MASSACHUSETTS
HEALTH POLICY COMMISSION

Health Care Cost Growth Benchmark Frequently Asked Questions

April 2023

1. What is the health care cost growth benchmark, and how does it relate to prices?

The benchmark is a statewide target for the rate of ***growth*** of total health care expenditures (THCE) that is indexed to a projection of the Commonwealth's long-term economic growth. THCE is defined as the annual per capita sum of all health care expenditures in the Commonwealth from public and private sources. The benchmark **does not cap price or spending growth** but is designed as a measurable goal to track our state's progress and to motivate collective action to moderate health care spending growth over time.

2. How has the Commonwealth performed against the growth benchmark over time?

Massachusetts has averaged annual THCE growth of 3.52% over the last nine years. This is **lower than Potential Gross State Product (PGSP)**, which has been set at 3.6% in every year of the process, but slightly above the average annual benchmark of 3.37%.

3. What is the relationship between the growth benchmark and inflation?

The law defines the default benchmark growth rate in relation to PGSP, defined as the "long-run average growth rate of the Commonwealth's economy, excluding fluctuations due to the business cycle." By design, **PGSP takes inflation over time into account**. In January 2023, PGSP was once again set at 3.6% through the consensus revenue process.

4. How are individual providers and health plans held accountable for their spending growth in relation to the benchmark?

Each year, CHIA confidentially refers health plans and managing physician organizations to the HPC based on their attributed spending growth. CHIA's referral methodology[1] employs two bright-line numerical tests based on health status adjusted (HSA) total medical expense (TME) growth. However, spending in excess of CHIA thresholds **simply triggers referral and further review by the HPC**; *referred entities are not subject to any automatic actions or a PIP based on these bright-line thresholds.*

The HPC then performs a **multi-factor review** of each referred entity and provides opportunities for entities to confidentially provide data and insights into their performance. The HPC can require an entity to file a PIP if, taking all factors into account, it finds that its cost growth was excessive, and that the entity threatens the ability of the Commonwealth to meet the benchmark.

5. Are acute care hospitals, specialists, nursing homes, and other providers referred to the HPC for their spending performance?

No. Under existing law, CHIA is required to base its referral on entities' growth in HSA TME. The TME metric reflects "the total cost of care for the patient population associated with a provider group based on allowed claims…" and can therefore only be attributed to **primary care providers**, rather than other providers such as hospitals or ambulatory surgery centers. Therefore, other provider types cannot be individually referred by CHIA.

[1] https://www.chiamass.gov/methodology-for-referring-health-care-entities-to-the-hpc/

6. Are pharmaceutical manufacturers, pharmacy benefit managers, and other market participants held accountable for their performance against the benchmark?

No. Under existing law, CHIA cannot refer pharmaceutical manufacturers or pharmacy benefit managers to the HPC because these entities do not constitute providers or provider organizations, nor do they have TME.

The HPC has separate authority to review the value and pricing of high-cost drugs referred to it by MassHealth.

7. Can the HPC set differential growth benchmarks for different types of entities?

No. State law requires that the HPC set a single, statewide target for THCE growth. This year, the HPC must decide whether to set the 2024 benchmark at the default statutory rate, which is 3.6%, or modify the benchmark rate to be higher or lower.

At the same time, the HPC must take differential factors into account in the application of the benchmark in the PIPs process. In assessing provider and payer performance and determining which entities may be required to file and implement a PIP, **the HPC evaluates multiple factors**, including **baseline levels and growth in size, spending, pricing, utilization, financial measures, populations served, payer mix, and factors outside an entity's control**.

8. Has HPC's review evolved to account for changing market dynamics?

Yes. The HPC's review **process is flexible** and accounts for market disruptions and other circumstances outside of individual entities' control that may impact their performance. Past examples of such circumstances that the HPC sought to account for in its process include the launch of the MassHealth ACO program, the introduction of high-cost Hepatitis C drugs, and the COVID-19 pandemic. In future review cycles, the HPC anticipates examining ongoing impact of the COVID-19 pandemic, including rebounding utilization and price increases, as well as enrollment changes (e.g., MassHealth Redetermination).

Further, the PIPs process requires the HPC to give entities **an opportunity to provide their own data** and explanation for spending trends before voting to require a PIP.

9. Has the HPC made recommendations to update and evolve the underlying statute and the Commonwealth's approach to advancing affordability?

Yes. The HPC has recommended several legislative changes in its annual cost trends reports, including updating CHIA's statutory referral standard, incorporating accountability for the pharmaceutical sector, establishing affordably standards for health plans, and increasing investment in primary care and behavioral health care over time.