - commercial inpatient utilization declined by 9.3% between 2014 and 2018, while spending, associated with higher prices charged, continued to grow by 5.2%. Hospital outpatient spending has also grown quickly in the commercial market, increasing by \$700 million between 2015 and 2018 to account for 31% of all commercial spending growth. Between 2018 and 2019, hospital outpatient spending was the fastest growing commercial service category, increasing by 8.1%. Increases in instances of outpatient surgery have driven spending growth in this category; however, any potential cost savings have been mitigated by a shift to higher-cost outpatient centers as there is considerable variation in average payments for hospital outpatient

³GoodRx Health. *Prices for Prescription Drugs Rise Faster Than Prices for Any Other Medical Good or Services* (2020). Retrieved from: <https://www.goodrx.com/blog/prescription-drugs-rise-faster-than-medical-goods-or-services/>

⁴Freedman Healthcare. *Re-examining the Health Care Cost Drivers and Trends in the Commonwealth – A Review of State Reports (2008-2018)*. (2019). Available at: <https://secureservercdn.net/198.71.233.29/9a2.583.myftpupload.com/wp-content/uploads/2019/05/freedman-report-2018-final.pdf>

surgeries, with the highest priced hospital systems garnering payments between 40% and 78% above the median.⁵

Despite these trends, accountability for hospitals and health systems is limited, as the scope of the Performance Improvement Plan (PIP) process applies only to health plans and primary care provider groups. The PIP process has garnered significant insight for the HPC into market trends and entities' cost control strategies, and even without a PIP being required, entities may make certain cost containment commitments as part of the review process. Accordingly, we urge the Commission to consider the importance of full-system accountability to the PIP process in light of continued increases in hospital inpatient and outpatient spending.

Changes in the Health Care Landscape

Further impacting provider prices and price variation are the mergers, acquisitions, consolidations, and provider expansions that have taken place in recent years. The HPC has received 135 notices of material changes, with over 40% of these transactions involving physician group acquisitions or contracting affiliations, increasing market concentration for physician services. Nearly a quarter of the transactions involved a merger, acquisition, or network affiliation of an acute hospital. The academic evidence on the effect of hospital mergers and provider consolidation has made clear that, in most cases, consolidation does not lead to better care and lower prices, but rather leads to enhanced bargaining power with no notable improvement in quality for patients. However, not all market changes are inherently bad – for example, those that can demonstrate that the merger, acquisition, or clinical affiliation results in lower costs, better integration, and improved quality for employers and consumers.

As such, the Commission should pay special attention to the impact of proposed transactions on performance against the benchmark, including how the actual results align with the anticipated benefits outlined in providers' material change notices and whether applicants have leveraged higher prices as a result of these transactions. In order to adequately assess the impact of changes to the provider landscape, we also recommend CHIA report total medical expenditures (TME) and TME trend at the hospital, rather than system, level.

MAHP and our member plans are committed to ensuring access to high-quality, affordable, and equitable health care services. The health care cost growth benchmark is an important tool in holding all entities accountable for health care costs in the Commonwealth. We appreciate the opportunity to offer these comments as you consider the 2023 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, Massachusetts Association of Health Plans

Cc: Secretary Marylou Sudders, M.S.W, Executive Office of Health and Human Services
Secretary Michael J. Heffernan, Executive Office of Administration and Finance

⁵ Health Policy Commission. *2019 Health Care Cost Trends Report*. Available at: <https://www.mass.gov/doc/2019-health-care-cost-trends-report/download>

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