



Submitted electronically to Benjamin.A.Thomas@mass.gov

March 11, 2020

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

Re: Health Care Cost Growth Benchmark for Calendar Year 2021

Dear Commissioners:

On behalf of Health Care For All (HCFA), thank you for the opportunity to submit testimony regarding potential modification of the health care cost growth benchmark for the average growth in total health care expenditures for calendar year 2021. HCFA advocates for health justice in Massachusetts by working to promote health equity and ensure coverage and access for all.

We believe it is critically important to pursue approaches that signal to the health care community that current efforts to address costs are insufficient, and that health care costs experienced by consumers should be kept in check, if not reduced. This should be the case across market segments, including the small group and private market. **We, therefore, recommend that the Health Policy Commission (HPC) continue to set the 2021 benchmark at equal to the potential gross state product minus 0.5 percent, or 3.1 percent. We also hope that the HPC considers ways to ensure consumer costs do not exceed the benchmark across the entire market.**

The health care cost growth benchmark is an important tool to monitor total health expenditures across the system and help apply pressure to bring down health care spending growth. The high levels of health insurance coverage in Massachusetts do not guarantee access to health care or the affordability of care. There is a growing challenge across this state when it comes to the affordability, and resulting accessibility, of health care. While the state has seen success in keeping overall health care spending under the cost growth benchmark over the past three years, the same cannot be said for the cost consumers have faced. Instead, health care consumers in the state have seen out-of-pocket costs and premiums grow twice as fast as overall health care costs, straining family budgets, and putting care out of reach for many individuals and families across the state.

We hear this concern daily on our HelpLine that takes 20,000 calls a year, with more than half in Spanish and Portuguese. We received 360 calls last year specifically regarding health care affordability. For example, one call was from a woman whose daughter needed reproductive care but, due to her step-parent's income, they weren't eligible for subsidized coverage. The caller could not afford the \$400 a month premium she would have to pay to get her daughter coverage. Another woman was worried she could not keep affording her coverage that was \$717 monthly for health and dental insurance, while also having to pay over \$180 out-of-pocket for medication every month. A third woman called because she was pregnant and although she worked full-time, her employer insurance had a high deductible, she wasn't eligible for MassHealth or subsidized coverage, and she was worried about the bills she would have to pay before hitting the deductible while she is pregnant.

These stories are not just anecdotes; data confirms the challenges of health care affordability that we hear daily from our callers. Simply having health insurance coverage does not guarantee access to the care they need. The **2018 Massachusetts Health Reform Survey**¹ conducted by the Blue Cross Blue Shield Foundation and the Urban Institute, documents the affordability challenges – including inability to afford premiums, deductibles and co-pays – that Massachusetts residents continue to face. Nearly half of adults reported difficulty obtaining care over the past year, and 18.6% went without needed care because of cost. In addition, **CHIA's Massachusetts Health Insurance Survey**² found that in 2017, over 25% of Massachusetts survey respondents reported they went without needed medical or dental care due to cost, despite the fact that two-thirds of those individuals had health insurance coverage at the time they needed care.

The **CHIA 2019 Annual Report on the Performance of the Massachusetts Health Care System**³ sheds light on the reasons families across the state continue to struggle to access affordable care. Member cost-sharing for those with private commercial coverage rose 5.6% in 2018 after growing 6.7% in 2017. However, the impact is different across market segments with unsubsidized individual purchasers paying the most out-of-pocket, followed by those with small group coverage. Those with small group coverage also saw the most dramatic growth in member cost-sharing – 10.2% in 2018. In addition, the CHIA report found significant premium increases across the commercial market. In 2018, fully insured premiums increased 5.6% after growing 4.8% in 2017. These cost sharing and premium increases are far outpacing the overall cost growth of the system, which was 3.1% in 2018. They also outpace wage and salary growth (2.8%) and regional inflation (2.9%). Consumers are paying more of every dollar they earn toward health care, and shouldering more than their share of the burden of increasing system costs.

¹ Blue Cross Blue Shield of Massachusetts Foundation and Urban Institute, "2018 Massachusetts Health Reform Survey," December 2018. Available at: <https://bluecrossmafoundation.org/publication/2018-massachusetts-health-reform-survey>.

² Center for Health Information and Analysis, "Findings from the 2017 Massachusetts Health Insurance Survey," December 2017. Available at: <http://www.chiamass.gov/assets/docs/r/survey/mhis-2017/2017-MHIS-Report.pdf>

³ Center for Health Information and Analysis, "Performance of the Massachusetts Health Care System," September 2019. Available at: www.chiamass.gov/assets/2019-annual-report/2019-Annual-Report.pdf

These health system cost increases are also based off of an already expensive starting point relative to other states. A 2019 analysis by the Commonwealth Fund found that Massachusetts had the highest employee premium contribution to employer-sponsored insurance in the country for individuals (\$1,903) and the 5th highest overall premiums (\$7,443).⁴ As the **2019 HPC Annual Cost Trends Report**⁵ points out, this has also been a long-standing trend. Over the past nearly two decades between 2000 and 2018, the average cost of a family premium in the state nearly tripled, increasing 197%, and employee premium contributions increased even more by 276% while general inflation increased only 50% and personal income increased just 86%.

It is also important to recognize that although increasing health care costs are felt by consumers across the state, they disproportionately affect low- and moderate-income working families. Low- and moderate-income adults were more likely than higher-income adults to report difficulties obtaining care and have a greater unmet need for care, including problems paying family medical bills and having to pay off bills over time. CHIA's Massachusetts Health Insurance Survey also found that the costs of employer-sponsored insurance are particularly burdensome and unaffordable for lower-income residents. In 2017, those between 139% and 299% of the Federal Poverty Level (FPL) with employer-sponsored insurance contributed nearly one-third of their income to health care expenses. At the same time, 29% of these residents also had outstanding medical debt that they were paying off over time.

There are also clear racial disparities with more black (22.1%) and Latinex (18.6%) families reporting problems paying medical bills than white families (15.1%). Black families were also more likely than white families to report carrying medical debt—22.2% compared to 16.9%. Disparities are also reflected in health care access and utilization. Black and Latinex families had lower rates of visits with a general doctor, as well as specialists, and were less likely to report taking one or more prescription medications.

Consumer affordability issues—growing premiums and out-of-pocket costs—while outpacing that system cost growth, are nonetheless a response to underlying cost drivers. In particular, rising drug costs and growing hospital inpatient and outpatient costs are the largest contributors to cost growth, according to the CHIA 2019 Annual Report. The largest single driver of cost growth this past year was prescription drugs, accounting for 26.4% of growth (14% net of rebates). However, hospital costs have also been a significant driver, with inpatient growth accounting for 20.4% of growth and outpatient growth accounting for 19.8% for a combined 40.2% of the overall cost growth. All three categories grew at a faster rate than the overall system cost growth of 3.1%.

⁴ Sara R. Collins, David C. Radley, and Jesse C. Baumgartner, "Trends in Employer Health Care Coverage 2008-2018: Higher Costs for Workers and Their Families." The Commonwealth Fund. November, 21, 2019. Available here: <https://www.commonwealthfund.org/publications/2019/nov/trends-employer-health-care-coverage-2008-2018>

⁵ Massachusetts Health Policy Commission. "2019 Annual Cost Trends Report," February 2020. Available at: <https://www.mass.gov/doc/2019-health-care-cost-trends-report/download>

It is also concerning that cost growth was not even across market segments, with per enrollee growth among commercial plans greater than in any other segment (4.6%), and only MassHealth seeing growth below the benchmark (2.6%). If it wasn't for MassHealth's slower growth rate, the state would not have met the cost growth benchmark last year. **This also helps explain why consumers in certain market segments acutely feel continuously growing cost pressures reflected in growing premiums and cost sharing, even while the state has met the benchmark.**

Tackling the growing challenge of health care affordability in the state will require both a direct approach to rising out-of-pocket costs and premiums, as well as efforts to address underlying cost drivers. In addition to recommending that the benchmark remain set at 3.1%, we would like to highlight several other policy recommendations outlined in the HPC 2019 Cost Trends Report that we think are critical for protecting consumers and ensuring access to affordable care.

First, we want to strongly support the HPC's recommendations to address pharmaceutical spending. High prescription drug costs result in higher premiums for individuals and employers, as well as high out-of-pocket costs for consumers. These costs also place a considerable burden on the state budget. We appreciate the recommendation in the HPC report that would extend the HPC's review of drug costs to the private market. The transparency and accountability process enacted in the state budget last year gives MassHealth new tools to negotiate drug costs by including an ability to disclose a target value for unreasonably priced drugs. This process has already proven to be highly successful saving \$43 million in gross savings for the state and federal governments, as well as \$18 million in net savings directly for the state since November 2019. Given this success, we believe this policy should be extended to help the three out of five residents in the state with private insurance. It is also critical that this effort include pharmacy benefit manager oversight, pharmacy cost disclosures, and expansion of academic detailing.

We also support the policy recommendations to protect consumers from surprise out-of-network billing. We believe there are three key components that legislation to address this issue should include: 1) a prohibition on providers "balance billing" consumers with surprise bills, including requirements that patients cannot be billed unless the out-of-network provider has obtained prior written consent from the patient at least one week in advance for any non-emergency service; 2) comprehensive carrier and provider disclosures of the network status of a provider well in advance of a procedure; and 3) creation of a well-defined, independent process to determine out-of-network payments for both emergency and non-emergency services. In addition, we support other HPC recommendations, including those around investments in primary and behavioral health care, reducing administrative complexity through more standardization, and a focus on addressing health disparities.

Finally, we support and want to highlight the recommendation to strengthen the cost growth benchmark, holding health care entities responsible for spending growth through improvements to the performance improved plan (PIP) process. This could include using new metrics for identifying whether entities should engage in a PIP, looking at the benchmark by more granular market

segments, and considering the appropriate response for entities that have exceeded the benchmark. Most importantly, we urge HPC to consider how this recommendation could be combined with the recommendation around affordability, including how the benchmark could be applied to directly protect consumers from growing out-of-pocket costs and premiums. In the coming year, HCFA plans to further explore ways to strengthen the HPC process and will be eager to speak with the Commissioners and staff about it.

Thank you again for the opportunity to provide testimony on the critical issue of how to most effectively tackle rising health care costs in the Commonwealth. Please don't hesitate to contact us with any questions at arosenthal@hcfama.org or (617) 275-2911.

Sincerely,

A handwritten signature in black ink that reads "Amy Rosenthal". The signature is fluid and cursive, with the first name "Amy" and last name "Rosenthal" clearly legible.

Amy Rosenthal
Executive Director
Health Care For All