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DAVID M. SELTZ  
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April 26, 2022

The Honorable Senator Cindy Friedman, Senate Chair  
Joint Committee on Health Care Financing  
State House, Room 313  
Boston, MA 02133

Dear Chair Friedman:

It was an honor to co-host the public hearing on March 16, 2022, with you and members of the Joint Committee on Health Care Financing. The annual process of setting the Health Care Cost Growth Benchmark is critical to the state's cost containment efforts and we appreciate your ongoing commitment to a better, more affordable, and more equitable health care system for the people of the Commonwealth.

The HPC received testimony from 11 organizations including health care providers, health plans, employer associations, and consumer advocates. The majority of organizations testified in support of the HPC setting a strong benchmark at 3.1 or 3.6% to advance the Commonwealth's cost containment efforts. The presentations given by the HPC and the Center for Health Information and Analysis (CHIA), as well as the written testimony, can be found on the HPC's [website](#). A recording of the hearing can be found on the HPC's YouTube [page](#).

After considering available information and testimony, the HPC's Board unanimously voted at its April 13, 2022, meeting to establish the benchmark at the default rate of 3.6% for calendar year 2023. With this vote, Board members expressed their commitment to the health care cost growth benchmark as critical to the state's cost containment framework, while recognizing the ongoing impact of the COVID-19 pandemic on our health care system. As we emerge from this public health crisis, the HPC will continue to consider the pandemic's impacts on health care spending and cost growth, especially as it pertains to accountability under the benchmark and the performance improvement plan (PIP) process.

At the same time, as Massachusetts approaches the ten-year anniversary of its landmark cost containment efforts, now is an ideal time to take action – based on lessons learned – to strengthen and enhance the state's strategy to foster a health care system that is affordable, high quality, and accessible for all. Recognizing that the Speaker, the Senate President, and the Governor have all been advocating for health care policy reforms this legislative session, we believe that this moment presents a unique opportunity to build on our past successes and evidence to define the next chapter in the Commonwealth's bold, and incremental health care reform efforts.

Given this opportunity and the urgency to provide relief from the escalating health care affordability challenges confronting Massachusetts individuals and families, businesses, and government, we would like to highlight our 2021 Policy Recommendations from the [2021 Annual Health Care Cost Trends Report](#). As you know, these recommendations are consistent with many of the proposals currently before the Legislature.

First, we recognize a need to strengthen accountability for the health care cost growth benchmark, beginning with greater flexibility in the referral process for PIPs. We urge the Legislature to consider allowing referrals of

entities to the HPC to be based on factors beyond Health Status Adjusted Total Medical Expenses (HSA TME) growth. As the current statutory standard for referral, HSA TME limits the types of providers that can held accountable for their spending (HSA TME only exists for insurers and primary care provider networks; hospitals, for example, are not subject to referral) and can be undermined by provider medical coding efforts that do not reflect actual changes in patient acuity. Strengthened financial penalties, as done in Oregon, could further enhance accountability for the benchmark and could be used to support underserved communities.

Second, we recommend that the Legislature more directly address the primary driver of health care spending growth in the Commonwealth – provider pricing. A recent [Congressional Budget Office study](#) found that Massachusetts had the highest commercial prices for hospital inpatient services of any state in the country, and the HPC and others have found that prices vary substantially between Massachusetts providers without commensurate differences in quality. Ideally, such reforms should limit excessive provider price levels and price increases, while allowing for greater flexibility for historically lower-priced providers, such as many community hospitals and other providers that often care for underserved communities and promote health equity.

Finally, we recommend additional, complementary reforms such as requiring greater accountability of health plans to ensure that any savings that accrue to health plans are passed along to consumers, and for increasing spending devoted to primary care and behavioral health while limiting total growth in health care spending in line with the Commonwealth's health care cost growth benchmark.

Taken together, we see these and the other important policy reforms recommended in this year's [report](#) advancing the state's cost containment efforts by:

- Focusing accountability on the entities most responsible for unwarranted spending growth;
- Addressing unwarranted price variation and promoting equity;
- Helping to ensure the viability of lower priced providers and other providers that care for populations facing the greatest health inequities;
- Advancing affordability by ensuring that health plans pass along savings to consumers in the form of lower premiums, deductibles, and co-pays; and
- Shifting health care resources over time to invest in high-value services, such as primary care and behavioral health care.

More detailed considerations of the [first](#) and [second](#) policy recommendations are available on the HPC's website.

Thank you again for your leadership and we look forward to continuing to work with you. Please do not hesitate to reach out should you have any questions or if I can be of assistance.

Sincerely,



David Seltz  
Executive Director, Massachusetts Health Policy Commission

CC: The Honorable Senator Karen E. Spilka, President of the Senate  
The Honorable Cynthia Stone Creem, Senate Majority Leader  
The Honorable Michael J. Rodrigues, Chair, Senate Committee on Ways and Means  
The Honorable Bruce E. Tarr, Senate Minority Leader