CHA Cambridge Health Alliance

HARVARD MEDICAL SCHOOL TEACHING HOSPITAL

October 27, 2023

Mr. David Seltz
Executive Director
Health Policy Commission
50 Milk Street, 8th Floor
Boston, MA 02109
Via Electronic Submission HPC-Testimony@mass.gov

Re: 2023 Annual Health Care Cost Trends Testimony

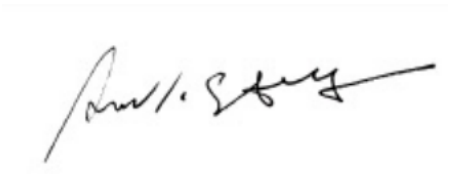
Dear Mr. Seltz:

This letter transmits Cambridge Health Alliance's written testimony in response to the questions from the Health Policy Commission and the Office of the Attorney General in a communication requesting our written testimony for the 2023 Annual Health Care Cost Trends Hearing.

I am legally authorized and empowered to represent Cambridge Health Alliance for the purposes of this testimony. I attest, to the best of knowledge, that the attached testimony is accurate and true, and sign this testimony under the pains and penalties of perjury.

Please feel free to contact me should any questions arise.

Sincerely,



Assaad Sayah, M.D.
Chief Executive Officer
Cambridge Health Alliance

Enclosure

MASSACHUSETTS
HEALTH POLICY COMMISSION

2023 Pre-Filed Testimony
PROVIDERS

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.

Cambridge Health Alliance (CHA) is pursuing organizational and state policy strategies to advance health equity and high-value health care. Safety net health systems, like CHA, serve Gateway communities and vulnerable populations facing the greatest health inequities. Equitable funding and resources are essential for us to provide and sustain equitable care in our local communities. The Commonwealth is at a major crossroads that could impede accessible care if state policy actions are not taken to address equitable payment and resources.

1. Resources for Safety Net Health Systems are Integral to Accessible Care and Advancing Health Equity. Commercial Health Insurers Must be Required to Reimburse Safety Net Hospitals and Health Systems Equitably at No Less than the Average Rate.

The Commonwealth is at a breaking point regarding equitable and sustainable reimbursement by commercial health insurers to vastly underpaid safety net hospitals - like Cambridge Health Alliance (CHA). Persistent underfunding of commercial patient care by commercial insurers for the care of their members in low-income, diverse communities continues to deprive local safety net hospitals of resources and contributes to the destabilization of local health care. State legislation to address this documented commercial reimbursement shortfall will not only promote accessible care and the viability of critical safety net hospitals and providers, but also promote health equity of the vulnerable "populations facing the greatest health inequities"[1] served by these providers.

This chronic underpayment of safety net hospitals by commercial insurers, referenced in the Health Policy Commission's (HPC) report, is jeopardizing health care access due to payment rates that inadequately reimburse for services. While the HPC recommendations identify this need, **it must go further to recommend that the state legislature take action this session to require commercial insurers to pay no less than the average rate for the essential care delivered by low-paid safety net hospitals.** **H.1227/S.741, *An Act to reduce racial and ethnic health disparities through commercial rate equity for safety net hospitals***, is a solution that establishes a designated rate of no less than the commercial average for a class of safety net hospitals. This legislative approach is:

- **Targeted:** It efficiently requires commercial insurers to focus where it is most needed - to low paid safety net hospitals that are not part of large systems.

[1] 2023 Annual Health Care Cost Trends Report Policy Recommendations, See page 3, Massachusetts Health Policy Commission, September 2023.

- **Affordable:** It fits within a fraction of the commercial cost growth benchmark.
    - Together, the class of 7 specified hospitals is only 4.8% of all statewide hospital payments by commercial plans.
    - Closing the gap so that these hospitals are paid average commercial rates requires only about 0.4% of annual commercial health care expenditures.
- **Essential:** Similar to other policy precedents that establish required reimbursement parameters for classes of essential providers, the bill establishes a designated rate of no less than each payer's average for the class of hospitals defined as having a high Medicaid payer mix at or above 25%.

The insurance market will not fix this on its own as demonstrated in more than a decade of state reports by the HPC and the Center for Health Information and Analysis (CHIA). It is time for action.

CHA actively seeks improved and sustainable reimbursement in contract renewals from commercial payers. Any modest annual rate increases maintain or deepen the rate disparities, because CHA's underlying commercial rates are so low. Commercial insurers:

- Pay CHA 79 cents compared to each 1 dollar to Massachusetts hospitals on average for the same services;[2]
- Pay CHA the 6th lowest in the state - a ranking that has been stagnant since CHIA began reporting it in 2014;[2]
- Pay CHA in the lowest quartile across all the products of the 3 largest Massachusetts commercial health plans - all with non-profit, tax-exempt status;[2] and
- Pay neighboring Greater Boston hospitals substantially more for the same care - some paid nearly twice as much.[2]

2. Retaining a Greater Share of Care in Our Community Safety Net Hospital Level of Care

We are seeking to provide a greater share of the health care for our patient populations for services we deliver within our community, safety net hospital system's level of care, including primary care, behavioral health care, and community-based care. This promotes equity for our patients and community; affordable, well-coordinated care for our patients; and sustainability.

3. Strengthen and Invest in Primary Care and Behavioral Health

Primary care and behavioral health investments are integral to high value care that is affordable, equitable, and accessible. Incremental new investments are needed in these services to correlate to the important role they serve in promoting population health and wellness. With greater emphasis and financial support of these services, it will also fulfill its promise of value-based care.

To respond to urgent needs in the state, CHA expanded its inpatient psychiatric services for youth (42 new beds) and adults (25 new adult beds) and is operating a Community Behavioral health Center, which complements the Commonwealth's Behavioral Health Roadmap. We have found that the patient acuity and required resourcing is greater than anticipated.

[2] Center for Health Information and Analysis, Statewide Relative Price (cross-payer); 2021 Relative Price Databook; https://www.chiamass.gov/relative-price-and-provider-price-variation/

Adding to its longstanding behavioral health services, CHA has a total of 156 inpatient psychiatry beds. CHA's proportion of behavioral health inpatient days to total inpatient days is greater than 50%, unique among acute hospitals. **Behavioral health is a lower reimbursed service by all public and private payers, which adversely impacts access, sustainability, and recruitment of health care professionals into these fields. As such, incremental new reimbursement rate investments are critically needed by all payers.**

CHA is also prioritizing access and improvements in its primary care and ambulatory care system. CHA operates 15 hospital-licensed health centers. This includes patient engagement, ambulatory service redesign and operational standardization to make it easier to deliver and access care. Advancing population health and health equity are strategic priorities for our organization.

We ask that focused incremental new investments occur for all payers in primary care reimbursement, particularly in models that incorporate funding for primary care integration with behavioral health, care management, and coordination to respond to health-related social needs.

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.

1. Resources for Safety Net Health Systems are Integral to Accessible Care and Advancing Health Equity. Commercial Health Insurers Must be Required to Reimburse Safety Net Hospitals and Health Systems Equitably at No Less than the Average Rate. ***An Act to reduce racial and ethnic health disparities through commercial rate equity for safety net hospitals*** **(H.1227/S.741) is a pathway to achieve this**. Please see the response to question a.1.

2. Incremental New investment in Primary Care and Behavioral Health. Please see the response to question a.3.

We **oppose site neutral policies**, as they would potentially reduce resources for hospital-licensed health centers, ambulatory and primary care. Safety net health systems with hospital-licensed outpatient care already tend to be lower paid by commercial insurance, and site neutral policies risk reducing payer payments for services.

3. Targeted Payments for Hospital Stability, particularly for Safety Net Hospitals.

We encourage targeted payments for safety net hospital stability in FY 2024.

4. Comprehensive Health Equity Legislation ***An Act to Advance Health Equity*** **(H.1250, S.799)**

We recommend the state legislature's adoption of comprehensive health equity legislation, which embodies many recommendations of the legislature's Health Equity Task Force (chaired by CHA's

CEO Dr. Assaad Sayah and Massachusetts League of Community Health Center's President & CEO Michael Curry). It will advance health equity in the Commonwealth through prioritizing equity in state government, standardizing and statewide reporting on health equity data, and improving access to and quality of care. Among other provisions, the bill will:

- Create first-ever Massachusetts Cabinet-level Secretary of Equity to lead equity efforts across state government/with state agencies
- Make medications for chronic conditions more affordable
- Ensure *all* community members, regardless of immigration status, can obtain MassHealth coverage, if otherwise eligible
- Create health care career opportunities toward a diverse workforce
- Revise licensing requirements for foreign-trained health professionals to increase access
- Provide funding to safety net hospitals and community-based providers that will enable local health care access and downstream improvements in health equity in Gateway Communities
- Invest in and empower local community health efforts called Health Equity Zones
- Preserve payment parity for telehealth services for primary care and chronic disease care.

5. Telehealth and Virtual Care We also support comprehensive telehealth legislation ***An Act relative to telehealth and digital equity for patients*** **(H.986/S.655)**, which will enable reimbursement parity for all services provided via telehealth by removing the sunset dates in Chapter 260 of the Acts of 2020; address the digital divide; and require insurers to cover interpreter services for patients with limited English proficiency and for those who are deaf or hard of hearing, among other provisions.

6. Health care Workforce/Career Pathways, especially to reflect the diversity of the community.

There are critical shortages of health care professions, causing a reliance on agency staffing/travelers and premium pay.

We encourage the continued state policy focus and investment in developing the health care workforce and career pipelines/financial incentives to encourage more people including diverse people to enter these fields in exchange for commitments to work in Massachusetts, particularly for organizations with high Medicaid and public payers.

7. Post-acute care capacity (medical and behavioral health) is needed to address emergency department boarding and patients "stuck" in an acute level of care awaiting the availability of post-acute care.

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?

CHA is facing serious financial and workforce challenges. Externally-driven increases in health care expenses for contract staffing, supplies, and services outpace corresponding net patient service revenue, adjusted for volume.

CHA experienced an operating deficit in Fiscal Year 2023 and has taken concerted steps to address the run rate in its Fiscal Year 2024 budget. As described below, CHA has a budgeted FY 2024 operating deficit which cannot be closed with expense reduction steps alone.

Urgent improvements are needed in how health care is financed across all payers to recognize the value of the community-level services delivered by safety net health systems, including primary care, behavioral health care, and community-level care.

For additional context on these external cost drivers, contract labor/agency staffing expenses in FY 2024 are anticipated to be nearly 4.5 times the pre-pandemic levels in FY 2019. This reflects a compounded annual growth rate in non-physician workforce contract labor/agency expenditures of approximately 35% from 2019 to 2024. About half of this growth rate is for contract labor to support staffing for our expanded inpatient psychiatry beds.

CHA is also experiencing compounded annual growth rates in expenditures from FY19 to FY24 for supplies (non-pharmaceutical) at 5.5% and for purchased services overall at 4.8%. Of which, expenditures for physician contract labor (including travelers) and information technology software have grown at a higher annual rate at approximately 13%.

We cannot absorb higher input costs to deliver health care within the reimbursement we receive. While CHA has and is making strides to reduce expenditures and create efficiencies (outlined below), these steps alone are not sufficient for a sustainable future, and increased revenues are vital.

Importantly, as noted in the HPC report, **"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."**[3]

The extremely low commercial health insurance rates paid to our organization are not sustainable. Growth and improved reimbursement are keys to a sustainable trajectory for stand-alone safety net hospitals.

Steps being taken to address these challenges

[3] 2023 Annual Health Care Cost Trends Report Policy Recommendations, See page 1, Massachusetts Health Policy Commission, September 2023.

To address financial challenges, CHA implemented significant steps in FY 2023 to address financial shortfalls to prepare for and mitigate the budgeted FY 2024 operating margin deficit. Expense reduction and efficiency efforts on their own are insufficient to close the gap, and additional revenues are critical to sustainability. This work continues in FY 2024 in 3 groupings:

- **Health care Workforce:** By the end of its FY 2023 fiscal year, CHA undertook the difficult but necessary steps to eliminate 254 positions, of which 84 were filled positions and 170 were vacant positions. Continuing efforts are focused on management of agency staffing and premium pay and staff pipelines for key positions to reduce the reliance on agency staff.
- **Maximizing Efficiency:** CHA reduced non-staffing expenditures. Areas of reduction included property leases, service contracts in a range of areas, physician contracts, consulting, and employee benefits.
- **Additional Revenue:** As noted above, additional revenue is a vital component of financial stability for CHA. This must stem both from additional revenues from growth and improved reimbursement for services delivered. About 30% of CHA's patient care is for patients with commercial insurance, and legislation is urgently needed to require these insurers to pay a designated rate of no less than each payer's average for the class of hospitals defined as having a high Medicaid payer mix at or above 25%, similar to other policy precedents that establish required reimbursement parameters for classes of essential providers. Further, to achieve the dual aim of wellness and affordable care, incremental new investments by all payers are needed in primary care and behavioral health reimbursement.

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?

1. Resources for Safety Net Health Systems are Integral to Accessible Care and Advancing Health Equity. Commercial Health Insurers Must be Required to Reimburse Safety Net Hospitals and Health Systems Equitably at No Less than the Average Rate. ***An Act to reduce racial and ethnic health disparities through commercial rate equity for safety net hospitals*** **(H.1227/S.741) is a pathway to achieve this**. Please see the responses to questions a.1. and c. above.

2. Strengthen and Invest in Primary Care and Behavioral Health
Please see the responses to questions a.3. and b.2. above.

3. Targeted Payments for Hospital Stability, particularly for Safety Net Hospitals.

We encourage targeted payments for safety net hospital stability in FY 2024.

4. Comprehensive Health Equity Legislation ***An Act to Advance Health Equity (H.1250, S.799).***
Please see the response in b.4. above.

5. Telehealth and Virtual Care ***An Act relative to telehealth and digital equity for patients*** **(H.986/S.655).** Please see the response in b.5. above.

6. Health care Workforce/Career Pathways, especially to reflect the diversity of the community. Please see the response in b.6. above.

7. Post-acute care capacity (medical and behavioral health). Please see the response in b.7. above.

QUESTION FROM THE OFFICE OF THE ATTORNEY GENERAL

Chapter 224 requires providers to make price information on admissions, procedures, and services available to patients and prospective patients upon request. 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	Inquiries via Telephone, MyChart or In-Person
CY2021	**Q1**	65	Phone
	Q2	83	Phone
	Q3	57	Phone
	Q4	49	Phone
CY2022	**Q1**	144	Phone
	Q2	124	Phone
	Q3	139	Phone/MyChart
	Q4	137	Phone/MyChart
CY2023	**Q1**	22	Phone/MyChart

	Q2	29	Phone/MyChart
	TOTAL:	849	

- In CY 2023, in accordance with the No Surprises Act effective in January 2023, we are automatically sending price estimates to self pay patients for a wide variety of visits in accordance with the regulations. Automated estimates are automatically sent to self pay patients and are not reflected in the patient-initiated requests in the table above.