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

RE: Health Care Cost Growth Benchmark for Calendar Year 2025

Dear Commissioners:

Thank you for the opportunity to offer comments as the Health Policy Commission (HPC) considers adjusting the health care cost growth benchmark for 2025. The Conference of Boston Teaching Hospitals (COBTH) is an organization of twelve Boston-area teaching hospitals that works to support collaboration among our hospitals and advance policies critical to the core mission of academic medical centers: providing high quality patient care to all, regardless of insurance status or ability to pay; training the next generation of physicians, nurses, and allied health professionals; advancing innovation and discovery through biomedical research; and improving the health of our surrounding neighborhoods and communities.

Over the years, COBTH has consistently expressed support for the cost growth benchmark, acknowledging the importance of controlling health care spending in the Commonwealth. COBTH member hospitals are committed to continued health care cost containment, improving robust and equitable access to care, and achieving the Commonwealth's quality improvement goals. COBTH has also, however, respectfully urged the HPC to be mindful of the many factors outside of the control of providers, payers, and the Commonwealth that may make meeting the health care cost growth benchmark target difficult. We continue to appreciate the HPC's diligence and thoughtfulness in balancing these important considerations.

Last year, our testimony highlighted the unprecedented capacity challenges our hospitals were facing. Unfortunately, a year later, the capacity crisis has only intensified, and the potential for increased volume at our hospitals has grown with the potential for changes in service availability within the Steward Health Care system. We continue to see increased patient acuity due to deferred care, as well as extreme challenges with discharging patients to appropriate post-acute care settings for a wide variety of reasons. And while our workforce challenges are easing in some areas, we are still focused on growing and supporting our health care workforce to ensure we can continue to meet patient needs.

Throughout the pandemic and continuing through today, we continue to harness the power and importance of collaboration and shared learning in the face of unexpected and emerging challenges, including newly arriving migrant children and their families seeking shelter in our emergency rooms, the continued regional pressures created by the temporary closure of Signature Brockton

hospital, and the ongoing impact of extreme climate events on our patients and our facilities. Despite these challenges, our member hospitals and sister hospitals statewide have collaborated and innovated at all levels of our health care delivery system to meet the needs of our patients, including our most vulnerable patients. The efforts and resilience of our workforce has been truly remarkable, and yet our workforce continues to experience unprecedented levels of exhaustion and burnout. We are deeply grateful for the HPC's focus on the workforce crisis in the last few years.

In the midst of these challenges, we continue to face significant financial challenges. While relief funds provided by the federal and state governments helped enormously to alleviate some of the financial burden in the earlier stages of the pandemic, the financial pressures on our hospitals have only continued to increase. As you know, the largest share of hospital spending is allocated to labor and workforce costs, which have grown substantially in the wake of increasing surges in patient need, along with increasing numbers of professionals choosing to reduce their hours, switch to non-clinical roles, or leave the health care workforce entirely. Additionally, hospitals are experiencing the inflationary pressures that are affecting the entire economy. Unsurprisingly, according to data released as part of the Center for Health Information and Analysis (CHIA) annual report this week, the statewide acute hospital total margin in FY2022 was -4.2%, a decrease of over nine percentage points compared to the prior fiscal year.¹ The statewide median operating margin and non-operating margin also decreased from FY2021. Through June 30, 2023, while there have been improvements, the statewide median total margin is a meager 1.6%, with many hospitals continuing to report negative total margins.

As originally contemplated, the health care cost growth benchmark assumed continued, stable economic and health care cost growth. The benchmark simply does not account for such intense and overwhelming disruptions to health care delivery and the economy, and does not contemplate a way to assess health system performance based on annualized data over a period of years. **We strongly urge the HPC to suspend the application of the health care cost growth benchmark in 2025,** and instead work with the legislature to revise the benchmark setting and cost growth evaluation process to create a more appropriate measure. The way health care services are provided and costs health care providers face have been fundamentally altered since the enactment of the health care cost growth benchmark, and we must ensure a full accounting of this new reality when creating spending targets going forward.

We look forward to working with the Commission to continue to address the issue of health care spending growth, quality, equity, and affordability for every resident of the Commonwealth, and continuing to collaborate with our partners in government to achieve our shared goals.

Sincerely,



Patricia McMullin
Executive Director
Conference of Boston Teaching Hospitals

¹ <https://www.chiamass.gov/assets/2024-annual-report/2024-Annual-Report.pdf>