

# ANNUAL HEALTH CARE COST TRENDS HEARING

**2015**

Suffolk University Law School  
October 5 & 6





# FROM THE CHAIR AND EXECUTIVE DIRECTOR

Welcome to the 2015 Health Care Cost Trends Hearing. This is the Health Policy Commission's third year hosting the Hearing in collaboration with the Office of the Attorney General and Center for Health Information and Analysis. Thank you for participating in this unique public examination into the Commonwealth's health care system and costs.

The HPC's mission is to advance a more transparent, accountable, and innovative health care system through independent policy leadership and programs. Our goal is better health and better care at a lower cost across the Commonwealth. As such, we view the Cost Trends Hearing as an important opportunity to engage in an informed dialogue on spending trends, market dynamics, and policy developments that impact the performance of our health care system.

Massachusetts is a national leader in providing high-quality health care for its residents. However, health care costs continue to rise, and directly impact the budgets of government, businesses, families, and individuals across the Commonwealth. To address these growing costs, Massachusetts enacted Chapter 224 of the Acts of 2012, which includes a host of health care cost containment mechanisms, including the establishment of the Health Policy Commission and a statewide benchmark for the rate of total health care spending.

In September 2015, the Center for Health Information and Analysis reported that Massachusetts exceeded the benchmark in 2014, with health care cost growing at 4.8%, well over the 3.6% target. This year's hearing will examine the challenges the Commonwealth faced in meeting this target, asking Massachusetts health care leaders and key stakeholders to testify, under oath, on their organizations' efforts to reach this statewide goal. In addition to the in-person testimony you will hear during the next two days, over 60 health care organizations also submitted written testimony. This information may be found on our website at [www.mass.gov/hpc](http://www.mass.gov/hpc).

Throughout the hearing, Massachusetts provider organizations, health plans, employers, consumers, and national experts will testify about our transforming health care delivery and payment system. We will explore factors that contribute to cost growth, and strategies to contain costs while improving patient care. With the information gathered and honest dialogue, over the next two days, we can work towards higher quality health care that is affordable and accessible across the Commonwealth. Your engagement and collaboration are critical to our effort. We encourage you to send us your questions and comments on Twitter during the hearing via #CTH15.

Thank you for your participation.

**Stuart Altman**  
Chair

**David Seltz**  
Executive Director

# AGENDA MONDAY, OCTOBER 5

<b>Arrival and Seating</b>	<b>8:30AM</b>
<b>Opening Remarks</b>	<b>9:00AM</b>
<b>Dr. Stuart Altman</b> Chair, Health Policy Commission	
<b>Ms. Renee Landers</b> Director, The Health Law Concentration, Suffolk University Law School	
<b>The Honorable Stanley Rosenberg</b> Senate President	
<b>Keynote Remarks</b>	<b>9:30AM</b>
<b>The Honorable Charles Baker</b> Governor	
<b>Presentation</b>	<b>9:50AM</b>
<b>Mr. Áron Boros</b> Executive Director, Center For Health Information And Analysis	
<b>Expert Speaker</b>	<b>10:00AM</b>
<b>Dr. Amitabh Chandra</b> John F. Kennedy School Of Government, Harvard University	
<b>Remarks</b>	<b>10:45AM</b>
<b>The Honorable Robert DeLeo</b> Speaker Of The House	
<b>WITNESS PANEL 1:</b>	
<b>Challenges to the Health Care Cost Growth Benchmark</b>	<b>11:00AM</b>
Fenway Community Health Center, Lowell General Hospital/ Wellforce, Massachusetts Biotechnology Council, Neighborhood Health Plan, Tufts Health Plan	
<b>Lunch Break</b>	<b>12:15PM</b>
<b>Presentation</b>	<b>1:00PM</b>
<b>Scope of Practice Laws and Cost-Effective Care Delivery in Massachusetts</b> <b>Dr. David Auerbach</b> Deputy Director of Research and Cost Trends, Health Policy Commission	
<b>WITNESS PANEL 2:</b>	
<b>Care Delivery Transformation and Innovation</b>	<b>1:30PM</b>
Boston Healthcare for the Homeless, CareWell Urgent Care, Commonwealth Care Alliance, CVS Minute Clinic, Emerson Hospital, Partners HealthCare System	
<b>WITNESS PANEL 3:</b>	
<b>Value-Based Payment Reform – Progress and Opportunities</b>	<b>2:45PM</b>
Aetna Health Plan, Baystate Health, Blue Cross Blue Shield of MA, Boston Medical Center, Mount Auburn Cambridge IPA	
<b>Public Testimony</b>	<b>4:00PM</b>

## TUESDAY, OCTOBER 6 AGENDA

<b>Arrival and Seating</b>	<b>8:30AM</b>
<b>Opening Remarks</b>	<b>9:00AM</b>
Dr. Stuart Altman Chair, Health Policy Commission	
The Honorable Suzanne Bump Auditor	
<b>Keynote Remarks</b>	<b>9:30AM</b>
The Honorable Maura Healey Attorney General	
<b>Presentation</b>	<b>9:50AM</b>
Ms. Courtney Aladro Assistant Attorney General, Office of the Attorney General	
<b>Expert Speaker</b>	<b>10:10AM</b>
Dr. Leemore Dafny Kellogg School of Management, Northwestern University	
<b>WITNESS PANEL 4:</b>	
<b>Provider Market Structure to Promote Value</b>	<b>11:00AM</b>
Beth Israel Deaconess Care Organization, Group Insurance Commission, Lahey Health, Reliant Medical Group, UMass Memorial Health Care	
<b>Lunch Break</b>	<b>12:15PM</b>
<b>Presentation</b>	<b>1:00PM</b>
Price Transparency in Massachusetts	
Mr. David Seltz Executive Director, Health Policy Commission	
Ms. Amy Whitcomb Slemmer Executive Director, Health Care for All	
<b>WITNESS PANEL 5:</b>	
<b>Transparency and Purchaser Incentives to Promote Value</b>	<b>1:30PM</b>
Fallon Health Plan, Health Care For All, Massachusetts Association of Health Underwriters, Onyx Specialty Papers, Inc., Vitals	
<b>WITNESS PANEL 6:</b>	
<b>Meeting the Benchmark in 2015 and Beyond</b>	<b>2:45PM</b>
Atrius Health, Beth Israel Deaconess Medical Center, Harvard Pilgrim Health Plan, Partners HealthCare System, Wellforce/Tufts Medical Center/Minuteman Health (Ellen Zane)	
<b>Public Testimony</b>	<b>4:00PM</b>

THANK YOU FOR JOINING US

## EXPERT SPEAKERS



### **Dr. Amitabh Chandra**

Amitabh Chandra is the Malcolm Weiner Professor of Public Policy and Director of Health Policy Research at the Harvard Kennedy School of Government. He is a member of the Congressional Budget Office's (CBO) Panel of Health Advisors, and is a Research Associate at the IZA Institute in Bonn, Germany and at the National Bureau of Economic Research (NBER). His research focuses on innovation and cost-growth in healthcare, medical malpractice, and racial disparities in healthcare. His research has been

supported by the National Institute of Aging, the National Institute of Child Health and Development, the Robert Wood Johnson Foundation, and has been published in the American Economic Review, the Journal of Political Economy, the New England Journal of Medicine, the Journal of the American Medical Association, and Health Affairs. He is an editor of the Review of Economics and Statistics, a former editor of the Journal of Human Resources, and serves on the editorial boards of Economics Letters and the American Economic Journal.



### **Dr. Leemore Dafny**

Leemore Dafny is a Professor of Strategy and the Herman Smith Research Professor in Hospital and Health Services at the Kellogg School of Management. Her research examines competitive interactions among payers and providers of healthcare services, and the intersection of industry and public policy. Dafny is a graduate of Harvard College and earned a PhD in economics from the Massachusetts Institute of Technology. She is a Research Associate of the National Bureau of Economic Research, Editor of The International

Journal of Health Economics and Management, and a Board Member of the American Society of Health Economists and the Health Care Cost Institute. In 2012–2013, Dafny served Deputy Director for Healthcare and Antitrust in the Bureau of Economics at the Federal Trade Commission in Washington, DC. She is a current member of the Panel of Health Advisers for the Congressional Budget Office. During Fall 2015, Dafny is a Visiting Professor at Harvard Business School.

## WITNESS PANELS

### **Panel 1: Challenges to the Health Care Cost Growth Benchmark**

Fenway Community Health Center	Dr. Stephen Boswell, President and CEO
Lowell General Hospital/Wellforce	Mr. Normand Deschene, CEO
Massachusetts Biotechnology Council	Mr. Robert Coughlin, President and CEO
Neighborhood Health Plan	Mr. David Segal, President and CEO
Tufts Health Plan	Mr. James Roosevelt, Jr., CEO

### **Panel 2: Care Delivery Transformation and Innovation**

Boston Health Care for the Homeless	Mr. Barry Bock, CEO
Carewell Urgent Care	Mr. Shaun Ginter, President and CEO
Commonwealth Care Alliance	Dr. Robert Master, CEO
CVS Minute Clinic	Dr. Nancy Gagliano, CMO
Emerson Hospital	Ms. Christine Schuster, President and CEO
Partners HealthCare System	Dr. Timothy Ferris, SVP, Population Health Management

### **Panel 3: Value-Based Payment Reform – Progress and Opportunities**

Aetna Health Plan	Mr. Mark Santos, President, New England Market
Baystate Health	Dr. Mark Keroack, President and CEO
Blue Cross Blue Shield of Massachusetts	Mr. Andrew Dreyfus, President and CEO
Boston Medical Center	Ms. Kate Walsh, President and CEO
Mount Auburn Cambridge IPA	Dr. Barbara Spivak, President

### **Panel 4: Provider Market Structure to Promote Value**

Beth Israel Deaconess Care Organization	Mr. Jeffrey Hulburt, Interim President & CEO
Group Insurance Commission	Ms. Dolores Mitchell, Executive Director
Lahey Health	Dr. Howard Grant, President and CEO
Reliant Medical Group	Dr. Michael Sheehy, Acting Chief Medical Officer
UMass Memorial Health Care	Dr. Eric Dickson, President and CEO

### **Panel 5: Transparency and Purchaser Incentives to Promote Value**

Fallon Health Plan	Mr. David Przesiek, Senior VP and CSO
Health Care For All	Ms. Amy Whitcomb Slemmer, Executive Director
MA Association of Health Underwriters	Mr. David Shore, President
Onyx Specialty Paper	Ms. Patricia Begrowicz, Owner
Vitals	Mr. John Jordan, EVP of Health Plans

### **Panel 6: Meeting the Benchmark in 2015 and Beyond**

Atrius Health	Dr. Steven Strongwater, CEO
Beth Israel Deaconess Medical Center	Dr. Kevin Tabb, President and CEO
Harvard Pilgrim Health Plan	Mr. Eric Schultz, President and CEO
Partners HealthCare System	Dr. David Torchiana, President and CEO
Wellforce; Tufts Medical Center; Minuteman Health	Ms. Ellen Zane, Chair; Vice Chair; Chair

# MEASURING AGAINST THE HEALTH CARE COST GROWTH BENCHMARK

Massachusetts residents have access to innovative and high-quality health care. This care, however, comes at a cost. The Commonwealth is among the states with the highest health care spending in the United States. The rapid rate of growth in health care spending has contributed to a crowding-out effect for households, businesses, and government, reducing resources available to spend on other priorities.

Chapter 224 of the Acts of 2012, a comprehensive health care cost containment law, seeks to bring health care spending growth in line with growth in the state's overall economy. To measure progress, Ch. 224 established the health care cost growth benchmark, a statewide target for the rate of growth in total health care expenditures (THCE).

## What is the Total Health Care Expenditures measure?

Total health care expenditures (THCE) is a measure of state health care spending by private and public payers, such as Medicare and the state Office of Medicaid, MassHealth. THCE includes three components:

- All medical expenses paid to providers by public and commercial payers,
- All patient cost-sharing amounts (for example, deductibles and co-payments),
- The net cost of private insurance (for example, administrative expenses and operating margins for commercial payers)

THCE is calculated on a per capita basis to control for increases in health care spending due to population growth and includes spending by both public and private payers. THCE is measured annually by the Center for Health Information and Analysis (CHIA). This measure is then compared to the "benchmark" or the growth in the state's economy.

## What is the benchmark?

Each year, the Health Policy Commission sets the benchmark for the Commonwealth. For 2013-2015, the benchmark was set at 3.6%, or the equivalent of the gross domestic state product.

For 2013, the first year in which the Commonwealth was measured against the benchmark, health care costs grew at 2.4%, 1.2% less than the benchmark.

In 2014, the Commonwealth's THCE exceeded the benchmark, with 4.8% growth. CHIA hypothesizes that several factors contributed to the Commonwealth surpassing the benchmark in 2014, including increased spending due to expanded MassHealth enrollment and prescription drug costs.

### SUMMARY

**2013:** THCE was \$50.5 billion or \$7,641 per capita.

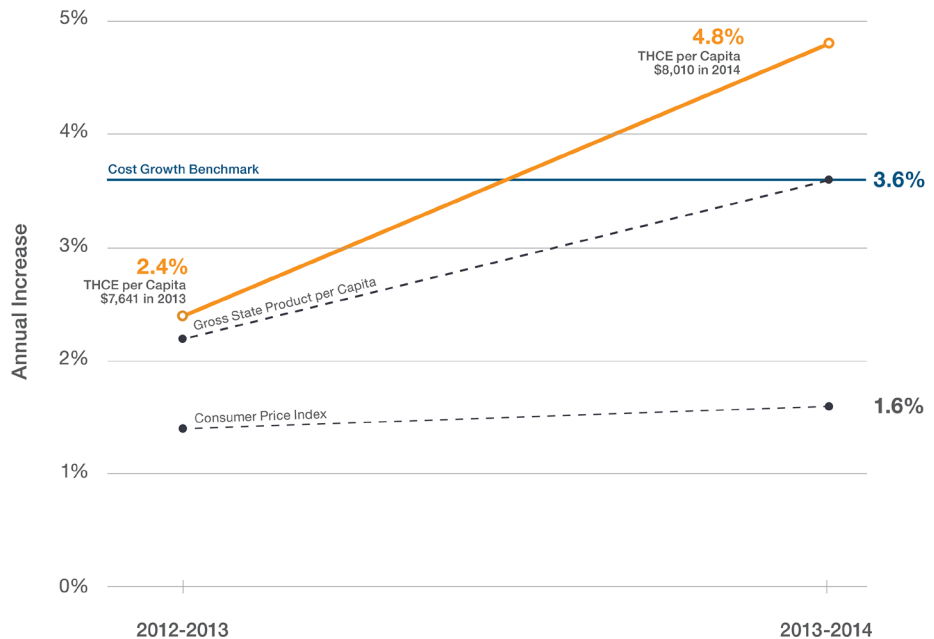
- 2.4% increase from 2012.
- 1.2 percentage points below the benchmark.

**2014:** THCE was \$54 billion or \$8,010 per capita.

- 4.8% increase from 2013.
- 1.2 percentage points above the benchmark.



## Total Health Care Expenditure Growth in Context



Source: Center for Health Information and Analysis, 2015

### Other Key Findings

- Spending for MassHealth increased by \$2.4 billion (+19%), while enrollment increased by 23%.
- Total medical expenses (TME) among commercial payers grew by 2.9% in 2014, compared to a 1.2% in 2013.
- Member cost-sharing rose by 4.9% in 2014. Individual purchasers and small group members continued to pay the most out of pocket.

### WHAT'S NEXT

Along with data from CHIA's annual report on the performance of the Massachusetts health care system, insights from the 2015 Health Care Cost Trends Hearing inform the Health Policy Commission's 2015 Cost Trends Report. The Cost Trends Report presents an overview of healthcare spending and delivery in Massachusetts, opportunities to improve quality and efficiency, and progress in key areas and contains recommendations for strategies to increase quality and efficiency in the Commonwealth. Findings from the report will be presented publicly in December.

## HPC BOARD MEMBERS

### **Stuart Altman, Ph.D., Chair**

Stuart Altman, Ph.D., is the Sol C. Chaikin Professor of National Health Policy at The Heller School for Social Policy and Management at Brandeis University. He is an economist with five decades of experience working closely with issues of federal and state health policy within government, the private sector, and academia.

### **Wendy Everett, Sc.D., Vice Chair**

Wendy Everett, Sc.D., is the President of NEHI, a national health policy research institute focused on enabling innovation to improve health care quality and lower costs

### **Carole Allen, M.D.**

Carole Allen, M.D., is a retired pediatrician with 37 years of experience in general pediatrics. She is a member of the Board of the American Academy of Pediatrics.

### **Martin Cohen**

Martin D. Cohen is the President and CEO of the MetroWest Health Foundation. He has more than 30 years of experience working to plan and implement comprehensive strategies to improve public mental health services.

### **David Cutler, Ph.D.**

David Cutler, Ph.D., is the Otto Eckstein Professor of Applied Economics at Harvard University and holds secondary appointments at Harvard Kennedy School and Harvard School of Public Health.

### **Paul Hattis, M.D.**

Paul Hattis, M.D., J.D., M.P.H., is the Senior Associate Director of the MPH Program at Tufts University Medical School and a lay leader in the Greater Boston Interfaith Organization.



## Secretary Kristen Lepore

*Executive Office of Administration and Finance*

Kristen Lepore serves as Secretary of the Executive Office for Administration and Finance. She is responsible for managing state finances and oversees state agencies that provide core administrative services.

## Rick Lord

Richard C. Lord is President and Chief Executive Officer of Associated Industries of Massachusetts (AIM), a state-wide employer advocacy and service organization of more than 5,000 member companies.

## Renato (Ron) Mastrogiovanni

Ron Mastrogiovanni is the President and Chief Executive Officer of HealthView Services, and has more than 25 years of experience in management consulting, financial services, and health care software design.

## Secretary Marylou Sudders

*Executive Office of Health and Human Services*

Marylou Sudders serves as the Secretary of the Executive Office of Health and Human Services. In this role, Secretary Sudders leads the largest executive agency in state government, and oversees critical services that touch almost one in six residents of the Commonwealth.

## Veronica Turner

Veronica Turner is the Executive Vice President of 1199SEIU, the state's largest union of health care worker. Ms. Turner is also an Executive Vice President of the Massachusetts AFL-CIO.



# PUBLIC MEETINGS

Please join us at one of our upcoming public meetings at HPC's offices, located at 50 Milk Street, 8th Floor.

## BOARD MEETINGS

October 21, 2015 at 12:00PM

December 16, 2015 at 12:00PM

## COMMITTEE MEETINGS

### **Cost Trends and Market Performance**

October 14, 2015 at 9:30AM

### **Community Health Care Investment and Consumer Involvement**

October 14, 2015 at 11:00AM

### **Care Delivery and Payment System Transformation**

November 12, 2015 at 9:30AM

### **Quality Improvement and Patient Protection**

November 12, 2015 at 11:00AM

### **Cost Trends and Market Performance**

December 2, 2015 at 9:30AM

### **Community Health Care Investment and Consumer Involvement**

December 2, 2015 at 11:00AM

### **Care Delivery and Payment System Transformation**

December 9, 2015 at 9:30AM

### **Quality Improvement and Patient Protection**

December 9, 2015 at 11:00AM

## ADVISORY COUNCIL MEETINGS

November 18, 2015 at 11:00AM

For more information on the Health Policy Commission, please visit our website at [www.mass.gov/hpc](http://www.mass.gov/hpc).

To contact us, email us at [HPC-Info@state.ma.us](mailto:HPC-Info@state.ma.us) or tweet us @Mass\_HPC.

# NOTES



# NOTES



# NOTES



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