



March 14, 2024

Deborah Devaux, Chair
Health Policy Commission
50 Milk Street
Boston, MA 02109

The Honorable Cindy Friedman, Senate
Chair Joint Committee on Health Care
Financing State House Room 413-D
Boston, MA 02133

The Honorable John J. Lawn, Jr., House
Chair Joint Committee on Health Care
Financing State House Room 445
Boston, MA 02133

Dear Chair Devaux, Chair Friedman, and Chair Lawn:

Blue Cross Blue Shield of Massachusetts (BCBSMA) appreciates the opportunity to present the following testimony as you review the health care cost growth benchmark for average growth in total health care expenditures for calendar year 2025. BCBSMA is proud to be a part of the Massachusetts health care community, partnering with our provider colleagues in many ways to ensure that our 3 million members continue to get the best care possible. As we discuss the important issues of affordability today, we are ever-mindful of our continued responsibility to address health equity and workforce capacity demands, with continued advancements across the industry at the forefront of the health care needs of our members.

BCBSMA strongly supports the Health Policy Commission's (HPC) and legislature's work shining a spotlight on Massachusetts health care cost growth. As health care costs continue to increase, employers and individuals continue to feel greater financial impacts over time. Affordability efforts require greater urgency and collaboration across the Commonwealth.

While the COVID-19 public health emergency ended, it's evident that the impacts of COVID-19 will continue to have lasting ripple effects across the health care sector. We must remember the cumulative impact of these numerous challenges as we consider the state's ability to meet the benchmark. Similar to the approach taken in 2023 by the Center for Health Information and Analysis (CHIA) in their Annual Report which shows two-year annualized data, BCBSMA recommends that the HPC continue to utilize a multi-year trend view when analyzing the

benchmark during the period following the onset of the COVID-19 pandemic.

As CHIA found in their recently released Annual Report, total spending in 2022 continues to illustrate year over year growth, with a per capita trend of 5.8% from 2021-2022. This represents the fastest year over year growth, excluding 2020-2021, since CHIA began measuring total health care expenditures. Consistent and troubling growth trends in service categories like pharmacy and hospital outpatient remain evident in this year's CHIA report. Among the claims-based service categories, pharmacy spending, both gross and net of rebates, showed the fastest growth from 2021-2022.

The continued upward trajectory in health care spending is concerning. In the 2023 Cost Trends Report, the HPC found that from 2019-2021, the average commercial spending rate in Massachusetts was 5.8%, a faster rate than the rest of the United States. The fastest rate of growth was observed in pharmacy spending, followed by HOPD and ASC, combined. The HPC found that drivers of excess spending related to prices include unwarranted utilization and low value care. **These findings continue to highlight the need for increased scrutiny. As such, the Commonwealth should not increase the current statutory benchmark, now set at 3.6%.**

The benchmark should test not only health plans and doctors, but also hospitals, health care systems, pharmaceutical companies, and pharmacy benefit managers. As the HPC considers an Affordability Index to complement the cost growth benchmark, we ask that you keep in mind these exclusions. Health plans alone should not be held accountable for affordability; it is the responsibility for all involved, especially those areas that are the main cost drivers of growth. Simply put, this heightened role for the HPC is the underpinning of a more functional, more affordable health care system in Massachusetts.

As such, we must update these specific governmental tools for cost containment.

1. The state should **expand the entities that are subject to measurement against the HPC's benchmark.** This will provide a more complete market analysis and a deeper examination of the identified cost concerns. Also, a hospital and health system efficiency measure would assist the HPC in monitoring costs.
2. The state should **modernize its approach to hospital and health system expansions** by coordinating the work of the Health Policy Commission, CHIA, and the Department of Public Health. A comprehensive analysis by the HPC during the Determination of Need review, similar to HPC's Cost and Market Impact analysis, will help ensure the delivery of cost-effective, high- quality health care across the state. Additional stakeholder commentary is important to this goal.

Additionally, the state should consider oversight for new types of care, such as hospital at home. These types of programs can dramatically increase capacity, often are larger, higher priced systems, however they do not require a Determination of Need application or Material Change Notice. As the state modernizes their view of the health care system, new approaches to expansions should also be included.

3. The **Performance Improvement Plan (PIP)** process at the Health Policy Commission **is an increasingly critical tool**. Used with discretion, additional PIP processes, and the subsequent monitoring and enforcement of PIPs, can be strong regulatory signals to the market that the Commonwealth is indeed serious in its efforts to reduce costs.

As you consider these issues, I thank you for the opportunity for continued engagement.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael T. Caljouw". The signature is fluid and cursive, with a large initial "M" and a stylized "C".

Michael T. Caljouw