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April 2, 2026

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 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 2027. We commend the actions the Administration has taken to address the cost of health care, including Governor Healey's Health Care Affordability Working Group, and we are actively participating in that important work.

The continued increase in health care spending and the impact on health care affordability is concerning. In the 2025 Cost Trends Report, the HPC found that from 2022-2023, total per capita health care expenditures grew 8.6%, a sustained increase from last reporting cycle. The annual rate of growth for the cost of health care for those with commercial coverage continues to grow at a rate faster than inflation and incomes in the same period. HPC analyses showed commercial spending was largely driven by higher prices for care, increased utilization and more intensive, more expensive care.

The Center for Health Information and Analysis (CHIA) found in their recently released Annual Report that total spending in 2024 continued to grow at a 5.7% trend from 2023-2024. While this represents a decrease from last year's trend (8.6% from 2022-2023), there was an observed increase in commercial spending growth the current report period compared to last year (10.8% and 7.2% respectively). CHIA data continues to show troubling growth trends. Among the claims-based service categories, pharmacy spending, both gross and net of rebates, experienced the highest per member per month (PMPM) spending trend from 2023-2024 (both 14.9%). In addition to these large increases, CHIA found commercial spending growth above benchmark in all service categories, including hospital outpatient (7.2%), physician (4.4%) hospital inpatient (4.2%), other medical (11.2%), other professional (10.3%) and non-claims (8.4%). Notably, when compared to the

findings in last year's annual report, hospital inpatient grew at a higher PMPM trend in this reporting period.

Given these consistent trends, **the Commonwealth should maintain the benchmark at 3.6% for 2027.**

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 vital 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 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. The HPC should have the ability to apply more meaningful fines when a market participant goes over the benchmark.
- Considering an entity's performance against the health care cost growth benchmark during HPC's review of proposed transactions through the material change process and the Department of Public Health's Determination of Need review process. Transactions and expansions should only be approved for entities that are at or below the health care cost growth benchmark.
- Recommending certain price controls as part of the material change notice and Cost and Market Impact Review process when a transaction has the potential to add additional costs. These recommendations should also extend to 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 and hold applicants accountable.
- Considering utilizing a two-year benchmark which could better contextualize trends. As we saw during the COVID-19 pandemic, the healthcare ecosystem is sensitive to exogenous factors, and a two-year benchmark better reflects trend by allowing for a longer period to more accurately capture the environment.

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, specialists, and health care systems, similar to total medical expenses used for payers and managing physician groups. A hospital and health care system efficiency metric would ensure that all parties are focused on providing high-value care at an affordable price.

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- Change the way we pay for care, including hospital global budgets, which have the potential to reduce unnecessary care, and allow providers enhanced flexibility to provide the care and make appropriate investments in areas such as primary care.
- Consider alternative metrics for the benchmark, such as median income, which may be a more reliable indicator of what residents can afford than potential gross state product.

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 cursive script that reads "Candace Reddy".

Candace Reddy
Chief of Staff and Senior Vice President
Government and Regulatory Affairs