



MASSACHUSETTS

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Vice President
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March 16, 2023

Deborah Devaux, 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 413-D
Boston, MA 02133

The Honorable John J. Lawn, Jr., House Chair

Joint Committee on Health Care Financing
State House Room 445
Boston, MA 02133

Dear Chair Devaux, Chair Friedman, and Chair Lawn:

Blue Cross Blue Shield of Massachusetts (BCBSMA) appreciates the opportunity to present the following testimony as you review the health care cost growth benchmark for average growth in total health care expenditures for calendar year 2024. 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 3 million members continue to get the best care possible. As we discuss the important issues of affordability today, we are ever-mindful of our continued responsibility to address health equity and workforce capacity demands, with continued advancements in behavioral health care, telehealth and COVID-19 care that are at the forefront of the health care needs of our members.

BCBSMA strongly supports the Health Policy Commission's (HPC) and legislature's work shining a spotlight on Massachusetts health care cost growth. Prior to the onset of the COVID-19 pandemic, Massachusetts health care costs remained above benchmark year after year. As health care costs continue to increase with employers and individuals feeling greater financial impacts over time, affordability efforts require greater urgency and collaboration by stakeholders across the Commonwealth.

COVID-19 has and will continue to affect the health care sector for several years to come. Further, we are aware of the continued mental health and staffing crises felt throughout the state. As we consider these challenges, the state's ability to meet the benchmark will be affected by the cumulative impact of newly anticipated costs. Juxtaposed with the cost benchmark's year-over-year nature, we are particularly concerned that a one-year snapshot does not allow for proper analysis. Similar to the approach taken by the Center for Health Information and Analysis (CHIA) in their Annual Report which shows two-year annualized data, BCBSMA recommends that the HPC consider utilizing a two- or three-year trend view when analyzing the benchmark during this period.

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As the Center for Health Information and Analysis (CHIA) found in their recently released Annual Report, the Commonwealth is still rebounding from the COVID-19 pandemic. Total spending in 2021 increased beyond pre-pandemic levels, with an annualized trend of 3.2% from 2019-2021. Cost trends that were seen pre-pandemic, particularly the growth in hospital outpatient and physician spending, as well as pharmacy spending, have returned, and we expect these trends to continue in future years. CHIA also found that claims covered by insurers and self-insured employers grew at a faster rate than premiums. This is not a sustainable situation.

There are very serious concerns from this upward trajectory. The HPC has found that this trend is driven largely by the persistent challenges of excessive price growth, increased market consolidation, shifts in volume to higher cost sites of care, and continuously rising pharmaceutical costs. **These findings highlight the need for increased scrutiny, whether reviewed over multiple years or in any single period. As such, the Commonwealth should not increase the current statutory benchmark, now set at 3.6%.**

As importantly, any benchmark should test not only health plans and doctors, but also hospitals, health care systems, pharmaceutical companies and pharmacy benefit managers. Simply put, this heightened role for the HPC is the underpinning of a more functional, more affordable health care system in Massachusetts.

As such, we must update these specific governmental tools for cost containment.

1. The state should **expand the entities that are subject to measurement against the HPC's benchmark.** This will provide a more complete market analysis and a deeper examination of the identified cost concerns. Also, a hospital and health system efficiency measure would assist the HPC in monitoring costs.
2. The state should **modernize its approach to hospital and health system expansions,** coordinating the work of the Health Policy Commission, CHIA and the Department of Public Health. A comprehensive analysis by the HPC during the Determination of Need review, similar to its Cost and Market Impact analysis, will help ensure the delivery of cost-effective, high-quality health care across the state. Additional stakeholder commentary, including from other health care stakeholders, is important to this goal.
3. The **Performance Improvement Plan (PIP)** process at the Health Policy Commission is an **increasingly critical tool.** Used with discretion, additional PIP processes, and the subsequent monitoring and enforcement of PIPs, can be strong regulatory signals to the market that the Commonwealth is indeed serious in its efforts to reduce costs.

As you consider these issues, I thank you for the opportunity for continued engagement.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael Caljouw", with a long, sweeping flourish extending to the right.

Michael Caljouw