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Submitted electronically via email to HPC-Testimony@mass.gov.

David Seltz, Executive Director
Health Policy Commission
50 Milk Street
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Deborah Devaux, Chair
Health Policy Commission
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Honorable Cindy Friedman, Senate Chair
Joint Committee on Health Care Financing
State House Room 413-D
Boston, MA 02133

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

RE: Health Care Cost Growth Benchmark for Calendar Year 2024

Dear Executive Director Seltz, Chair Devaux, Health Policy Commissioners, Chairwoman Friedman, Chairman Lawn and Members of the Health Care Financing Committee:

Thank you for the opportunity to offer comments as the Health Policy Commission (HPC) considers adjusting the health care cost growth benchmark for 2024. The Conference of Boston Teaching Hospitals (COBTH) is an organization of twelve Boston-area teaching hospitals that works to support collaboration among our hospitals and to advance policies critical to the core mission of academic medical centers: providing high quality patient care to all, regardless of insurance status or ability to pay; training the next generation of physicians, nurses, and allied health professionals; advancing innovation and discovery through biomedical research; and improving the health of our surrounding neighborhoods and communities.

Over the years, COBTH has consistently expressed support for the cost growth benchmark, acknowledging the importance of health care affordability and controlling health care spending in the Commonwealth. COBTH member hospitals are committed to continued health care cost containment, improving affordability and robust and equitable access to care, and achieving the Commonwealth's quality improvement goals.

COBTH has also, however, respectfully urged the HPC to be mindful of the many factors outside of the control of providers, payers, and the Commonwealth that may make meeting the health care cost growth benchmark target difficult, including unprecedented workforce and staffing needs to respond to surges and the impact of patient care deferred throughout the pandemic; rising pharmaceutical, innovative medical device, and other non-labor costs; the costs of preparedness for infrastructure needed for climate resilience, cybersecurity, and emergency and disaster preparedness; an escalating behavioral health crisis impacting our most vulnerable patients; fluctuations in coverage and access to MassHealth; and the constant uncertainty and potential for

reductions in federal Medicare reimbursements. We continue to appreciate the HPC's diligence and thoughtfulness in balancing these important considerations.

Never have those outside factors been more impactful than today, as we work together locally and nationally to wind down from the COVID-19 pandemic and confront its continuing impacts on our patients, employees, and our entire health care delivery system.

Our hospitals, clinicians, and frontline employees have continued to provide needed medical and behavioral health care in the face of increasing acuity and overwhelming hospital capacity challenges, including periods of time where our hospitals have experienced extended and record-breaking emergency department volume. We continue to experience severe challenges with discharging and transporting patients to the most appropriate post-acute settings of care. And serious and growing workforce challenges persist, impacting every facet of our health care delivery system.

Throughout the pandemic and continuing through today, we continue to harness the power and importance of collaboration and shared learning in the face of unexpected and emerging challenges, including the recent surge in pediatric critical care patients experiencing respiratory viral illness, the unexpected temporary closure of Signature Brockton hospital, and the ongoing impact of extreme climate and other emergency events on our patients and our facilities. Throughout these challenges, our hospitals and sister hospitals statewide have collaborated with one another, with our primary and behavioral health care colleagues, with our post-acute providers, with our EMS providers, and with our local public health departments, and innovated at all levels of our health care delivery system to meet the needs of our patients, including our most vulnerable patients. Throughout, the efforts and resilience of our workforce has been truly remarkable, and yet our workforce continues to experience unprecedented levels of exhaustion, frustration, and burnout. We are deeply grateful for the HPC's focus on the workforce crisis and the upcoming event that will dig deeper into these ongoing challenges.

In the midst of these challenges, we continue to sustain significant financial losses. While relief funds provided by the federal and state governments have helped enormously to alleviate some of the burden in the earlier stages of the pandemic, the financial pressures on our hospitals continue to increase. As you know, the largest share of hospital spending is allocated to labor and workforce costs, which have grown substantially in the wake of increasing surges in patient need, along with increasing numbers of professionals choosing to reduce their hours, switch to non-clinical roles, or leave the health care workforce entirely. A recent Massachusetts Health & Hospital Association report found that hospitals spent over \$1.5 billion, a 610% increase, on temporary staffing in FY22. The utilization of temporary staff was an essential component of our ability to respond to periods of surge in our hospitals to supplement and relieve our frontline providers during these extreme challenges. Additionally, hospitals are experiencing the inflationary pressures that are affecting the entire economy. Unsurprisingly, according to data released by the Center for Health Information and Analysis (CHIA) this week, although statewide median acute hospital total margin increased slightly in FY2021, in the first three quarters of FY22, statewide median total margin decreased by 4.4%.

Overall, CHIA's decision to look at annualized metrics for 2019 to 2021, rather than single year data, underscores the aberrations that took place as it relates to health care spending as the system worked to respond to the ongoing impacts of the pandemic. As CHIA states, in 2021, "health care

utilization and payer and provider finances experienced continued volatility.” Unfortunately, as we look ahead, applying the cost growth benchmark to such variable spending in response to patient needs is not a practical or appropriate expectation in the current context. The benchmark, which has already been established for 2022 and 2023, does not reflect the realities that hospitals and other health care providers continue to face in the aftermath of the worst impacts of the COVID-19 pandemic and a larger health care delivery system that has grown more fragile.

As originally contemplated, the health care cost growth benchmark assumed continued, stable economic and health care cost growth. The benchmark simply does not account for such intense and overwhelming disruptions to the entire health care delivery system and the economy, and does not contemplate a way to assess health system performance based on annualized data over a period of years. **We strongly urge the HPC to suspend the application of the health care cost growth benchmark in 2024**, and instead work with key stakeholders to revise the benchmark setting and cost growth evaluation process to create a more appropriate measure that reflects the current realities. The COVID-19 pandemic and the associated spending changes have fundamentally altered the way health care services are provided and costs health care providers face, and we must ensure a full accounting of this new reality when creating spending targets going forward.

Additionally, when measuring performance against the already-established benchmark for 2022 and 2023, we urge the HPC to take into account the full impacts and realities of the COVID-19 pandemic and subsequent market disruptions and the significant impact on our providers.

We look forward to working collaboratively with the Commission, the Legislature, and other stakeholders to continue to address the issue of health care spending growth and our shared commitment to quality, equity, sustainability, and affordability for every resident of the Commonwealth.

Very truly yours,



Patricia McMullin
Executive Director
Conference of Boston Teaching Hospitals