

# Massachusetts Health Care Cost Growth Benchmark Factsheets

## 1: Annual Health Care Cost Trends Reports

To contain health care cost increases, Massachusetts enacted Chapter 224 in 2012, which established a first-in-the-nation target, called a benchmark, for annual growth in total statewide health care spending. Among other things, the law created a Health Policy Commission (HPC) and granted it authority to hold payers and providers accountable for keeping annual cost growth below the benchmark. To inform other states that have adopted similar cost growth benchmark initiatives, this Factsheet series describes the HPC's four accountability tools and how they have been used to date.

### Overview

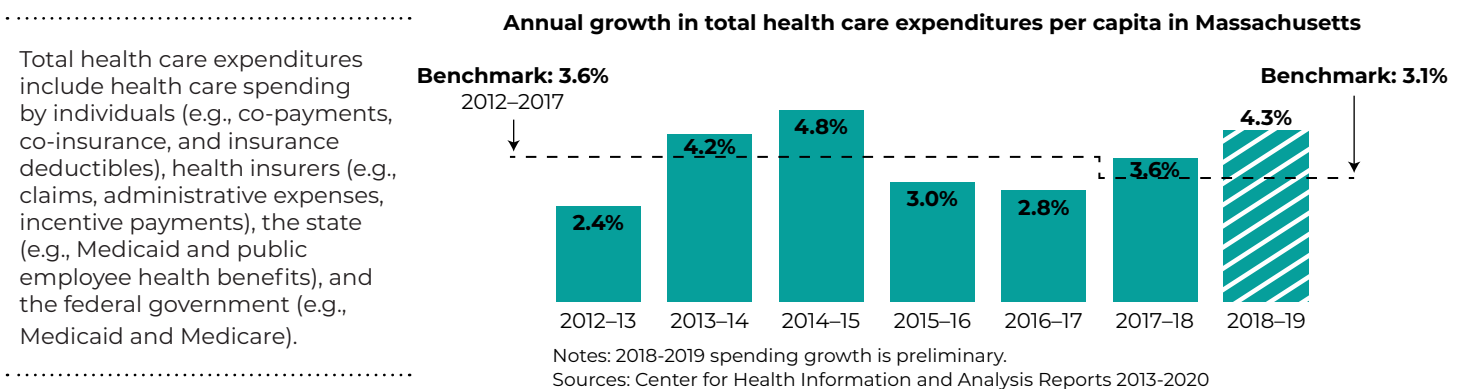
The Health Policy Commission (HPC) prepares annual **Health Care Cost Trends Reports**, which assess overall health care spending growth patterns in Massachusetts and analyze key drivers of cost growth. These reports also make recommendations regarding public policies and actions by private payers and providers that can help to restrain cost growth and improve the efficiency of the health care system. Along with the annual Cost Trends Hearings, the annual Cost Trends Reports are key mechanisms to inform policymakers, health care stakeholders, and the public about health care spending and the major factors that contribute to its cost.

### Development of annual Cost Trends Reports



### Monitoring spending trends

Every year, the Center for Health Information and Analysis (CHIA) collects data from payers and prepares a report evaluating the state's total health care spending growth per capita (including public and private payers) relative to the cost growth benchmark (see below chart for an example). The HPC then compares annual spending trends to national growth rates, examines per person spending trends by market sector (commercial, Medicaid, Medicare fee-for-service, and Medicare Advantage), and breaks out spending trends by major service categories.



Chapter 224 set the total health care spending growth benchmark equal to the projected growth in annual potential gross state product (PGSP) from 2013-2017, which was 3.6 percent. It reduced the benchmark to 3.1 percent of GSP from 2018-2022, unless the HPC determined that an adjustment was necessary. For 2023 and beyond, the HPC has authority to recommend changes in the benchmark, approved by a two-thirds vote of the board, to the legislature.

The Peterson Center on Healthcare commissioned Mathematica to conduct a process evaluation to understand how key stakeholders perceive the influence of the cost growth benchmark on their actions, and the HPC's use of policy levers and strategies to hold payers and providers accountable for meeting the benchmark. The final report will identify lessons from Massachusetts' experience for other states now setting cost growth benchmarks. This factsheet synthesizes information from numerous HPC documents, available at <https://www.mass.gov/orgs/massachusetts-health-policy-commission>.

## Analyzing cost drivers

The Cost Trends Reports examine changes in the two key components of health care costs: price and utilization. The HPC assesses change in average prices due to the amounts paid to providers for each service (the unit price) as well as prices charged by individual providers, which can vary substantially for any given service and across payers. The HPC reports also drill down into the factors that explain changes in utilization, including how many people use services, how often they use them, in which care settings they receive services, and the intensity of services.

**Hospital outpatient spending** has consistently been a major driver of spending in Massachusetts, and the 2021 Cost Trends Report found it was the largest category of spending growth in 2019.

- **Price:** Prices for hospital outpatient care grew overall, but prices varied by facility type. Smaller community hospitals tend to charge prices on par with Medicare, while other hospitals have prices nearly triple that of Medicare. Higher prices are more common at large Academic Medical Centers (AMCs).
- **Utilization:** Utilization of hospital outpatient services also increased in 2019. Because much of that growth occurred at AMCs, it drove cost growth even more due to higher prices at those centers.

## Recommendations to control cost growth

Based on the analysis of cost trend drivers, the HPC Board of Commissioners makes recommendations that focus on aspects of the health care system that can be influenced by policymakers, government agencies, and market participants in the state. The HPC commissioners make recommendations that cover a broad range of issues, though the main focus is on four major categories.

	Description	Recurring issues	Example recommendations/legislation
Cost Containment	Prices, system capacity, payment and delivery reform, and market structure and consolidation	<ul style="list-style-type: none"> <li>• Hospital outpatient spending (see box)</li> <li>• Prescription drug prices consistently drive spending growth due to high prices and lack of price transparency by pharmacy benefit managers</li> <li>• Low-value care and unnecessary care result in higher spending and waste in the health care system</li> </ul>	<ul style="list-style-type: none"> <li>• Encourage greater use of Alternative Payment Models, which encourage high-value care and coordination</li> <li>• Grant payers the authority to directly negotiate with drug manufacturers</li> <li>• Increase transparency and state oversight of Pharmacy Benefit Managers</li> </ul>
	The HPC's authority and tools to hold health care providers accountable for excessive spending	<ul style="list-style-type: none"> <li>• "Upcoding" practices that inflate patient health status to justify higher spending, thereby avoiding accountability through the Performance Improvement Plan (PIP) referral process (see PIP Factsheet for more information)</li> <li>• The HPC has authority to review individual providers whose annual spending growth exceeds the benchmark, but it does not have the authority to review providers solely based on high prices or spending</li> </ul>	<ul style="list-style-type: none"> <li>• Strengthen accountability for excessive spending by allowing CHIA to use metrics other than health-status adjusted total medical expense growth to identify entities contributing to excessive spending growth, and allow the HPC to hold hospitals, in addition to primary care groups, accountable for spending growth</li> <li>• Establish price caps for the highest-priced providers and a Provider Price Variation Commission to distinguish acceptable and unacceptable factors contributing to price</li> </ul>
Affordability	Actions to make health care costs more affordable to consumers and employers	<ul style="list-style-type: none"> <li>• Low-income people who cannot afford out-of-pocket costs are more likely to delay primary care, resulting in higher-cost care later on</li> <li>• Health insurers that cover low-value health care drive up insurance premiums</li> </ul>	<ul style="list-style-type: none"> <li>• Enhance protections for out-of-network billing to prevent surprise bills for consumers</li> <li>• Incentivize employers to choose more affordable, high-value plans which incentivize efficiency and coverage of high-value health care</li> </ul>
Quality, Innovation, and Access	Recommendations to improve public health, enhance data collection and transparency, and increase access to primary and preventive care	<ul style="list-style-type: none"> <li>• Consumers face barriers receiving primary care due to health professional shortages</li> <li>• Inadequate integration of primary and behavioral health care</li> </ul>	<ul style="list-style-type: none"> <li>• Broaden the pool of primary care providers by expanding scope of practice for nurse practitioners</li> <li>• Invest in primary and behavioral health care and improve access for consumers</li> </ul>
Emerging Issues	Health care issues and trends that have gained more attention in the recent years	<ul style="list-style-type: none"> <li>• Health equity and social determinants of Health</li> <li>• Behavioral health access and integration with primary care</li> </ul>	<ul style="list-style-type: none"> <li>• The Commonwealth should set measurable goals to advance health equity</li> <li>• Payers and providers should take steps to increase access to behavioral health services appropriate for and accessible to these populations</li> </ul>