



March 26, 2021

David Seltz, Executive Director
Health Policy Commission
50 Milk Street, 8th Floor
Boston, MA 02109

RE: Health Policy Commission's Public Hearing on the Potential Modification of the 2022 Health Care Cost Growth Benchmark

Dear Director Seltz:

On behalf of the Massachusetts Association of Health Plans (MAHP), which represents 16 member health plans and 2 behavioral health organizations that provide coverage to nearly 3 million Massachusetts residents, I am writing to offer testimony to the Health Policy Commission (HPC) as you consider modification of the 2022 Health Care Cost Growth Benchmark. We appreciate the Commission engaging with stakeholders to seek input and the opportunity to offer our comments in **support of maintaining the 2022 Health Care Cost Growth Benchmark at 3.1 percent.**

Our comments this year reflect the unique impact of the COVID-19 pandemic on health care spending in Massachusetts, as well as the persistence of key cost drivers in our state. While actions taken during 2020 will have lasting effects on health care spending, including temporary and permanent expansions in coverage resulting in increased costs, the underlying issues remain the same:

- Persistent increases in the prices that doctors, hospitals, and other providers charge,
- Care largely being delivered by high-cost providers in high-cost settings, and
- Continued excessive spending growth for prescription drugs and hospital inpatient and outpatient services.

As premiums reflect the cost of care, holding all entities accountable to a strong cost growth benchmark and addressing health care cost drivers are essential to making health care affordable for our state's residents, now more than ever. Keeping the benchmark at 3.1% requires accountability across the entire health care system and we urge the Commission to consider the following priorities in monitoring performance against the benchmark:

Impact of COVID-19 on Health Care Spending

Health care spending in 2020 and 2021 has been impacted by a number of changes to utilization and coverage. The pandemic caused early disruptions in both elective and necessary care as individuals hospitalized and seeking treatment for COVID-19 increased rapidly, however, the system experienced

rebounds beginning in July and extending through the end of 2020. During these months utilization rebounded to levels that were roughly equal to 2019 levels, and in some instances, exceeded 2019 levels. For example, utilization of behavioral health care rebounded quickly and remains at or above 2019 levels, primarily due to the growth in telehealth utilization since March. While utilization has returned to pre-pandemic levels, concerns remain around the impact of deferred care on individuals' overall health and the uncertainty surrounding so-called "COVID long-haulers" and their health care needs on spending.

In addition, health plans have shouldered a number of new coverage requirements resulting from the pandemic, including:

- Coverage of testing and treatment without cost-sharing,
- Significantly expanded coverage of telehealth services with payment at the same rate as an in-person visit, and
- Coverage of provider fees for administration of the COVID-19 vaccine

Health plans also adopted a number of voluntary measures to ensure stability for members, employers, and providers, including:

- Relaxing prior authorization and utilization management at acute care, mental health hospitals, skilled nursing facilities, and other post-acute care services to free up beds for COVID-19 patients should acute hospitals reach capacity,
- Offering grace periods to employers who could not pay their premiums, and
- Issuing cash payments, grants, and/or loans to providers in need.

We are hopeful that 2022 will represent a return to more typical utilization and spending, but the impact of new mandates and increased costs borne by health plans will certainly have an impact on health care spending in the state and health plans' ability to meet the cost growth benchmark.

Increasing Provider Prices and Continued Price Variation

Since 2010, over 30 state reports have examined health care costs and the key cost drivers in the Commonwealth – all have found that **the prices charged by providers remain the most significant factor driving health care costs**. Price, rather than utilization, has been identified as a primary driver of health care spending and CHIA estimates that approximately 50% of spending growth in Massachusetts is explained by growth in unit prices.

In the commercial inpatient market in Massachusetts, hospital spending accounted for 54% of growth from 2018 to 2019. Hospital inpatient spending has continued to grow despite a constant or declining number of hospital stays - commercial inpatient utilization declined by 9.3% between 2014 and 2018, while spending, associated with higher prices charged, continued to grow by 5.2%. Hospital outpatient spending has also grown quickly in the commercial market, increasing by \$700 million between 2015 and 2018 to account for 31% of all commercial spending growth. Between 2018 and 2019, hospital outpatient spending was the fastest growing commercial service category, increasing by 8.1%. Increases in instances of outpatient surgery have driven spending growth in this category; however, any potential cost savings have been mitigated by a shift to higher-cost outpatient centers as there is considerable variation in average payments for hospital outpatient surgeries, with the highest priced hospital systems garnering payments between 40% and 78% above the median.¹

¹ <https://www.mass.gov/doc/2019-health-care-cost-trends-report/download>

Despite these trends, accountability for hospital systems is limited, as the scope of the Performance Improvement Plan (PIP) process applies only to health plans and primary care provider groups. The PIP process has garnered significant insight for the HPC into market trends and entities' cost control strategies, and even without a PIP being required, entities may make certain cost containment commitments as part of the review process. Accordingly, we urge the Commission to consider the importance of full-system accountability to the PIP process in light of continued increases in hospital inpatient and outpatient spending.

Provider Consolidation

Further impacting provider prices and price variation are the mergers, acquisitions and provider consolidations that have taken place in recent years. The HPC has received 118 notices of material changes, with over 40% of these transactions involving physician group acquisitions or contracting affiliations, increasing market concentration for physician services. Nearly a quarter of the transactions involved a merger, acquisition or network affiliation of an acute hospital. The academic evidence on the effect of hospital mergers and provider consolidation has made clear that, in most cases, consolidation does not lead to better care and lower prices, but rather leads to enhanced bargaining power with no notable improvement in quality for patients. However, not all consolidations are inherently bad – for example, those that can demonstrate that the merger, acquisition, or clinical affiliation results in lower costs, better integration, and improved quality for employers and consumers.

As such, the Commission should pay special attention to their impact on performance against the benchmark, including how the actual results align with the anticipated benefits outlined in providers' material change notices and whether they have leveraged higher prices as a result of these transactions. In order to adequately assess the impact, we also recommend CHIA report total medical expenditures (TME) and TME trend at the hospital, rather than system, level.

Prescription Drug Prices

Similarly, prescription drug spending remains an enormous challenge for Massachusetts employers and consumers. Gross pharmacy spending increased by 7.2% in 2019 accounting for 25.2% of increased spending according to the Center for Health Information and Analysis's (CHIA) *Performance of the Massachusetts Health Care System Annual Report 2021*. In July of 2020, at the height of the COVID-19 pandemic, drug manufacturers hiked prescription drug prices – increasing prices on at least 67 brand name drugs – while receiving billions in taxpayer funding for research and development for potential COVID-10 treatments and cures.² Since 2014, prescription drug prices have risen 33 percent, 20 times faster than the rate of inflation and outpacing price increases for any other medical commodity or service.³

As the Commission considers performance against the benchmark, it is critical that pharmaceutical manufacturers are held accountable to the benchmark, are called as witnesses at the annual Cost Trends Hearing and are subject to the associated data collection requirements by the HPC, CHIA, and the state's Attorney General. The continued absence of accountability has allowed years of unchecked cost growth for prescription drug manufacturers, threatening the state's ability to meet the benchmark and bend the cost curve.

Accordingly, we strongly support the HPC's recommendation from its *2019 Cost Trends Report* that "policymakers take action to increase oversight transparency for the full drug distribution chain, including (1) authorizing the expansion of the HPC's review to drugs with a financial impact to the commercial market in Massachusetts, (2) imposing a penalty on manufacturers that increase the price of a drug above an

² <https://www.goodrx.com/blog/july-drug-price-hikes-2020/>

³ <https://www.goodrx.com/blog/prescription-drugs-rise-faster-than-medical-goods-or-services/>

inflation-based threshold level, ... and, (4) requiring manufacturers and [pharmacy benefit managers] to participate in the HPC's annual cost trends hearing and report data for inclusion in CHIA's and the HPC's annual reports on health care cost drivers."

MAHP and our member plans are committed to ensuring access to high-quality, affordable health care services. The health care cost growth benchmark is an important tool in holding all entities accountable for health care costs in the Commonwealth. We appreciate the opportunity to offer these comments as you consider the 2022 benchmark. Please feel free to contact me directly should you have any questions or need additional information on our comments.

Sincerely,



Lora Pellegrini
President & CEO, Massachusetts Association of Health Plans

Cc: Secretary Marylou Sudders, M.S.W, Executive Office of Health and Human Services
Secretary Michael J. Heffernan, Executive Office of Administration and Finance
Stuart Altman, Ph.D. Health Policy Commission Chair
Martin Cohen, Health Policy Commission Vice Chair
Barbara Blakeney, MS, RN, FNAP, Committee Chair, Care Delivery Transformation
David Cutler, Ph.D., Committee Chair, Market Oversight and Transparency
Donald Berwick, M.D., MPP, Health Policy Commissioner
Tim Foley, Health Policy Commissioner
Patricia Houpt, Health Policy Commissioner
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