



Harvard Pilgrim
HealthCare

TUFTS  Health Plan



October 10, 2013

David Seltz, Executive Director
Health Policy Commission
Two Boylston Street, 6th Floor
Boston, MA 02116

re: Annual Cost Trends Hearings – PPOs

Dear Director Seltz:

On behalf of a coalition of employers and health plans concerned about the rising cost of health care in the Commonwealth, we are writing to offer comments on the Health Policy Commission's 2013 annual health care cost trends hearing. In particular, our comments focus on the concerns expressed about the impact of the increase in coverage through PPO plans on the ability of providers to adopt alternative payment methods.

A series of state reports have noted that employers and consumers want choice in health insurance product designs. The Attorney General's April 2013 *Examination of Health Care Cost Trends and Cost Drivers* report noted that "Purchasers have increasingly moved to PPO products, including self-insured PPO products, and away from fully-insured HMO products" and found that membership in PPOs increased over the last four years among three of the four largest health plans. Likewise, the Center for Health Information and Analysis' 2013 *Annual Report on the Massachusetts Health Care Market* found a five percentage point decline in HMO enrollment from 2010 to 2012. According to the report, 59% of individuals are enrolled in closed network HMO products and 41% are in PPO or other non-restrictive network products.

Employers' needs vary and the reports demonstrate that they continue to want broad choice in product designs, because one size doesn't fit all. Among the reasons employers often provide for choosing a PPO is that these plans allow them to offer their employees additional choice including an open choice of providers. This is particularly useful when employees have existing physician relationships, work for several days or weeks out-of-state, or are actually physically located in other states. This is also important for the employees' dependents who may live out-of-state and cannot be limited to a network with Massachusetts-only providers. For individuals seeking broad access to providers, PPOs provide the benefit of greater choice and flexibility compared to closed network options.

In recognizing that Massachusetts employers and consumers currently purchase a wide array of products, Chapter 224 included provisions to address the concerns that were raised by some at the hearing. For example, the law requires that health plans attribute every member to a PCP to the

maximum extent feasible, even in products where no PCP is technically required, such as PPO products. This will help further the adoption of alternative payment methods for PPO members where it makes sense for health plans and providers.

Additionally, Chapter 224 provided that the move to alternative payment methods be "voluntary" and the law does not mandate one type of payment, such as global payments and does not require that providers form ACOs. Instead, lawmakers recognized that employers continue to want broad options and put in place provisions to continue to let the market innovate and develop other mechanisms to lower costs for employers and consumers, such as tiered and limited network products.

As the Commission considers recommendations for the Commonwealth's health care system, we would urge that the final report reflect the high priority that employers continue to place on having a wide array of product options available to them in deciding the coverage that best meets their employees' needs and avoid proposals that could limit those options. We believe that the market can drive innovation and that employers and consumers can best decide the product options that meet their needs and provide value.

We appreciate the opportunity to offer our comments and we look forward to the Commission's final report.

Sincerely,



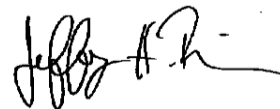
Kristen Lepore, Vice President, Government Affairs Associated Industries of Massachusetts



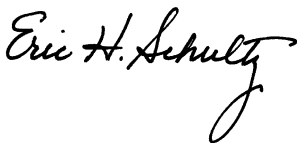
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