



**COMMENTS ON THE 2025 HEALTH CARE COST GROWTH BENCHMARK
BEFORE THE HEALTH POLICY COMMISSION
MARCH 14, 2024**

The Massachusetts Medical Society is a professional association of over 25,000 physicians, physicians-in-training, and medical students across all clinical disciplines, organizations, and practice settings. The Medical Society is committed to advocating on behalf of patients, to provide them with a health care system that will best suit their needs, and on behalf of physicians, to help them deliver care of the highest quality and greatest value. The Medical Society appreciates this opportunity to provide comment to the Health Policy Commission and the Joint Committee on Health Care Financing as they deliberate a potential modification of the state's health care cost growth benchmark. The Medical Society joins the HPC in its commitment to a high value health care system that is accessible and affordable to all patients in the Commonwealth.

As anticipated, CHIA's 2024 Annual Report detailed increases in health care expenditures in 2022 predicated largely on a continued rebound in utilization and service intensity as seen in 2021, following severely depressed utilization and deferred care in 2020. The Total Health Care Expenditure (THCE) increase per capita of 5.8% must be understood, in part relative to the significant volume deviation in 2020 and the health care system continuing to address overwhelming backlogs in care, increasing acuity in patient health, and increased demand for previously deferred care. While the impact of the COVID-19 pandemic directly affects spending, we must take note of longstanding trends identified in the Report, specifically regarding pharmacy spending, which continues to be the greatest driver of cost growth.

While the Medical Society understands that Chapter 224 of the Acts of 2012, establishing the benchmark process calls for year-over-year comparison of health care costs, we think a longitudinal approach to health care cost evaluation would be more effective. We commend CHIA's adaptation last year, providing analysis of costs on an annualized basis over the three-year period of 2019 to 2021, in recognition of the anomalous nature of the 2021 data as a result of continued volatility in the market. Such expanded analysis provides a far more meaningful metric to understand longitudinal trends, and it provides a more informed and contextualized cost trend measure. While the extraordinary circumstances of the COVID-19 pandemic drove CHIA to the decision to expand the analysis beyond year-over-year cost growth, we encourage this expanded analysis moving forward, as health care trends are best evaluated over longer periods of time, enabling analysis to account for unanticipated market forces, which take time to adapt to change.

While the Medical Society strongly supports HPC's commitment to striving for a high-value care system, we also believe that the Commonwealth's approach to cost containment must evolve. A longitudinal approach, which could look at multi-year averages of growth, similar to CHIA's analysis for the 2023 Report, would capture more salient trends and allow for more nuanced analysis of necessary growth of smaller entities whose resources need to be invested where they can help practices and patients, specifically those who are most impacted by affordability and accessibility challenges. At the same time, it would still highlight those entities who are contributing to cost growth in an outsized manner.

Due to the rigidity of the current benchmark formula, it is incapable of assessing the real time challenges facing the health care system or evaluating the value of investment. The benchmark formula needs to be revisited in order to account for both real-time economic factors, such as



labor costs and inflation, and patient needs that impact the overall cost of the system. Looking at the 2022 data, physician expenses experienced a modest decrease, continuing the trend of being largely cost-effective, and remaining well below the benchmark for spending growth. However, certain areas of health care continue to face enormous cost pressures and have an existential need to exceed the benchmark, such as smaller medical practices, primary care, behavioral health, and long-term care. The continued struggle with unprecedented workforce challenges and the historic rate of inflation have contributed to increased costs and impacted physician practices that are struggling to achieve sustainable margins. Maintaining a competitive and equitable health care workforce requires increased compensation and benefits, which raises the costs of labor. Operating practice expenses are also increasing in the face of inflation and the shift in delivery of health care. It is necessary that the growth associated with these factors is not considered solely within the confines of the benchmark as currently formulated. Without revisiting the benchmark formula to account for these externalities, the current benchmark must be utilized as a generalized metric and must remain at a reasonable rate that appreciates the externalities that so significantly affect year-over-year rates of growth. The benchmark needs to account for affordability, equity, and the investments required to realize these fundamental goals.

The goal of Chapter 224 of the Acts of 2012 is not simply to reduce costs but rather to create an equitable health care system that is accountable for producing better health and better care at a more affordable cost for all the people of the Commonwealth. We applaud CHIA's inclusion of a section dedicated to assessing metrics on the affordability of care in the commonwealth in the 2024 Report. We believe it important that relative cost savings are ultimately passed on to our patients, who should be the primary beneficiaries of cost containment efforts. Unfortunately, 2022's above benchmark cost growth was accompanied by an increase in per member, per month (PMPM) cost-sharing average that surpassed pre-pandemic levels. The rapid ascent of High Deductible Health Plans in the Commonwealth, more than doubling over the past decade from 19 percent in 2014 to 42.4 percent in 2024, leads to increased out-of-pocket spending and the delay or abandonment of care due to the cost and inability to pay. This dynamic can be seen in years past, when the health care system saw cost growth under the benchmark accompanied by rising out-of-pocket expenditures. This disconnect epitomizes the struggle of measuring cost growth success by a single metric and limits the implications of the benchmark. The Medical Society supports the addition of affordability of care becoming a key factor in establishing a benchmark.

To promote equity, we must make allowances for intentional investment – which may necessitate spending beyond the benchmark – that seeks to address health care inequities and disparities through the support of practices that provide care to historically underserved and marginalized populations. We should not discourage investments meant to improve access to care. In the midst of a behavioral health crisis, targeted investments in technology, digital platforms, and staff training that support telehealth, were found to improve patient access to mental health care.¹ The 2024 Report reveals a second straight year of reduced telehealth spending, demonstrating the modality continuing to find an equilibrium with in-person care and providing access, not cost to the system. Investments, such as those to support telehealth, which improve access to care and advance equity should be considered and encouraged. Reducing cost is paramount to driving affordability of care but making targeted investments in our health care system is also necessary if we are to achieve our collective goals of improving health care quality and accessibility.

¹ TELEHEALTH USE IN THE COMMONWEALTH AND POLICY RECOMMENDATIONS Report to the Massachusetts Legislature, January 2023, Health Policy Commission.



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The HPC benchmark maintains an aggressive goal of intentional cost containment below even prevailing rates of health care inflation, especially in this time of continued inflation across the economy. In attempting to satisfy the cost growth benchmark, the Medical Society hopes that our state will continue to emphasize the importance of eliminating waste and promoting high-value care while attending to the main drivers of cost growth. We strongly support HPC's prioritization of reducing administrative burden, viewing it as an impediment to quality care delivery and an unnecessary driver of costs. Administrative burdens, such as processing prior authorizations, increase costs and strain chronically short-staffed physician practices, resulting in an alarming level of physician burnout. A survey of Medical Society members on physician wellbeing showed that 55 percent of physicians are experiencing symptoms of burnout; about one in four physicians have already reduced their clinical care hours; and about one in five physicians plan to leave medicine in the next two years. These alarming numbers presage more challenges ahead for an already strained health care system. Respondents consistently identified the current prior authorization process as a particularly burdensome and inefficient system. While prior authorization has a role as a utilization management tool, its application has proliferated far beyond its initial value as a check on spending for novel or high-cost drugs and treatments. Instead, it has spread to every corner of evidence-based clinical practice, creating unnecessary barriers to care for patients alongside undue burden and waste in the health care system.

In our collective endeavor toward a health care system that is accessible and affordable to patients in Massachusetts, it would be prudent to revisit the benchmark formula to ensure that it is advancing us toward our shared goal. In setting a benchmark for 2025, we urge the HPC to utilize even greater discretion in evaluating costs both now and well into the future as the health care industry grapples with the transformation underway in the system and begins the process of stabilizing once again.

The Medical Society appreciates this opportunity to offer comment and looks forward to continuing to work with the Health Policy Commission and the Joint Committee on Health Care Financing toward advancing equity in the delivery of accessible, high-value health care to all patients in Massachusetts.