



101 Huntington Avenue  
Suite 1300  
Boston, MA 02199-7611  
[bluecrossma.org](http://bluecrossma.org)

March 14, 2025

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 offer testimony as you consider modifications to the health care cost growth benchmark for average growth in total health care expenditures for calendar year 2026.

The past year has demonstrated the fragility of the Massachusetts health care system and the need for additional tools for the state to monitor access and affordability. We applaud the legislature in the passage of two important laws focused on market oversight and pharmaceutical transparency, and we look forward to supporting the Health Policy Commission (HPC) and other agencies as they begin this new work.

The continued upward trajectory in health care spending is concerning. In the 2024 Cost Trends Report, the HPC found that from 2021-2022, the average commercial spending rate in Massachusetts was 5.8%. The annual rate of growth for the cost of health care for those with commercial coverage grew at a rate faster than inflation and resident's incomes in the same period. HPC analyses showed spending growth was largely driven by prescription drugs and hospital outpatient department spending.

The Center for Health Information and Analysis (CHIA) found in their recently released Annual Report that total spending in 2023 continued to experience substantial growth, with a trend of 8.6% from 2022-2023. This trend represents the fastest year over year growth, excluding 2020-2021, since CHIA began measuring total health care expenditures. Similar to last year's report, CHIA data show troubling growth trends. Among the claims-based service categories, pharmacy spending, both gross and net of rebates, experienced the fastest growth from 2022-2023 (11.6% and 10.0% respectively). In addition to these large increases, CHIA found growth above benchmark in almost all service categories, including hospital outpatient (8.3%), hospital inpatient (4.1%), other medical (9.5%), other professional (10.6%) and non-claims (40.6%).

Given these consistent trends, **the Commonwealth should maintain the benchmark at 3.6% for 2026.**

We are seeing health care costs continue to increase, and it is unsustainable for our accounts and customers. In the new Market Oversight law, Chapter 343 of the Acts of 2024, the Division of Insurance will be reviewing rates of payment with a consideration of affordability for customer and purchasers of health insurance products. Insurers will be unable to address affordability without help and a strong benchmark is necessary to meet this review requirement. It has become clear that the private market cannot address cost growth alone and the state should use the existing tools to the fullest extent, while also considering what additional tools may be necessary. We believe that a strong cost growth benchmark is a vital tool to address affordability, and additional steps should be taken so that the benchmark has full force in the market.

In order for the benchmark to have a greater impact, we would support the HPC using their existing tools more broadly including:

- Utilizing Performance Improvement Plans (PIPs) more vibrantly for any entity with growth beyond the benchmark that is referred by CHIA. This will give the HPC more oversight in cost savings that are sustainable for the Commonwealth and allow additional scrutiny of the market throughout the monitoring period.
- Recommending certain price controls as part of the Cost and Market Impact Reviews when a transaction has the potential to add additional costs in any area of the analysis. These recommendations could also be considered as part of the Department of Public Health's Determination of Need review which can set specific conditions for approval. Setting more explicit expectations around prices and alignment with the benchmark will limit potential cost growth as a result of a change in the market and hold applicants accountable to what is included in their Material Change Notice application.
- Considering a multi-year benchmark, similar to CHIA's analysis during the COVID-19 pandemic and including economists as part of the Benchmark Hearing to consider medical consumer price index (CPI) and ensure that the benchmark is aligning with the long-term economic growth of the state. Ch. 224 of the Acts of 2024 allows the HPC to consider at the Benchmark Hearing "...pertinent information or data as may be available to the board" and is allowed to identify as witnesses for the public hearing "...other interested parties as the commission may determine." We strongly recommend the HPC using this existing authority to call economists as witnesses at the hearing.

We also ask the legislature and HPC to consider policy changes that would complement the existing process and strengthen the benchmark including:

- Establishing a metric to account for key drivers of health care cost growth including acute care hospitals and specialists, similar to total medical expenses used for payers and managing physician groups, that could be used to measure performance against the cost growth benchmark.
- Recommending specific tools to address the persistent cost growth driver of pharmaceutical spending. Other states have taken steps to address pharmaceutical costs that Massachusetts may want to consider. For example, seven states currently have Pharmacy

Drug Affordability Boards that review high-cost prescription drugs. Other states have implemented bulk purchasing or high-cost reinsurance pools. Massachusetts has seen some success with the MassHealth Supplemental Rebate Program which could be expanded to the commercial market as well. As the HPC's Office of Pharmaceutical Policy and Analysis begins their work, we encourage them to consider what approaches may work best in Massachusetts.

We look forward to continuing this important conversation and remain committed to working with you as the state considers approaches to address health care affordability,

Sincerely,

A handwritten signature in black ink that reads "Candace Reddy". The signature is fluid and cursive, with the first name "Candace" and last name "Reddy" clearly distinguishable.

Candace Reddy  
CEO Chief of Staff  
Senior Vice President, Government & Regulatory Affairs