

Office of the Attorney General Cost Trends Report 2024: Health Care Affordability



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AGO Cost Trends Authority

- AGO authority to conduct examinations:
 - G.L. c. 12, § 11N: monitor trends in the health care market.
 - G.L. c. 12C, § 17: issue subpoenas for documents, interrogatory responses, and testimony under oath related to health care costs and cost trends.
- Findings and reports issued in conjunction with HPC Annual Cost Trends hearing since 2010.



Cost Trends Examination 2024: Overview

With a focus on MA residents enrolled in commercial health plans, we examined health care affordability through multiple lenses:

(1) How much are MA households with commercial health insurance spending on health care expenses, including through OOP cost sharing and premium contribution, relative to their income?

➤ Methodology: CIDs to eleven MA commercial health plans; received cost share data and benefit design by zip code, as well as reporting on member premium contributions, among other data.



Cost Trends Examination 2024: Overview

With a focus on MA residents enrolled in commercial health plans, we examined health care affordability through multiple lenses:

(2) To what extent are commercial health plan members incurring medical debt from hospital bills?

(3) To what extent are Massachusetts safety net and lower-cost hospitals burdened by bad debt?

➤ Methodology: CIDs to 12 hospitals across Massachusetts, seeking financial assistance policies and commercial patient debt arising from services rendered in 2022.



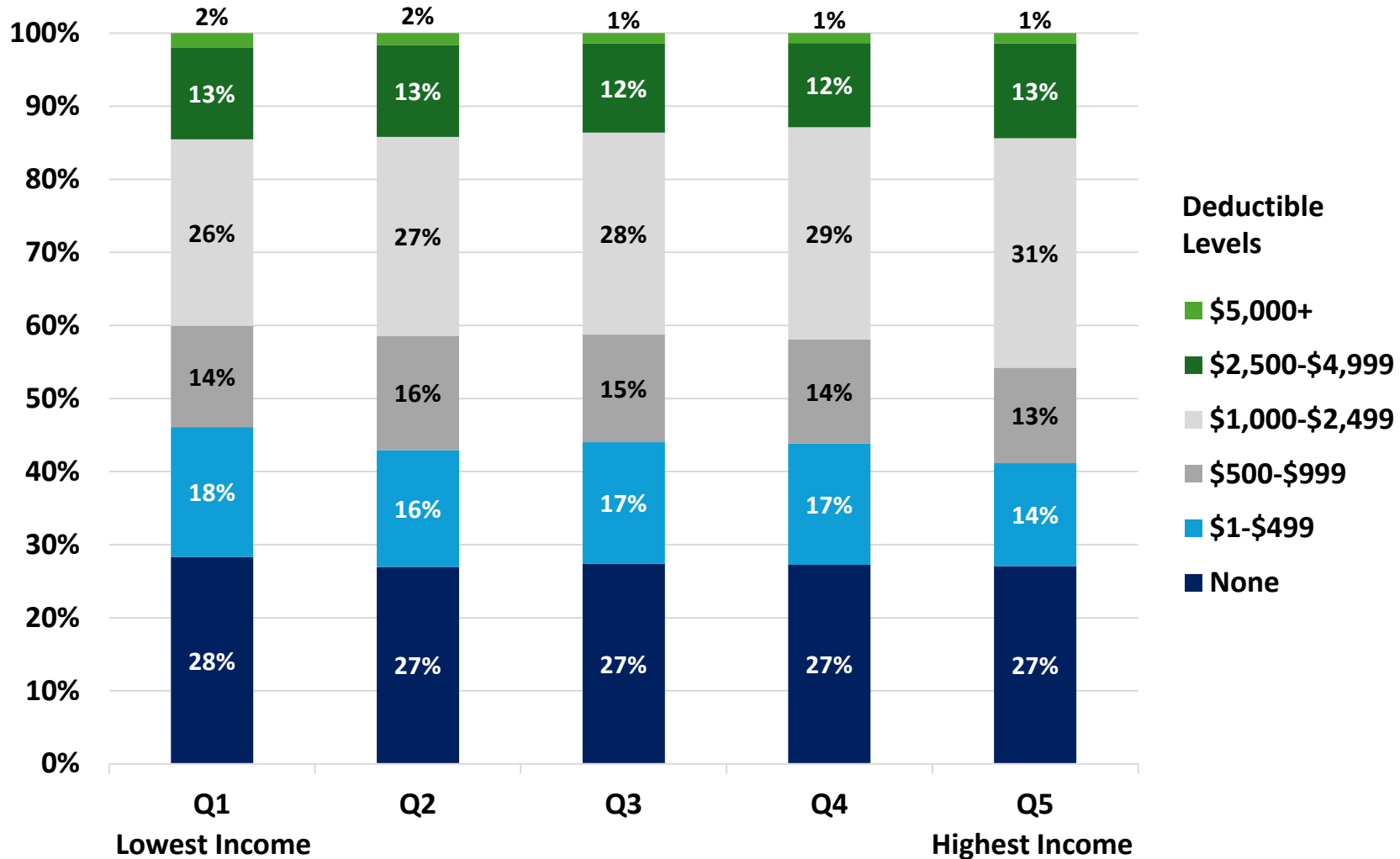
Questions Considered: Household Expenditures for Health Care

At the household level, what was the total OOP exposure for cost share expenditures and premium contribution for MA commercial health plan members *relative to income* in 2022?

- **Are consumers in lower-income communities disproportionately enrolled in higher deductible health plans?**
- **To what extent do actual cost sharing expenditures and member premium contributions vary as a percentage of household income across income quintiles?**
- **How do affordability burdens for MA commercial health plan members differ across different regions of the state?**



In 2022, Commercial Enrollment by Deductible Levels Was Evenly Distributed Across Income Quintiles





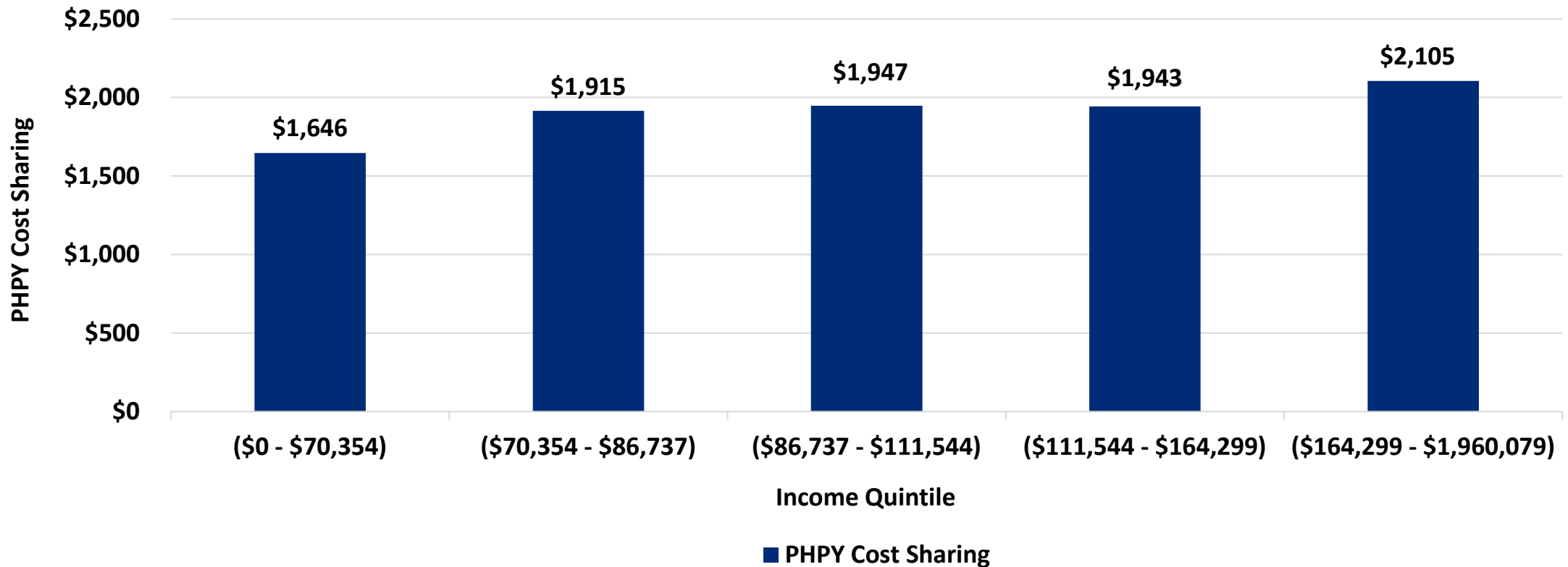
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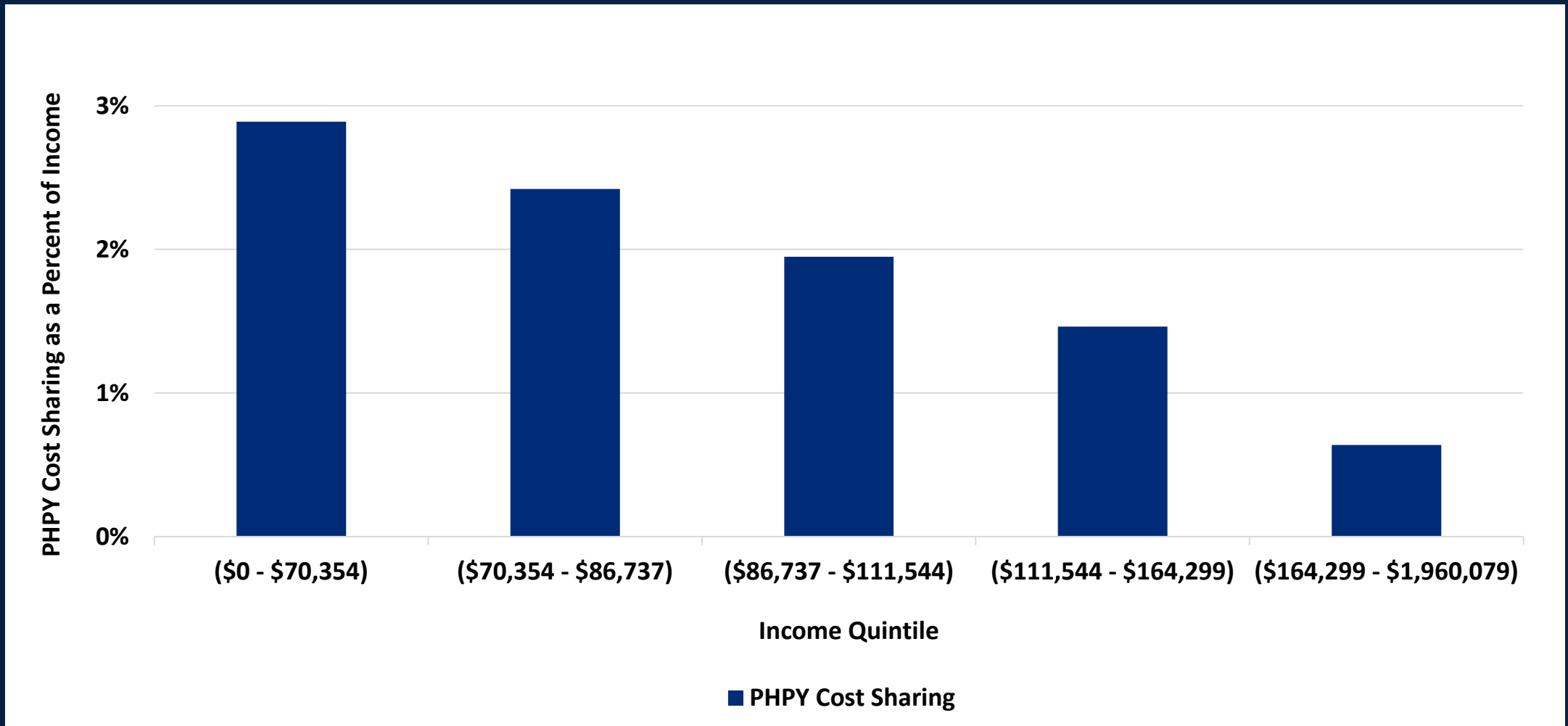


In 2022, MA Households in Highest-Income Zip Codes, on Average, Incurred Approx. \$450 More in Cost Share Expenditures Than MA Households in Lowest-Income Zip Codes



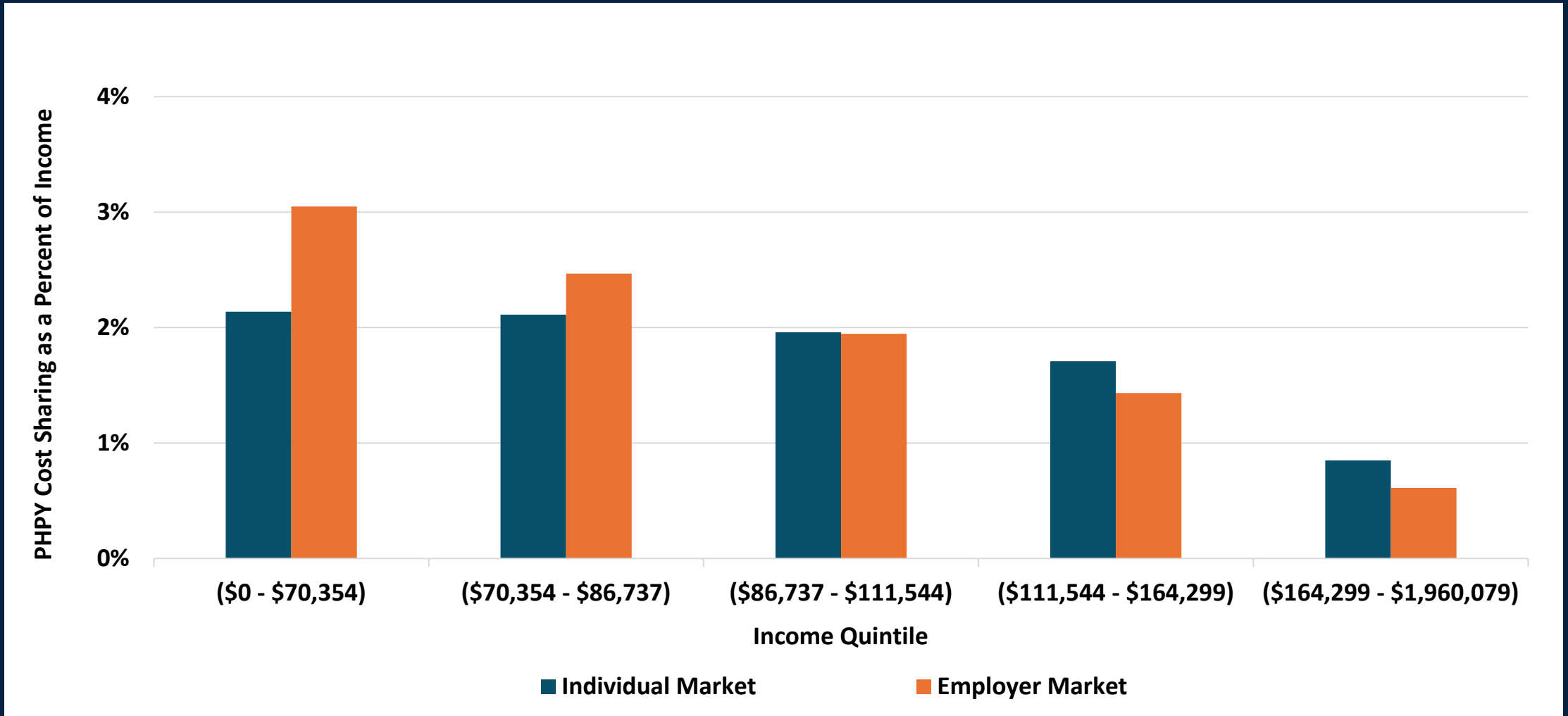


In 2022, MA Households in Lowest-Income Zip Codes Spent the Highest Share of Income on Cost Sharing (2.9%), 4.5 Times More Than MA Households in Highest-Income Zip Codes (0.6%)



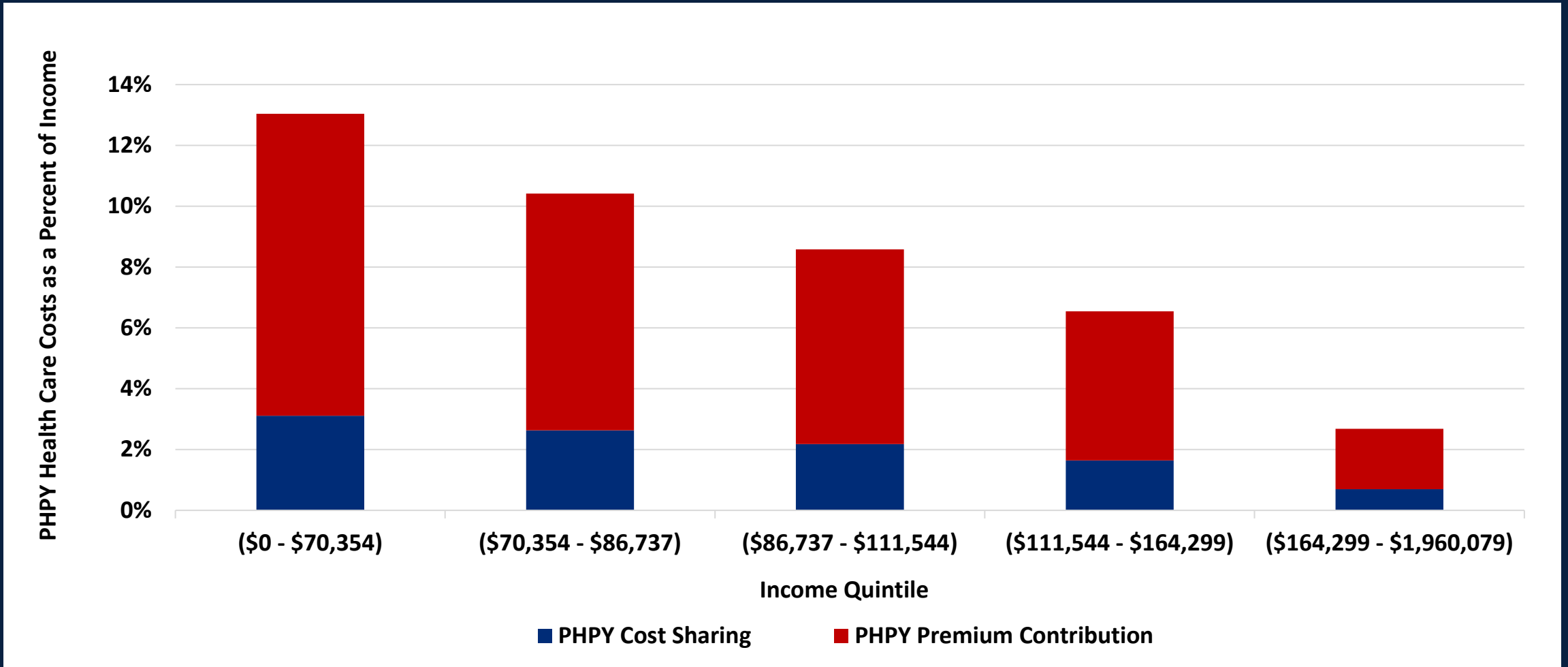


In 2022, Households in Lowest-Income Zip Codes With Employer-Sponsored Plans Had a Higher Percentage of Income Spent on Cost Sharing (3.1%) Than Households in Lowest-Income Zip Codes Enrolled in the Individual Market (2.1%)





MA Fully-Insured Households in Lowest-Income Quintile Spent, on Average, 13% of Income on Premium Contribution Plus Cost Sharing in 2022 — Nearly Five Times More Than Households in Highest-Income Quintile





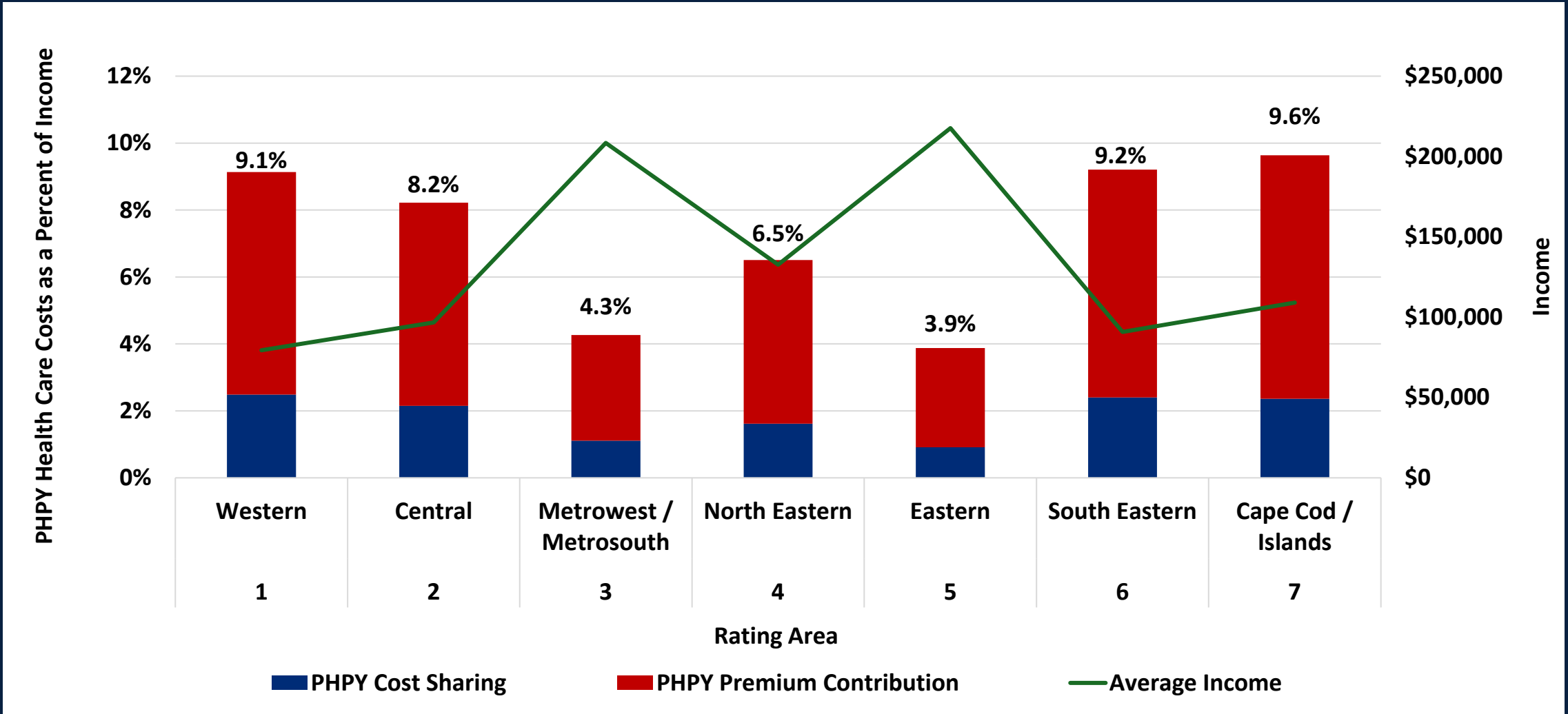
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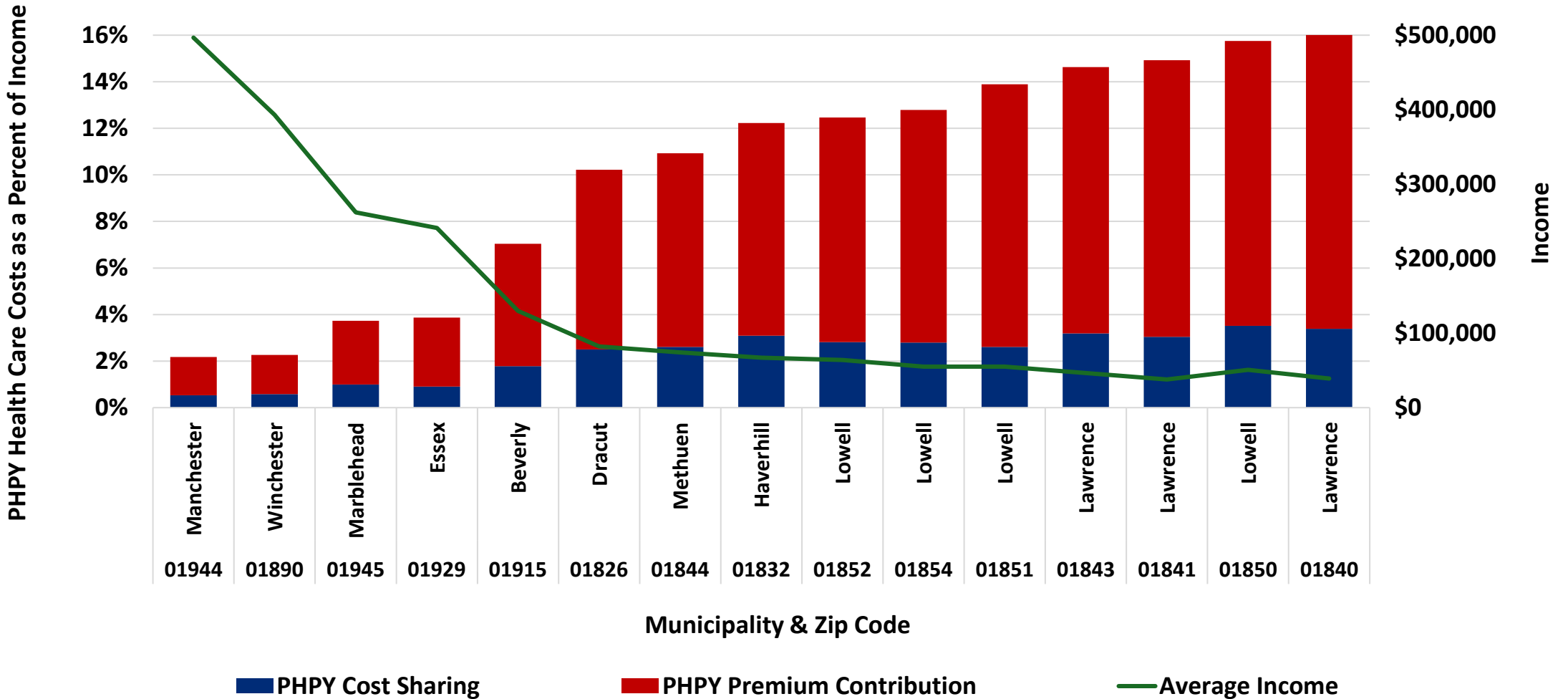


In 2022, There Was Significant Regional Variation in Average Percentage of Income Spent on Cost Share Plus Premium Contributions for Fully-Insured Households





Average Percentage of Income Spent on Premium Contribution Plus Cost Share for Fully-Insured Households in Sample Zip Codes From Rating Area 4 Reflects Significant Intra-Regional Variation





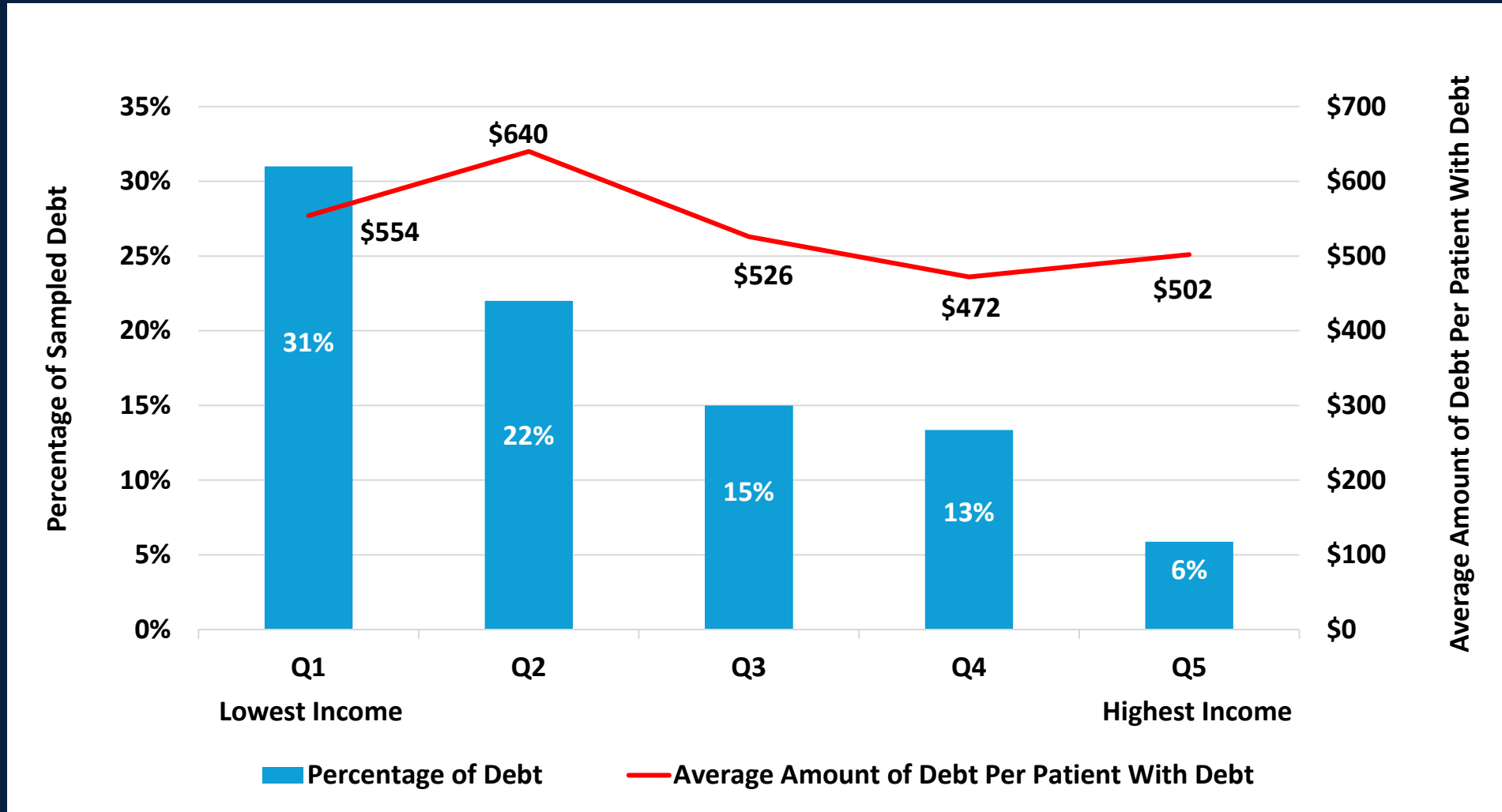
Questions Considered: Medical Debt and Financial Assistance

(2) To what extent are commercial health plan members incurring medical debt from hospital bills?

- **What populations are most likely to incur medical debt?**
- **How do hospital Financial Assistance Policies support patients who cannot afford their medical bills?**



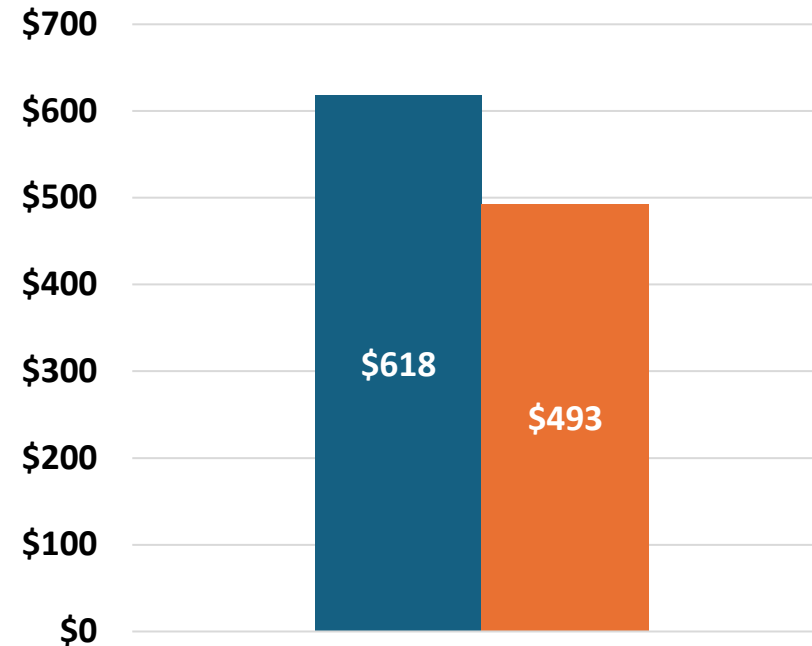
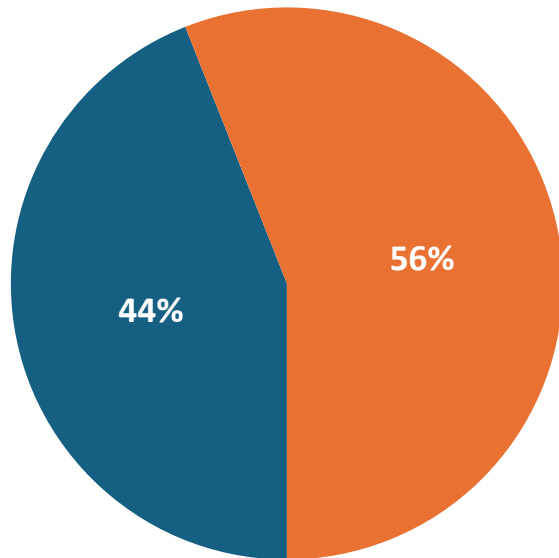
In 2022, Patients in Lower-Income Zip Codes Accounted for Significantly More Debt Than Patients in Higher-Income Zip Codes at Sampled Hospitals





In 2022, Female Patients Had More Debt, While Male Patients Had Higher Amounts of Debt on Average at Sampled Hospitals

Percentage of Debtors by Gender



Average Amount of Debt Per Patient With Debt

■ Male ■ Female



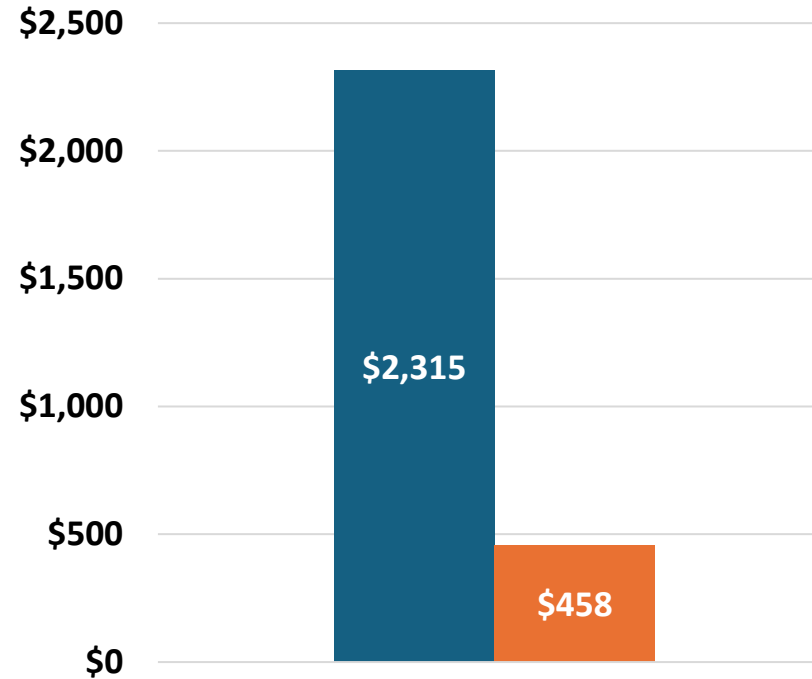
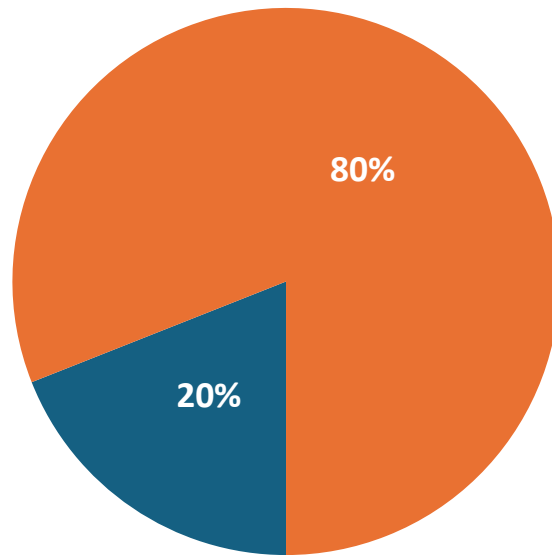
Within the Hospitals Sampled, Black Patients Made Up a Higher Percentage Of Patients With Medical Debt Compared to Share of Statewide Population

- The proportion of patients from sampled hospitals with debt who identified as Black (12%) is higher than the proportion of Massachusetts residents who identified as Black in response to the 2020 Census (7%).
- In contrast, white patients made up a smaller proportion of patients with hospital debt (63%) compared to their share of the statewide population (68%). Asian patients also made up a smaller proportion of patients with hospital debt (3%) compared to the statewide population (7%).
- Due to data limitations, conclusions could not be reached regarding other racial categories.



In 2022, Outpatient Services Generated More Debt, While Inpatient Services Generated Higher Amounts of Debt on Average at Sampled Hospitals

Percentage of Debt by Service Type



Average Amount of Debt Per Patient With Debt

■ Inpatient ■ Outpatient



Questions Considered: Medical Debt and Financial Assistance

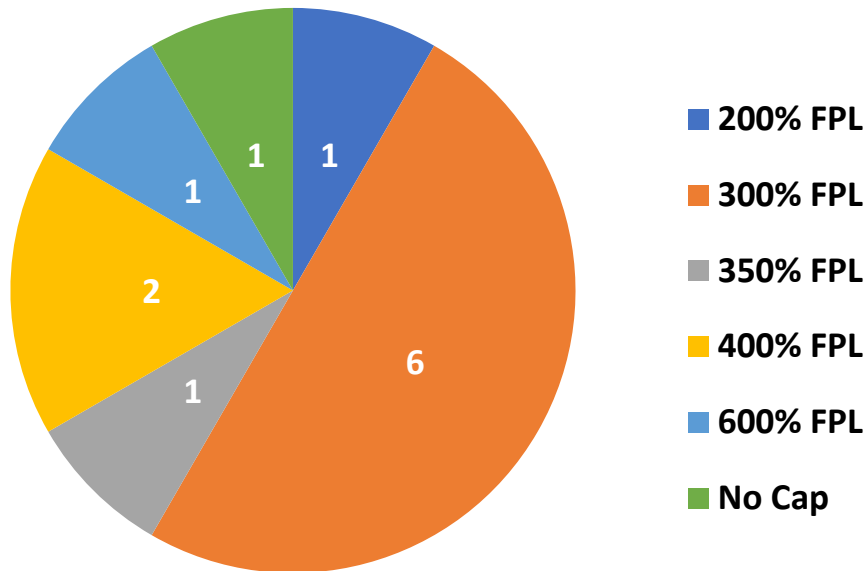
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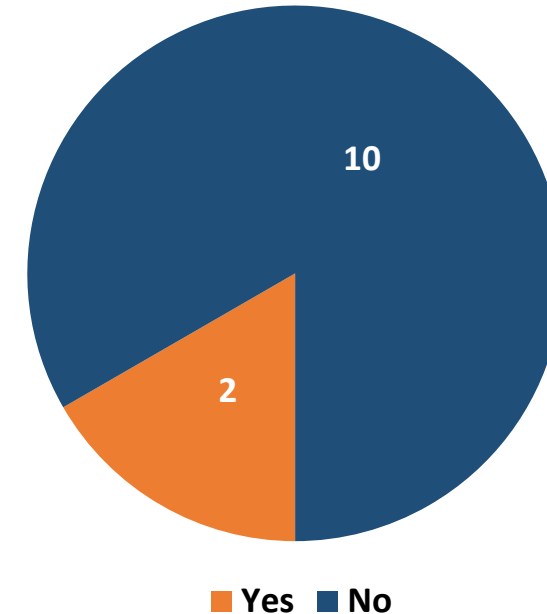


Qualification for Hospital Financial Assistance Policies Varies Across Hospitals

What is the Maximum Income Eligible for Income-Based Assistance?



Are Further Discounts Available to a Patient Receiving HSN?

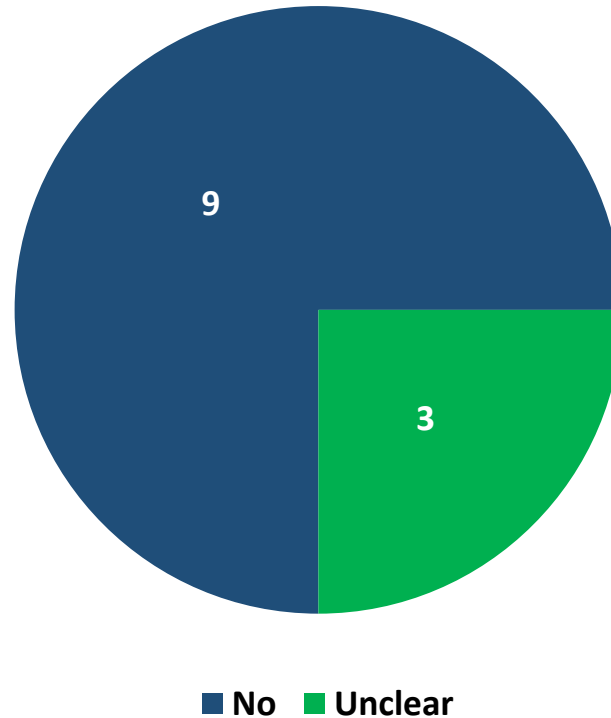


These charts reflect the number of hospital FAPs out of the sample of twelve hospitals that included the criteria above.



Very Few Hospitals Provide Financial Assistance with Deductibles and/or Co-Insurance

Can Patient Receive Discounts for Deductible or Co-Insurance?



This chart reflect the number of hospital FAPs out of the sample of twelve hospitals that included the criteria above.



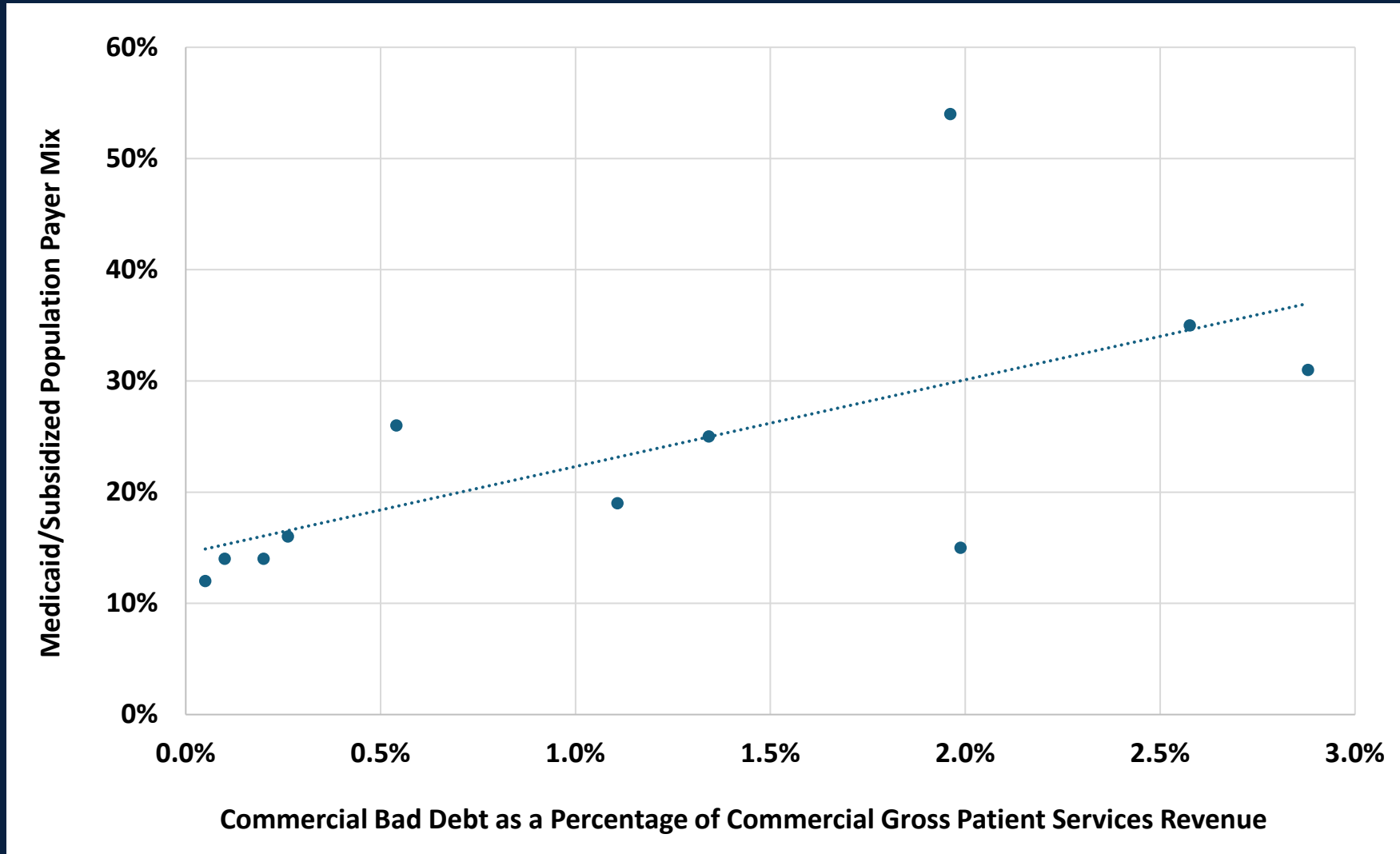
Questions Considered: Bad Debt

(3) To what extent are Massachusetts safety net and lower-cost hospitals burdened by bad debt?

➤ How does a hospital's public payor mix and commercial relative price correlate with its reported level of bad debt?

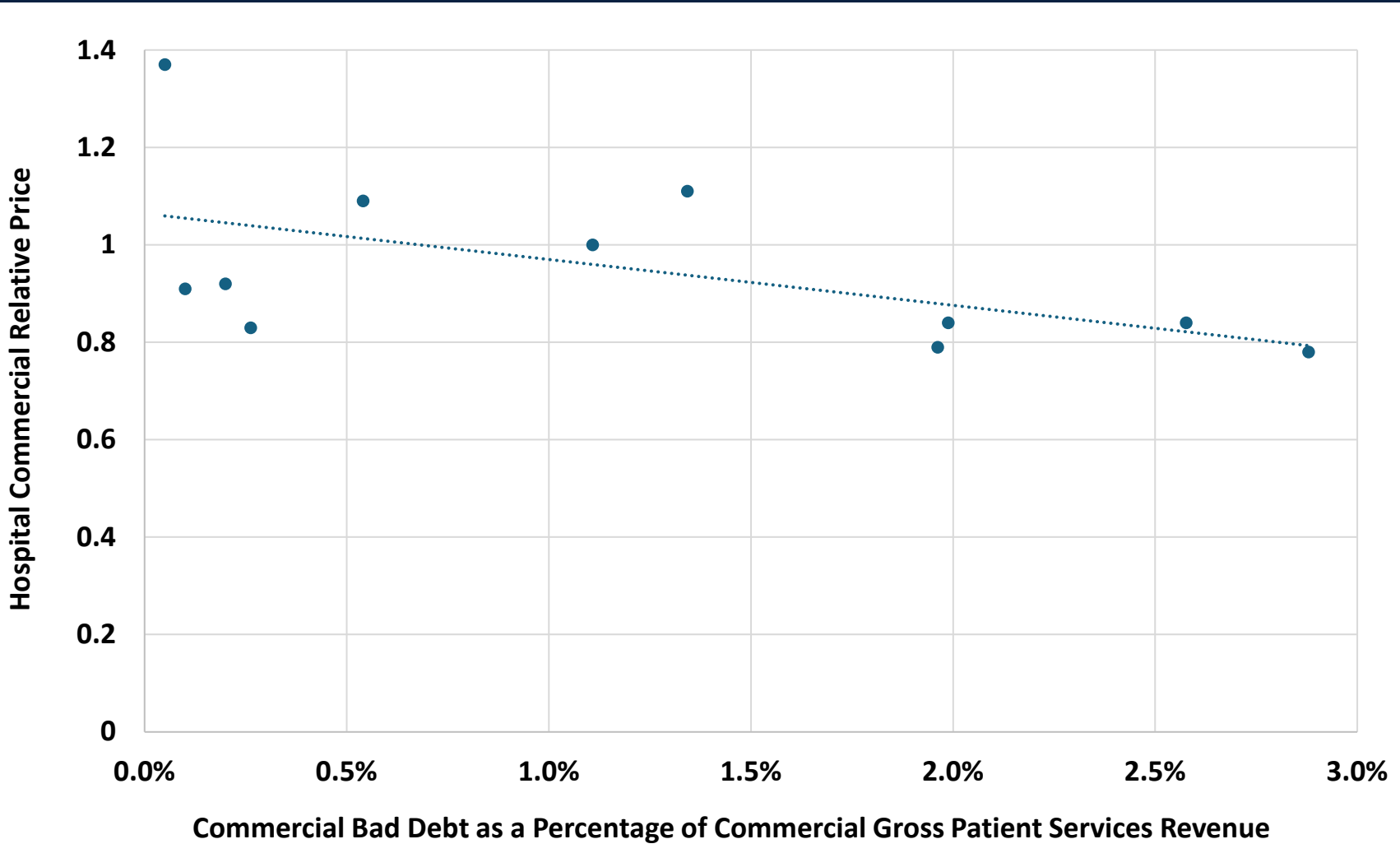


In Our Sample, Hospitals With a Higher Medicaid/Subsidized Population Payer Mix Had a Higher Percentage of Commercial Bad Debt Relative to Their Commercial Gross Patient Services Revenue





In Our Sample, Hospitals With a Lower Commercial Relative Price Had a Higher Percentage of Commercial Bad Debt Relative to Their Commercial Gross Patient Services Revenue





Recommendations: Affordability Measures

- The legislature should consider creating an affordability index that measures how much Massachusetts consumers are paying for health care, including through deductibles, co-payments, and premiums (both employer and employee share), relative to income.
- Affordability index should allow policymakers to monitor trends at a municipal or zip-code level so that affordability burdens in lower-income communities are not obscured in state-wide or regional averages.
- In conjunction with the affordability index, the legislature should consider creating a target affordability benchmark.



Recommendations: Consumer Protections

- The legislature should consider enhanced consumer protections:
 - Around collection and reporting of medical debt, such as limitations on collections and “extraordinary collection actions” during good faith bill disputes, and limitations on reporting medical debt to credit bureaus.
 - Around providers' Financial Assistance Policies and practices, including uniform income thresholds for eligibility; screening requirements; discounts that apply to cost sharing; affordable payment plans; and applicability to other health care providers beyond hospitals.
- Hospitals should adhere to the AGO's recommended medical debt reporting practices.



Recommendations: Lower-Cost Coverage for Lower-Income Households

- Stakeholders should continue efforts to support MA residents with commercial insurance who are falling within affordability gaps, including:
 - Maintaining enhanced subsidies for Connector participants.
 - For employer-sponsored insurance, awareness and consideration of pay-based premium contributions and cost sharing programs.



Recommendations: Support for Lower-Cost Hospitals

- The legislature should consider increased support for lower-cost and safety net hospitals that are disproportionately shouldering bad debt, including strategies to reduce unwarranted provider price variation.