



MICHAEL T. CALJOUW
VICE PRESIDENT, STATE GOVERNMENT AND REGULATORY AFFAIRS

March 25, 2021

Dr. Stuart Altman, 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 Altman, Chair Friedman and Chair Lawn:

Thank you, on behalf of Blue Cross Blue Shield of Massachusetts (BCBSMA), for the opportunity to present some thoughts for your collective consideration as you review the important issue of the health care cost growth benchmark for average growth in total health care expenditures for calendar year 2022. Now, more than ever, Blue Cross Blue Shield of Massachusetts is proud to be a part of the Massachusetts health care community, partnering with our provider colleagues in many ways, small and large, to ensure that our nearly 3 million members continue to get the best COVID-19 care possible and we are able to move on beyond the current pandemic at some future date. We are particularly proud of our leadership in the areas of telehealth, behavioral health care and vaccine reimbursement, all issues at the forefront of health care in 2020 and 2021.

BCBSMA strongly supports the Health Policy Commission's (HPC) work examining and providing a central spotlight on Massachusetts health care cost growth, along with the legislature's careful consideration of this critical topic. While BCBSMA's total medical expenses continue to be well below benchmark, there are some concerning "caution signs" in the road ahead particularly for the Commonwealth as a whole. As the Center for Health Information and Analysis (CHIA) found in recent Annual Reports, the largest areas of growth for total health care expenditures were accounted for in hospital services and pharmaceutical costs. We anticipate that CHIA's Annual Report released today will

find similar trends. If costs in these areas continue to increase at these rates, it will seriously impede the Commonwealth's ability to meet the cost benchmark. As a stakeholder negotiating provider contracts, we appreciate the important role you play as a governmental agency to drawing attention to the challenges in any period to issues that may potentially endanger our collective efforts to control costs within current constraints.

We are also mindful of the impacts COVID-19 has had and will continue to have on the health care sector over several years. Year-over-year trends are likely to be impacted and we anticipate aberrations of both a lower spending year in 2020 and higher spending years in 2021 and 2022. As one example, in 2021 BCBSMA anticipates spending at least \$150 million additionally on the ever-important goal of vaccine administration as an added cost to existing spending. As we learn more of the full impacts of COVID-19 over multiple years, the state's ability to meet the benchmark may be impacted due to unanticipated cost additions, their cumulative impact and the year-over-year nature of the benchmark. This will need to be monitored closely as we learn more about the complete data from 2020 and the continued impacts into 2021 and at least 2022.

As the Health Policy Commission Board considers the appropriate benchmark, BCBSMA would support maintaining the benchmark at PGSP minus 0.5% and not adjusting it for 2022. Stability in planning is an important feature and there clearly is more work to be done by all stakeholders – health plans, hospitals, doctors and other providers, pharmaceutical manufacturers and pharmacy benefit managers. Consistent pressure from the HPC is a critical tool to educate all stakeholders as we work together to keep health care affordable.

Thank you for your consideration and I look forward to continuing our continuing efforts to focus on still-growing costs and protect the gains we have made in access.

Please do not hesitate to contact me with any questions or for additional information.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael T. Caljouw". The signature is written in a cursive, flowing style.

Michael T. Caljouw