MASSACHUSETTS
HEALTH POLICY COMMISSION

2023 Pre-Filed Testimony
PAYERS

As part of the
Annual Health Care
Cost Trends Hearing

Massachusetts Health Policy Commission
50 Milk Street, 8th Floor
Boston, MA 02109

INSTRUCTIONS FOR WRITTEN TESTIMONY

If you are receiving this, you are hereby required under M.G.L. c. 6D, § 8 to submit written pre-filed testimony for the 2023 Annual Health Care Cost Trends Hearing.

On or before the close of business on **Friday, October 27, 2023**, please electronically submit testimony as a Word document to: HPC-Testimony@mass.gov. Please complete relevant responses to the questions posed in the provided template. If necessary, you may include additional supporting testimony or documentation in an appendix. Please submit any data tables included in your response in Microsoft Excel or Access format.

We encourage you to refer to and build upon your organization's pre-filed testimony responses from 2013 to 2022, if applicable. If a question is not applicable to your organization, please indicate that in your response.

Your submission must contain a statement from a signatory that is legally authorized and empowered to represent the named organization for the purposes of this testimony. The statement must note that the testimony is signed under the pains and penalties of perjury. An electronic signature will be sufficient for this submission.

You are receiving questions from both the HPC and the Office of the Attorney General (AGO). If you have any difficulty with the templates or have any other questions regarding the pre-filed testimony process or the questions, please contact either HPC or AGO staff at the information below.

HPC CONTACT INFORMATION

For any inquiries regarding HPC questions, please contact:
General Counsel Lois Johnson at HPC-Testimony@mass.gov or lois.johnson@mass.gov.

AGO CONTACT INFORMATION

For any inquiries regarding AGO questions, please contact:
Assistant Attorney General Sandra Wolitzky at sandra.wolitzky@mass.gov or (617) 963-2021.

INTRODUCTION

This year marks a critical inflection point in the Commonwealth's nation-leading journey of health care reform. As documented in the Health Policy Commission's 10th annual Cost Trends Report, there are many alarming trends which, if unaddressed, will result in a health care system that is unaffordable for Massachusetts residents and businesses, including:

- Massachusetts residents have high health care costs that are consistently increasing faster than wages, exacerbating existing affordability challenges that can lead to avoidance of necessary care and medical debt, and widening disparities in health outcomes based on race, ethnicity, income, and other factors. These high and increasing costs are primarily driven by high and increasing prices for some health care providers and for pharmaceuticals, with administrative spending and use of high-cost settings of care also contributing to the trend.
- Massachusetts employers of all sizes, but particularly small businesses, are responding to ever-rising premiums by shifting costs to employees through high deductible health plans. As a result, many employees are increasingly at risk of medical debt, relying on state Medicaid coverage, or are becoming uninsured, an alarming signal of the challenges facing a core sector of the state's economy.
- Many Massachusetts health care providers across the care continuum continue to confront serious workforce challenges and financial instability, with some providers deciding to reduce services, close units (notably pediatric and maternity hospital care) or consolidate with larger systems. The financial pressures faced by some providers are driven, in part, by persistent, wide variation in prices among providers for the same types of services (with lower commercial prices paid to providers with higher public payer mix) without commensurate differences in quality or other measures of value.

The HPC report also contains nine policy recommendations that reflect a comprehensive approach to reduce health care cost growth, promote affordability, and advance equity. The HPC further recommends that legislative action in 2023 and 2024 prioritize modernizing and evolving the state's policy framework, necessary to chart a path for the next decade.

This year's Cost Trends Hearing will focus these policy recommendations and on the efforts of all stakeholders to enhance our high-quality health care system in Massachusetts to ensure that it is also affordable, accessible, and equitable.

ASSESSING EFFORTS TO REDUCE HEALTH CARE COST GROWTH, PROMOTE AFFORDABLE, HIGH-QUALITY CARE, AND ADVANCE EQUITY

a. Reflecting on the findings of the HPC's 2023 Cost Trends Report showing concerning trends of high and increasing health care costs and widening health disparities based on race, ethnicity, and income, please identify and briefly describe your organization's top 2-3 strategies for reducing health care cost growth, promoting affordability, and advancing health equity for residents of the Commonwealth.

The recent Health Policy Commission (HPC) Cost Trends report underscores what we are seeing firsthand – that health care costs are increasing at a troubling rate and health disparities continue. There is a growing tension between what our employers and families can afford and the cost pressures facing our providers.

The Health Policy Commission has consistently demonstrated that, compared to other categories of medical spending, hospital spending experienced the greatest increase since 2019. Combined, hospital inpatient, hospital outpatient department, and ambulatory surgery center spending represent the greatest portion of commercial spending. This spending growth is the result of persistent increases in prices, as well as the rebound in care after the initial period of the COVID-19 pandemic. For Blue Cross Blue Shield of Massachusetts (BCBSMA), hospital and physician reimbursement accounts for more than half of our total trends and we are seeing strong pressure to increase unit costs in our negotiations with providers. Left unaddressed, this trend will only continue due to the continued expansion and consolidation of higher-priced hospital systems. Additionally, pharmaceutical costs represent another major driver of health care spending growth in Massachusetts. Pharmacy is the only service area that experienced continued spending growth since the onset of the COVID-19 pandemic. New biologics and therapies for highly prevalent conditions like obesity and Alzheimer's are entering the market and will continue to do so over the next several years, thus placing increased pressures on affordability.

Blue Cross Blue Shield of Massachusetts takes our role seriously in the Massachusetts health care community, balancing the health care needs of our members while keeping premiums affordable. BCBSMA has kept our administrative spending growth below inflation for the past five years. Importantly, our total administrative costs—inclusive of taxes and community investments—equal less than 10 percent of total premium costs. We highlight a few of our strategies for advancing affordability and equity below:

1. In our negotiations, we are seeing that some physicians and hospitals in our network are seeking rate increases 3-5 times above the state's cost containment benchmark. While we understand the challenges that labor costs and inflation present to all health care stakeholders, these large price increases are not consistent with our affordability mission. As we work hard to negotiate more modest contracts, we are also innovating on the next generation of value-based care, focusing on new, more efficient, and affordable models of care for our members. For example, late last year we launched our Virtual First Primary Care solution to provide greater access to high-quality, convenient, and affordable care. Overall medical expenses are 10% lower for members who've chosen one of our virtual PCP practices.

2. We have deployed digital care management tools to assist members in finding sites of care that are high-quality, lower cost, and potentially more convenient. For example, early next year we are launching a new digital program to provide support for our members on several reproductive health topics including perinatal and menopause care. These programs can improve our members' understanding of their health journey and advance our collective accessibility and affordability goals.

3. In order to address the widening health disparity gaps in Massachusetts, we were the first health plan in our market to collect data on racial inequities in health care from our members and clinical partners. Our equity report is published on our website where anyone can read it, in an easy-to-understand, fully transparent format with a supporting methodological detail. Publishing the report online also holds us accountable for progress. We are not aware of any other health plan in the country that has published their equity data publicly.

   Building on this foundation, earlier this year we became the first health plan in the state – and one of the first in the country – to put equity measures into our contracts with clinicians who care for our members. We share confidential annual *Equity Reports* with providers to help them better understand their own data and consider areas for additional attention. Each organization receives their own report, so they can compare themselves to their peers in a blinded fashion. We offer providers financial incentives for improving their own performance with underserved communities in areas such as cancer screenings, blood pressure maintenance, diabetes care, and child well visits. The *Pay for Equity* incentive program is constructed to bolster support for providers who serve more diverse patient populations. More than half of our approximately three million members now receive care from providers in these equity-focused payment contracts, with

incentives for measurably reducing differences in the quality of care across racial and ethnic groups. Five leading health systems in Massachusetts currently are participating in this *Pay for Equity* incentive program, including Tufts Medicine, Steward Healthcare Network, Beth Israel Lahey Health, Mass General Brigham and the Boston Accountable Care Organization, part of Boston Medical Center. We hope to have additional providers participating in the program by 2024. We also share our methodology so payers can implement similar programs, reducing provider burden and improving effectiveness.

As we confront these issues, we do so in the spirit of collaborative problem-solving that Massachusetts has always applied to health policy, starting with our landmark health care reform law.

b. Please identify and briefly describe the top state health policy changes your organization would recommend to support efforts to advance health care cost containment, affordability, and health equity.

Making health care more affordable and equitable is our number one priority. If we come together, we can meaningfully moderate the rising cost of care for our families, our employers, and for the wider community. Over a decade ago, we recognized that there were limits to what the private market can do on its own. It's what led to the creation of the Health Policy Commission. After 11 years, we need to re-assess what has worked and what has not.

In the past few years, Massachusetts has missed the goal of containing health care costs. The Commonwealth Fund recently reported that 98 percent of small employers offering health insurance are concerned that the cost of providing health insurance to their employees will become unsustainable in the next five to ten years.

Medical and pharmacy costs are driving this increase. New and stronger governmental tools – specifically at the Health Policy Commission - are needed:

- The state's cost containment benchmark should apply to a wider group of health care entities (hospitals, health systems and pharmaceutical companies) who are not currently tested against the mark.

- The state should have the power to report on a hospital and system's specific total medical spending, reports that now exist only for health plans and doctor groups.

- The Performance Improvement Plan process, an important cost containment tool used too sparingly, should have consequential penalties for violations (HPC can now only issue a small fine for non-cooperation) and be employed more often. The HPC should also require independent validation of the savings estimated under a cost improvement plan.

- We have seen costs rise with increased provider consolidation and the expansion of high-cost providers into traditional service areas where lower-cost, high-quality providers already serve the community. For that reason, the state should modernize its outdated review process for health system facility expansions, coordinating the work of state agencies and requiring a comprehensive HPC cost analysis.

- As a proud member of the Health Equity Compact, we support legislation that addresses the root causes of health inequities across the Commonwealth. Everyone should have access to high-quality, affordable health care. We are working to improve health care access (as outlined in response one). We recognize that there is much more to be done to achieve lasting health equity gains in Massachusetts. The Health Equity Compact's goals will prioritize equity in state government, create standardized data collection and reporting, and improve access to quality health care.

As a Massachusetts health plan, we are subject to the most stringent regulations in the country, including through medical loss ratio and now dental loss ratio standards - the portion of premiums we spend on medical and dental care; if we miss the mark, we are accountable to pay our customers back. We think that same level of transparency, efficiency, and accountability should also apply to hospitals, health systems, and the pharmaceutical industry.

We look forward to working collaboratively with all stakeholders to ensure that affordable and high-quality health care can be accessible for all Massachusetts residents.

c. Many Massachusetts health care providers continue to face serious workforce and financial challenges, resulting in the closure and reorganization of care across the Commonwealth. How are these challenges impacting your organization today? What steps is your organization taking to address these challenges?

Workforce and financial challenges throughout the health care market directly affect our affordability efforts and our members' ability to receive care without interruption. As noted above, hospitals and providers throughout Massachusetts are approaching rate

negotiations with increasingly higher requests, citing workforce issues among other items. BCBSMA balances these demands with their real impact in driving substantial and unsustainable premium increases.

In addition to the governmental tools noted earlier, BCBSMA strongly supports expanding the scope of practice for health care professionals to allow for existing providers to fill much-needed gaps in the workforce. As one example, we strongly support expanded scope of practice for physician assistants. BCBSMA also supports Massachusetts entering medical interstate licensing compacts to ease the entry of health care professionals from around the country into Massachusetts. Lastly, we strongly encourage the state to adopt strong health care worker safety protections that will help alleviate abuse that the provider community increasingly experiences. We also note that the HPC's Health Care Workforce Trends Report provides a strong foundation for additional ideas to address these challenges.

As our provider partners face workforce challenges, BCBSMA has worked hard to streamline administrative functions. This includes removing prior authorization requirements for certain services such as habilitation services and home care. We have also looked for ways to utilize technology, including using an online portal for authorization requests which is available 24/7 and more efficient than paper requests, and increasing our ability to utilize provider system EMRs to eliminate the need to submit clinical support for authorization requests. BCBSMA also plans to launch a pilot later this year which will use an API to exchange data with a provider to automatically build authorizations in our utilization management systems. We will continue to examine additional ways to address administrative simplification in the market.

BCBSMA remains committed to our provider partners as they consider the best approaches to the retention and advancement challenges noted in the HPC's report. As the report highlights, there are some successful initiatives underway that address specific needs that could be applied to other organizations and settings. We look forward to learning more about these efforts and potential opportunities to expand them.

BCBSMA is a tax-paying, community-driven, not-for-profit health plan, consistently rated among the top plans in the country for quality and member satisfaction. That means that we're accountable to our community and are required to invest back into the community through medical loss ratio and administrative expense protections. As noted earlier, we think that same level of transparency and efficiency should extend to other market participants as well. BCBSMA remains committed to working collaboratively with our all stakeholders to ensure that our members can receive affordable, high-quality care when they need it.

d. Please identify and briefly describe the policy changes your organization recommends to promote the stability and equitable accessibility of health care resources in Massachusetts?

Massachusetts must address a long-overdue and fundamental need in Massachusetts health care: creating an inventory and long-term plan of hospital and provider resources and patient needs. In 2012, when the legislature created the Health Policy Commission, they mandated that the state create this plan. It has not happened.

This plan will require additional financial information from providers through a report so that the state and participant community can understand the appropriate supply and distribution of resources based on projected need for the next five to ten years with long-term goals of affordability, quality of care, and equitable access top of mind. Currently, government responds to crises or transactional requests without the benefit of understanding financial resources, local and regional needs, or emerging trends in the larger health care environment.

Additionally, as a state, we saw firsthand the significant impacts that our fragmented public health infrastructure in Massachusetts endured during the height of the pandemic. BCBSMA supports the SAPHE 2.0 bill, which sets standards (investigation, credentialing, data-collection, and epidemiologic standards) for local and regional public health departments. Creating a more uniform public health infrastructure in Massachusetts could have far-reaching health benefits, including enhancing equity, and promoting the stability of health care resources in Massachusetts.

We also provided $25 million in grants to provider groups addressing inequities in care and providing them with foundational support for reducing health inequities impacting their patients. These grants defray the costs of participating in the Equity Action Community, support the development of core capabilities and improvements on equity performance measures.

UNDERSTANDING TRENDS IN MEDICAL EXPENDITURES

a. Please complete a summary table showing actual observed allowed medical expenditure trends in Massachusetts for calendar years 2019 to 2022 according to the format and parameters provided and attached as **HPC Payer Exhibit 1** with all applicable fields completed. Please explain for each year 2019 to 2022, the portion of actual observed allowed claims trends that is due to (a) changing demographics of your population; (b) benefit buy down; (c) and/or change in health status/risk scores of your population. Please note where any such trends would be reflected (e.g., unit cost, utilization, provider mix, service mix trend). To the extent that you have observed worsening health status or increased risk scores for your population, please describe the factors you understand to be driving those trends.

It is important to note that the COVID-19 pandemic presented an aberrational impact on trend. Similar to the approach taken by CHIA and the HPC, we believe that any resulting data should be considered with a multi-year view rather than one year.

b. Reflecting on current medical expenditure trends your organization is observing in 2023 to date, which trend or contributing factor is most concerning or challenging?

BCBSMA notes that Massachusetts providers have increasingly demonstrated in their negotiations with the health plan that they believe that their unit cost increases should be well above the cost benchmark. This dynamic has already and will continue to increase total medical expense trends, beyond the benchmark level.

The unit cost pressures BCBSMA has experienced between 2019 and 2022 are part of an emerging and very concerning trend. When Chapter 224's cost containment tools were first introduced in 2012, the provider community was more aligned with the need to keep Total Cost of Care trends below benchmark. Recognizing that unit cost is almost one half of Total Cost of Care trends, BCBSMA had a strong track record for many years of keeping unit cost trend near or below 2%. In more recent provider negotiations, however, the provider commitment to the continuing importance of cost containment has been greatly reduced, with diminished provider restraint from seeking large unit cost increases. Many providers have been unwilling to participate in our network at unit cost increases that align with keeping Total Cost of Care under the benchmark. This troubling development is accelerating as we look beyond 2021 trends.

We note the inherent volatility in the drivers of trend due to micro and macro factors that impact the health care environment. These include, but are not limited to, the overall

economy, the COVID-19 pandemic, new and emerging technologies and treatments, new drugs and therapies, and increased consumer engagement. We have seen a decrease in utilization in 2022, due to a decrease in COVID utilization, as well as a decreases in both Inpatient Medical and Inpatient Surgical utilization. Looking ahead, there are also additional pressures on the pharmacy trend resulting from newly approved drugs like GLP-1 anti-obesity and Alzheimer's medications, multi-million-dollar gene therapies and the increased use of specialty medications.

QUESTION FROM THE OFFICE OF THE ATTORNEY GENERAL

Chapter 224 of the Acts of 2012 requires payers to provide members with requested estimated or maximum allowed amount or charge price for proposed admissions, procedures, and services through a readily available "price transparency tool." In the table below, please provide available data regarding the number of individuals that sought this information.

Health Care Service Price Inquiries Calendar Years (CY) 2021-2023			
Year		Aggregate Number of Inquiries via Website	Aggregate Number of Inquiries via Telephone or In- Person
CY2021	Q1	33,157	155
	Q2	29,811	170
	Q3	32,840	145
	Q4	33,325	128
CY2022	Q1	38,806	92
	Q2	33,423	117
	Q3	35,520	104
	Q4	35,802	134
CY2023*	Q1	33,885†	190
	Q2	15,569†	168
	TOTAL:	322,138	1,403

*Through the Federal Transparency in Coverage rule effective 1/1/23, additional cost search capabilities were made available to our members that are not included in this chart.

† A usage data collection issue prevented us from capturing all website cost inquiries. There was no impact to member access to cost estimation.

---- End of BCBSMA Responses ----

I affirm that the facts contained in the preceding responses are true to the best of my knowledge. This document is signed under the pains and penalties of perjury. I have relied on others in the company for information on matters not within my personal knowledge and believe that the facts stated with respect to such matters are true.

Sincerely,

Sarah Iselin

President and Chief Executive Officer

HPC Payer Exhibit 1

All cells should be completed by carrier

Actual Observed Total Allowed Medical Expenditure Trend by Year

Fully-insured and self-insured product lines

Year	Unit Cost	Utilization	Provider Mix	Service Mix	Total
CY 2019	2.3%	0.1%	0.3%	0.3%	3.0%
CY 2020	2.7%	-4.7%	-0.3%	-0.3%	-2.7%
CY 2021	2.8%	9.8%	1.7%	1.7%	16.7%
CY 2022	3.0%	-0.5%	0.3%	0.3%	3.2%

Notes:

1. ACTUAL OBSERVED TOTAL ALLOWED MEDICAL EXPENDITURE TREND should reflect the best estimate of historical actual allowed trend for each year divided into components of unit cost, utilization, , service mix, and provider mix. These trends should not be adjusted for any changes in product, provider or demographic mix. In other words, these allowed trends should be actual observed trend. These trends should reflect total medical expenditures which will include claims based and non claims based expenditures.
2. PROVIDER MIX is defined as the impact on trend due to the changes in the mix of providers used. This item should not be included in utilization or cost trends.
3. SERVICE MIX is defined as the impact on trend due to the change in the types of services. This item should not be included in utilization or cost trends.
4. Trend in non-fee for service claims (actual or estimated) paid by the carrier to providers (including, but not limited to, items such as capitation, incentive pools, withholds, bonuses, management fees, infrastructure payments) should be reflected in Unit Cost trend as well as Total trend.