

# 2024

# HEALTH CARE COST TRENDS HEARING

FROM CRISIS TO STABILITY: THE PATH TO  
A MORE AFFORDABLE, ACCESSIBLE, AND  
EQUITABLE HEALTH CARE SYSTEM

THURSDAY  
NOVEMBER 14, 2024  
8:30AM - 4:00PM

EVENT MATERIALS:



**#CTH24**

**MASSHPC.GOV**



**MASSACHUSETTS**  
HEALTH POLICY COMMISSION

# Faster commercial spending growth reflects acceleration in prescription drug and hospital spending, with price increases as the primary driver.

## ANNUAL SPENDING GROWTH (2019 - 2022)

Annual spending on  
prescription drugs  
increased **8.2%**



Annual spending  
on hospital care  
increased **5.2%**



## DRIVERS

**40%**



growth in prices for  
branded drugs<sup>1</sup>

**24%**

higher price per  
hospital stay<sup>2</sup>



**18%**

fewer hospital stays<sup>2</sup>



**12%**



increase in Hospital  
Outpatient Department  
(HOPD) prices

1. Not accounting for rebates

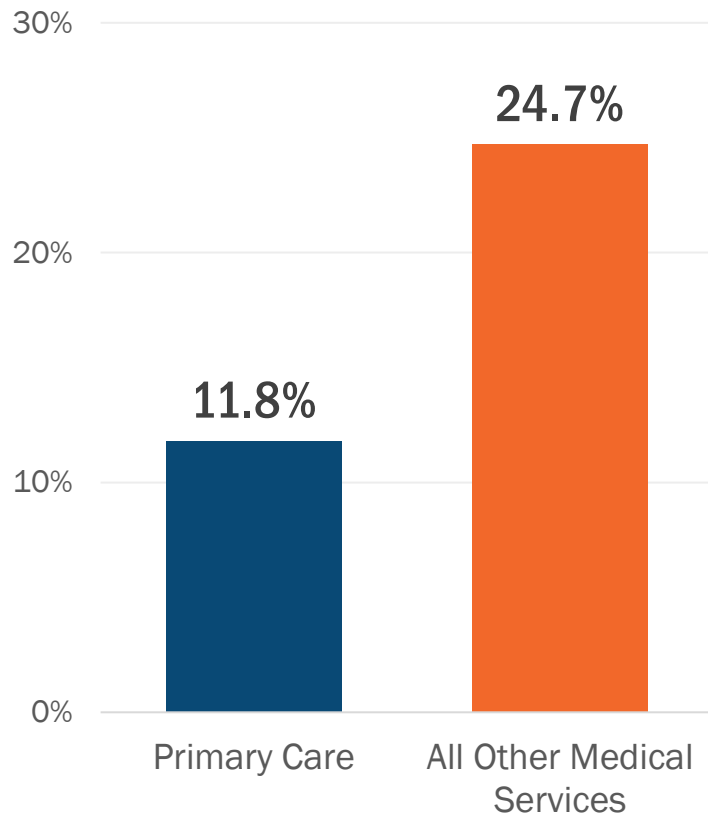
2. Excluding maternity and psychiatric stays

Notes: Annual spending growth for prescription drugs is net of rebates.

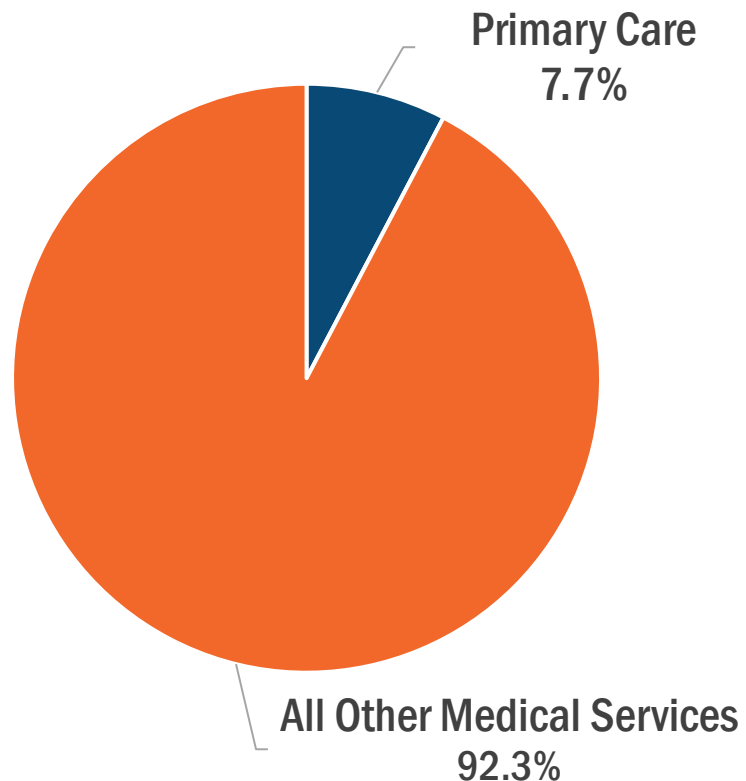
Sources: Data from the HPC 2024 Annual Cost Trends Report

## Primary care represents a small and declining proportion of total health care spending in Massachusetts. Wait times for primary care are significant.

Commercial Spending Growth by Category  
(2017-2022)



Share of Total Commercial Spending (2022)



- Primary care **declined** as a percentage of all commercial spending from 8.5% in 2017 to 7.7% in 2022.
- Among fifteen major U.S. metro areas, Boston had the **second-longest wait times** for a new patient appointment for a physical in 2022.

Notes: Prescription drug spending excluded from spending growth analysis.

Sources: HPC analysis of Massachusetts all-payer claims database and AMN Healthcare and Merritt Hawkins. 2022 Survey of Physician Appointment Wait Times and Medicare and Medicaid Acceptance Rates. 2022

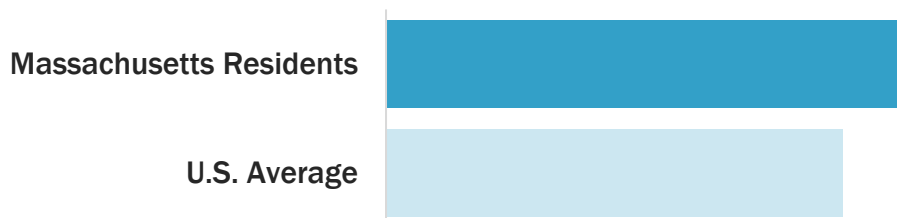
# While leading the nation on coverage and population health measures, Massachusetts has among the highest utilization rates for hospital and other high-cost services in the U.S.

Massachusetts ranked **44<sup>th</sup>** for **avoidable hospital use and cost.**

Massachusetts ranked **#1** for **highest utilization of imaging services.**<sup>1</sup>

Massachusetts had the **3<sup>rd</sup>** highest **hospital readmission rate** and the **2<sup>nd</sup>** highest rate of **avoidable hospitalizations.**<sup>2</sup>

Massachusetts residents had **12%** **more ED visits** than the U.S. average.



Massachusetts residents had **42%** **more hospital outpatient visits** than the U.S. average.



1. In 2021 among commercially insured members

2. In 2022 among Medicare beneficiaries

Sources: Commonwealth Fund State Scorecard. <https://www.commonwealthfund.org/publications/scorecard/2023/jun/2023-scorecard-state-health-system-performance>; Imaging data from the Health Care Cost Institute and reflects combined use of MRI, Xray, CT and Ultrasound: <https://vitals.healthcostinstitute.org/>. Other data from the HPC 2024 Annual Cost Trends Report.

## Hospitals face persistent emergency department boarding and post-acute discharge challenges, contributing to capacity constraints.



**48%**

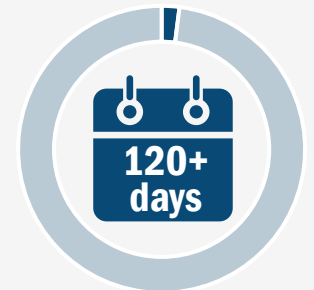
of patients in the ED for mental health reasons stayed for longer than 12 hours.

**9%** (937) of hospitalized patients in 2023 had been in the hospital for more than 30 days.

- **3 of the 5** most common conditions were mental health-related.



**2%** (199) of hospitalized patients in 2023 had been in the hospital for more than 120 days.



***Both of these rates are more than double what they were in 2017.***

**Massachusetts' post-acute care employment remains significantly below pre-pandemic levels, lagging the U.S.**

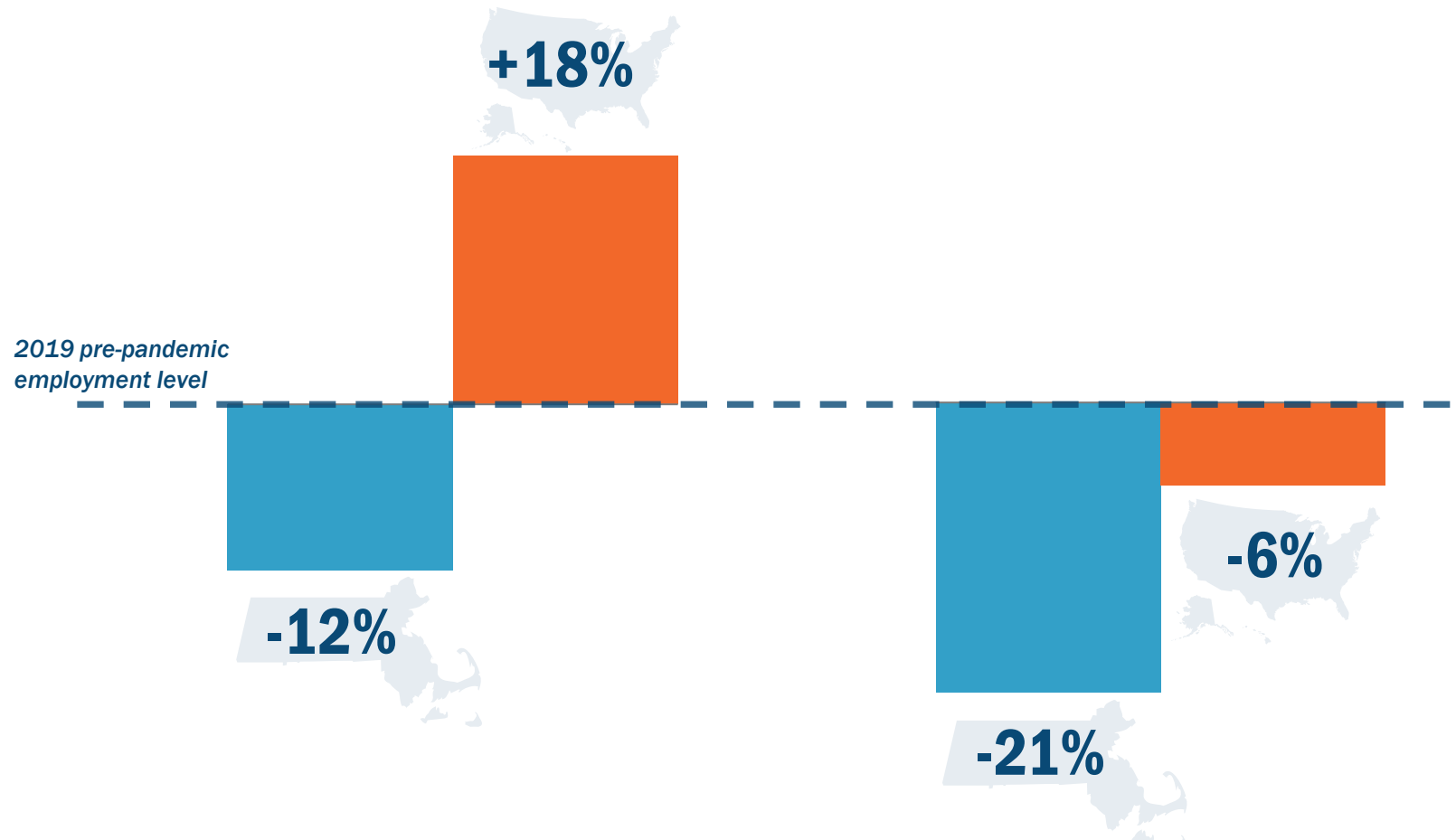
### Change in Employment Levels in Home Health Care and Nursing Facilities in Massachusetts and the U.S. in 2024 Compared to 2019



Home Health Care



Nursing Facilities



Source: Employment data from the Quarterly Census of Employment and Wages, Bureau of Labor Statistics; Percentages reflect the change from Q1 2019 to Q1 2024. Includes all workers.

## Variation in Massachusetts Hospital and Health System Financials

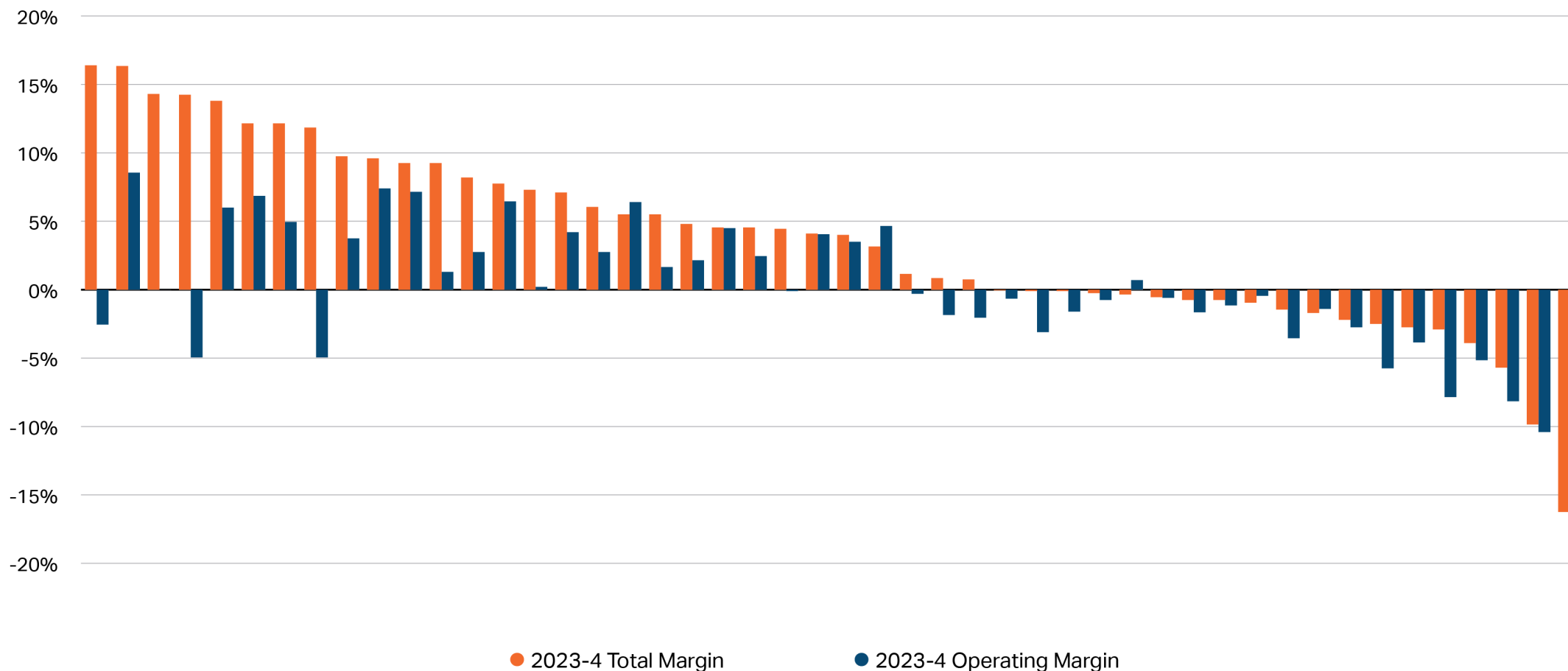


- For the three quarters ending June 30, 2024, the **median hospital's operating margin was -0.9%** (more hospitals had negative operating margins than positive) while the median total margin (including non-operating revenues) was 2.0%.
  - However, there has been **significant variation in hospital financial status** since the COVID-19 pandemic in 2020.
- In total, net assets of hospital health systems have **increased by 56% (\$16 billion)** since the start of the pandemic.
  - Similarly, there has been significant variation, as 85% of statewide net asset growth over this period **accrued to the top three systems**, which account for 24% of hospital volume.

# Acute care hospital margins varied extensively by hospital in 2023 and 2024.



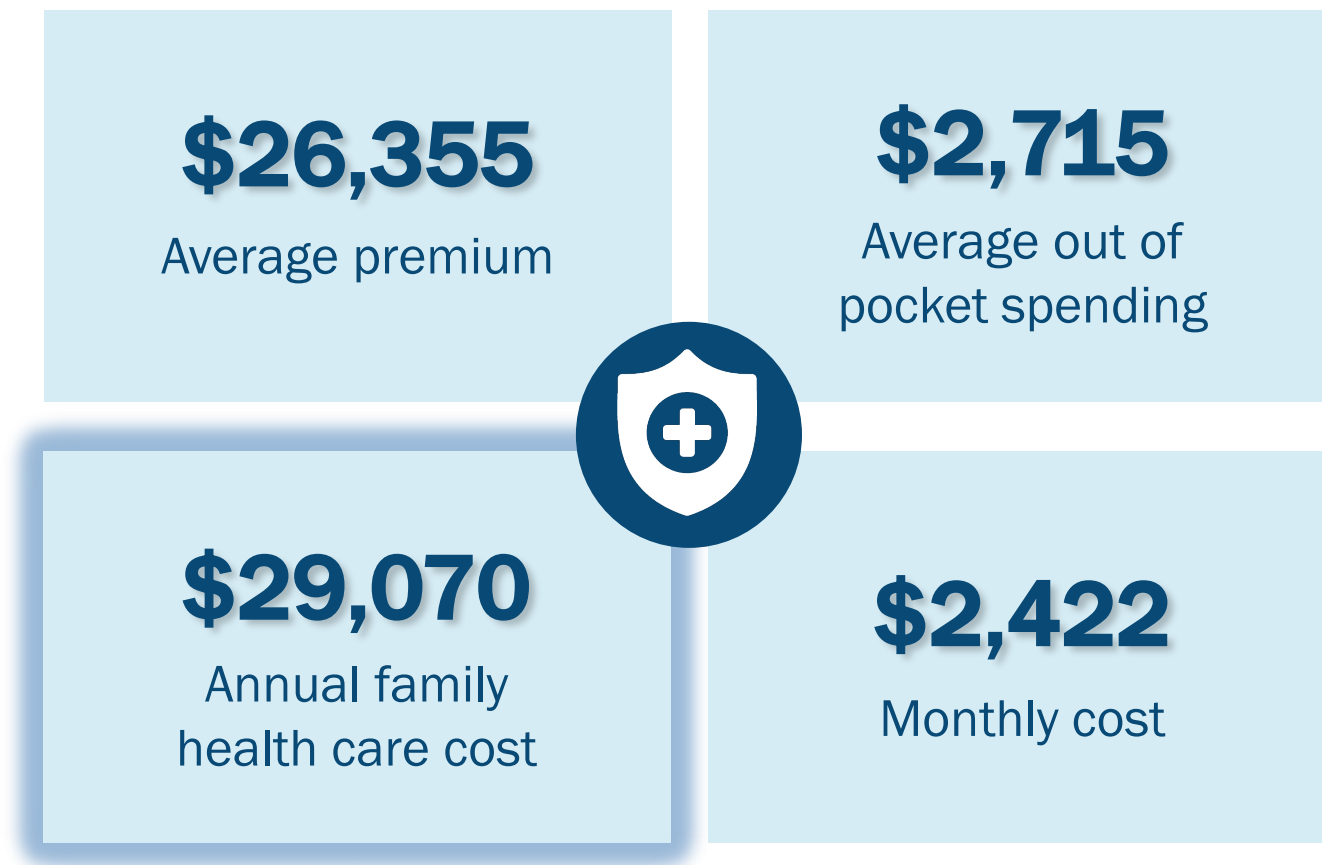
Average of 2023 and 2024 9-month operating and total hospital margins for each FY ending 6/30, by hospital





**In 2023,  
Massachusetts had  
the second-highest  
family health  
insurance premiums  
in the U.S.**

**Including out of  
pocket spending, the  
average cost of  
health care for a  
Massachusetts family  
exceeded \$29,000.**



**This exceeds the cost of housing in most parts of Massachusetts.**

## A 2024 survey found that the cost of health care is a significant cause of concern for most Massachusetts residents and the most important health care issue.



# 68%

More than two-thirds (68%) of residents reported being **extremely concerned** (36%) or **very concerned** (32%) about the **cost of health care**.



# 40%

of residents surveyed said they are **putting off seeing a doctor** or going to a hospital because of high costs.

# 51%

of residents surveyed cited the **cost** of health care as the **most important health care issue**, far above access (19%) or quality (18%).



Concern about health care costs was behind only **inflation** and the **cost of housing** as top concerns, and only one of two categories (along with housing) of **growing concern** since 2022.