

Annual Health Care

COST TRENDS HEARING

OCTOBER 16 & 17, 2018



MASSACHUSETTS
HEALTH POLICY COMMISSION



2018 ANNUAL HEALTH CARE COST TRENDS HEARING

The annual health care cost trends hearing is a public event at which elected officials, policymakers, researchers, and health care market participants convene to address challenges and discuss opportunities for improving care and reducing costs in the Commonwealth. The prominent, two-day hearing features live testimony from top health care executives, industry leaders, and government officials. Questions are posed from Massachusetts and national health care experts about the state's performance under the Health Care Cost Growth Benchmark, the drivers of health care costs, and other health care reform efforts.

Suffolk University Law School October 16 & 17

WIFI Network: SU_Guest

Login: costtrends

Password: hearing2018

FROM THE CHAIR & EXECUTIVE DIRECTOR



Welcome to the 2018 Health Care Cost Trends Hearing. This marks the sixth year the Health Policy Commission (HPC) has hosted the hearing on behalf of the citizens of the Commonwealth of Massachusetts.

Since the passage of landmark health care cost containment legislation six years ago, the Commonwealth has made significant progress in reducing health care spending and achieving our vision of a more transparent, accountable, and innovative health care system. The state's health care spending growth of 1.6% – a full two points below the 2017 benchmark target of 3.6% – is the lowest observed since the HPC was established six years ago. Twelve years after leading the country in expanding health care access, Massachusetts is now leading the country again in lowering health care cost growth.

However, there are also areas that require further examination and action. While total health care spending growth is low, there are concerning trends related to the affordability of care and coverage. Out-of-pocket spending for consumers and premiums for small employers both rose faster than the benchmark, inflation, and wages, with 5.7% and 6.9% growth, respectively. Additionally, spending growth for hospital outpatient and prescription drugs continues to increase faster than the benchmark.

This year, the hearing focuses on issues of both promise and concern, and we will seek to identify appropriate policy options to advance the Commonwealth's goal of ensuring access to high-quality, affordable health care for all.

We are pleased to welcome Governor Charlie Baker, House Speaker Robert DeLeo, and Attorney General Maura Healey to join the conversation.

Your engagement and collaboration are critical to our effort. We encourage you to send us your questions and comments on Twitter via #CTH18.

Thank you for your participation.

Stuart Altman
Chair

David Seltz
Executive Director

9:00AM Welcome

Dr. Stuart Altman, *Chair, Health Policy Commission*
Mr. David Seltz, *Executive Director, Health Policy Commission*

9:15AM Remarks

The Honorable Charlie Baker, *Governor*

9:30AM **PRESENTATION: State Perspective on Health Care Cost Trends**

Dr. David Auerbach, *Director of Research and Cost Trends, Health Policy Commission*
Mr. Ray Campbell, *Executive Director, Center for Health Information and Analysis*

10:00AM Remarks

The Honorable Robert DeLeo, *Speaker of the House*

10:15AM **KEYNOTE SPEAKER: U.S. Health Care Spending – International Context, National Trends, and Getting to High-Value Care**

Dr. Ashish Jha, *Director, Harvard Global Health Institute*

11:15AM **WITNESS PANEL 1: Meeting the Health Care Cost Growth Benchmark – Top Trends in Care Delivery and Payment Reform**

This panel will discuss strategies to meet the health care cost growth benchmark in 2019 and beyond by tackling issues such as the scalability of innovations in care delivery, the lack of uptake in alternative payment methods, high levels of spending on pharmaceuticals and medical devices, and the future of the Massachusetts health care system.

12:30PM Lunch Break

1:15PM **WITNESS PANEL 2: Innovations to Enhance Timely Access to Primary and Behavioral Health Care**

The goal of this panel is to showcase emerging models of enhancing patient access to high-quality, convenient health care, especially behavioral health care and care for vulnerable populations. Focus areas will include: the growth in urgent care centers, including urgent behavioral health care, telemedicine, digital health technology solutions, mobile-integrated health, and other strategies to engage patients in care in the community, and reduce unnecessary emergency department and hospital utilization.

2:30PM Public Testimony Opportunity

3:30PM Adjournment

- 9:15AM** **Welcome**
Dr. Stuart Altman, *Chair, Health Policy Commission*
Mr. David Seltz, *Executive Director, Health Policy Commission*
- 9:30AM** **Opening Discussion: Themes from Day One**
Board of Commissioners, *Health Policy Commission*
- 9:45AM** **Spotlight on State Solutions to Health Care Spending**
Ms. Trish Riley, *Executive Director, National Academy for State Health Policy (NASHP)*
- 10:30AM** **The Office of the Attorney General**
The Honorable Maura Healey, *Attorney General*
Presentation from the Attorney General's Health Care Division
- 11:00AM** **REACTION PANEL 3: Strategies to Address Pharmaceutical Spending Growth**
Building off the preceding expert presentation, the goal of this panel is to discuss emerging policies and strategies that can be implemented at the state level to promote greater affordability and value in pharmaceutical spending. Focus areas will include: enhancing the transparency of pharmaceutical prices, promoting value-based contracting and pricing, establishing high-value formularies, improving consumer affordability, supporting innovation, and understanding the role of pharmacy benefit managers.
- 12:15PM** **Lunch Break**
- 1:00PM** **Spotlight on Impact of Nurse Staffing Ratios**
Dr. David Auerbach, *Director of Research and Cost Trends, Health Policy Commission*
Dr. Joanne Spetz, *Professor, Institute for Health Policy Studies, University of California, San Francisco (UCSF)*
- 1:30PM** **REACTION PANEL 4: Impact of Nurse Staffing Ratios on Cost, Quality, and Access**
Building off the preceding expert presentation, the goal of this panel is to discuss the implications of mandated nurse staffing ratios for health care spending in the Commonwealth. Topics will include evidence and experience of implementing hospital nurse staffing ratios in California, and the potential impact on health care cost, quality, and access in Massachusetts.
- 2:45PM** **Concluding Discussion**
Board of Commissioners, *Health Policy Commission*
- 3:00PM** **Adjournment**

EXPERT SPEAKERS



DAVID AUERBACH, PhD, Director of Research and Cost Trends at the Health Policy Commission, is a health economist whose work has spanned a number of focus areas, including health insurance coverage, health care spending, and the health care workforce. Dr. Auerbach spent eight years as a Principal Analyst at the Congressional Budget Office, conducting modeling and analysis of the Affordable Care Act, four years as a Senior Policy Researcher at the RAND Corporation, and is in his

fourth year at the Health Policy Commission. He is a nationally-recognized expert on the registered nurse workforce including advanced practice nurses and has co-authored dozens of articles in journals such as *Health Affairs*, the *New England Journal of Medicine*, and the *Journal of the American Medical Association*.



ASHISH JHA, MD, MPH, is the Director of the Harvard Global Health Institute and the Dean for Global Strategy and K.T. Li Professor of Global Health at the Harvard T.H. Chan School of Public Health. He is a practicing General Internist at the VA Boston Healthcare System, and a Professor of Medicine at Harvard Medical School.

Dr. Jha received his MD from Harvard Medical School, and trained in Internal Medicine at the University of California in San Francisco. He completed his General Medicine fellowship at Brigham & Women's Hospital at Harvard Medical School, and received his MPH from the Harvard T.H. Chan School of Public Health. His research endeavors focus on improving the quality and costs of health care systems with a specialized focus on the impact of policies. Dr. Jha has published over two hundred empirical papers and writes regularly about ways to improve health care systems, both in the U.S. and globally. Dr. Jha was elected as a member of the National Academy of Medicine in 2013.



TRISH RILEY, MS, is Executive Director of NASHP and President of its corporate board. She helped build NASHP as CEO from 1988-2003. Previously, she was a Distinguished Fellow in State Health Policy at George Washington University, and taught in the graduate program at the Muskie School of Public Service, University of Southern Maine.

From 2003-2011, Riley served as Director of the Governor's Office of Health Policy and Finance, leading the effort to develop a comprehensive, coordinated health system in Maine. She was the principal architect of Dirigo Health Reform and served as the state's liaison to the federal government and Congress. Riley chaired the Governor's Steering Committee to develop a plan to implement the Affordable Care Act in Maine, and has held appointive positions under five Maine governors – directing the aging office, Medicaid and state health agencies, and health planning and licensing programs. She was a founding member of the Medicaid and CHIP Payment and Access Commission (MACPAC). Riley holds a BS & MS from the University of Maine.



JOANNE SPETZ, PhD, is a Professor at the Philip R. Lee Institute for Health Policy Studies, Department of Family and Community Medicine, at the School of Nursing at the University of California, San Francisco (UCSF). Dr. Spetz is also the Associate Director of Research at the Healthforce Center at UCSF. Her fields of specialty include economics of the health care workforce, shortages and supply of registered nurses, and organization and quality of the hospital industry. The

HPC engaged the University of California, San Francisco in mid-August 2018 in furtherance of its research agenda with respect to health care workforce issues.

Dr. Spetz was a member of the Institute of Medicine Standing Committee on Credentialing Research in Nursing, a consultant to the Institute of Medicine Committee on the Future of Nursing and a member of the National Commission on VA Nursing. She is an Honorary Fellow of the American Academy of Nursing. She frequently provides testimony and technical assistance to state and federal agencies and policymakers. Dr. Spetz received her PhD in economics from Stanford University after studying economics at the Massachusetts Institute of Technology.

PANELISTS

WITNESS PANEL 1

Meeting the Health Care Cost Growth Benchmark – Top Trends in Care Delivery and Payment Reform

Harvard Pilgrim Health Care
Wellforce

Baystate Health

Neighborhood Health Plan

Precision Engineering, Inc., Uxbridge

Mr. Michael Carson, President and CEO

Mr. Normand Deschene, CEO

Dr. Mark Keroack, President and CEO

Mr. David Segal, President and CEO

Ms. Liora Stone, Owner and President

WITNESS PANEL 2

Innovations to Enhance Timely Access to Primary and Behavioral Health Care

Massachusetts General Physicians Organization

South Shore Health System

East Boston Neighborhood Health Center

Harrington Healthcare System

AFC Urgent Care

Dr. Timothy Ferris, Chairman and CEO

Dr. Gene Green, President and CEO

Mr. Manny Lopes, President and CEO

Mr. Edward Moore, President and CEO

Dr. Kristina Orio, Medical Director and Lead Physician

REACTION PANEL 3

Strategies to Address Pharmaceutical Spending Growth

Institute for Clinical and Economic Review

Express Scripts, Inc.

Health Care For All

Executive Office of Health and Human Services

PhRMA

Ms. Sarah Emond, Executive Vice President and COO

Dr. Rochelle Henderson, Vice President of Research

Ms. Amy Rosenthal, Executive Director

Mr. Daniel Tsai, Assistant Secretary for MassHealth

Ms. Leslie Wood, Deputy Vice President for State Policy

REACTION PANEL 4

Impact of Nurse Staffing Ratios on Cost, Quality, and Access

California Nurses Association

Blue Cross and Blue Shield of Massachusetts

Boston Medical Center

Connell School of Nursing, Boston College

University of California, San Francisco (UCSF)

Ms. Vicki Bermudez, Regulatory Policy Specialist

Ms. Deborah Devaux, Chief Operating Officer

Dr. Nancy Gaden, Senior Vice President and Chief Nursing Officer

Dr. Judith Shindul-Rothschild, Associate Professor

Dr. Joanne Spetz, Professor, Institute for Health Policy Studies

HEALTH CARE COST GROWTH BENCHMARK

Chapter 224 of the Acts of 2012 established the Commonwealth's health care cost growth benchmark, a statewide target for the rate of growth in total health care expenditures (THCE). THCE is calculated on a per capita basis to control for increases in health care spending due to population growth, and includes spending by both public and private payers. For more information, see CHIA's Annual Report on the Performance of the Massachusetts Health Care System.

Each year, the Health Policy Commission sets the benchmark for the Commonwealth's THCE. For 2013-2017, the benchmark was set at 3.6%, or the equivalent of the rate of growth in the gross state product.

This year, CHIA reports under-benchmark health care spending growth from 2016-2017 of 1.6%, a full two points below the 2017 benchmark target of 3.6%, and the lowest observed since the Health Policy Commission was established six years ago. Underneath this headline number, CHIA found variation in growth between public and commercial insurance categories. Public insurance programs overall reported minimal expenditure growth, while commercial health care spending grew by 3.1%, as consumers and employers saw cost sharing and premium obligations rise faster than the benchmark, inflation, and wages.

Last year was the first year that the HPC had the authority modify the benchmark (for calendar year 2018), and voted unanimously to establish the 2018 benchmark at the default growth rate of 3.1%. The HPC set the benchmark for 2019 at 3.1%.

BY THE NUMBERS

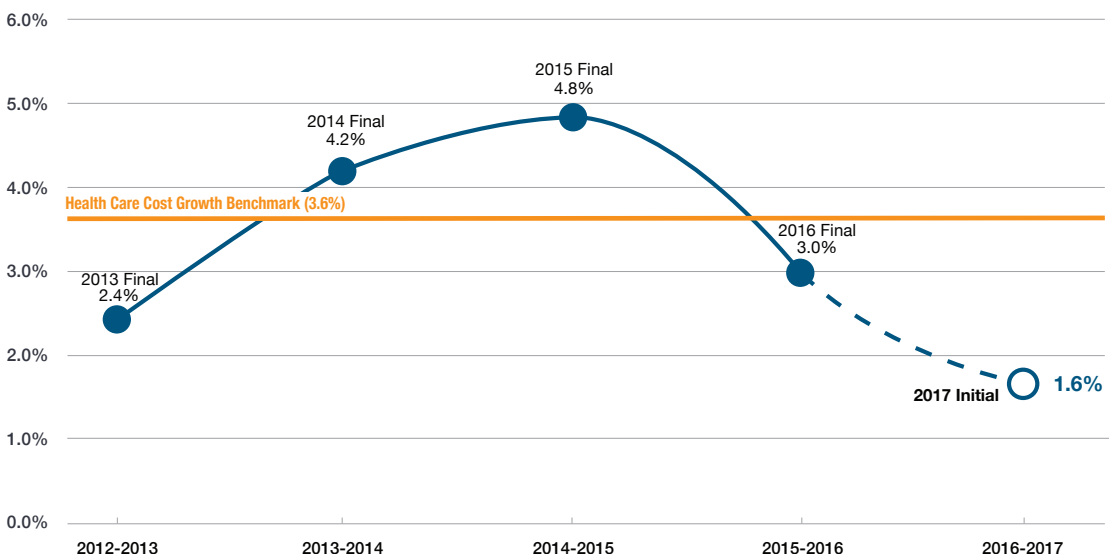
Key Findings from
CHIA's 2018 Report

\$61.1 BILLION

Total Health Care
Expenditures or
\$8,907
per capita

Member cost
sharing grew by
5.7%
and premiums
rose by
6.9%

PER CAPITA TOTAL HEALTH EXPENDITURES GROWTH, 2013–2017



2018 PRE-FILED TESTIMONY

Top areas of concern for meeting the benchmark



Rising Pharmaceutical Costs
(Top payer concern)



Mandated Nurse Staffing
Ratios (Top provider concern)



Provider Price Variation



Lack of Resources and
Access to Behavioral
Health Care



> **1 million** unique patient visits to
urgent care centers and **retail clinics**
were recorded in 2017

Top strategic priority for providers:

Enhanced **collaboration** and **coordination** across care settings, including integration of *behavioral health care* into primary care

Top strategic priority for health plans:

Policy changes related to pharmaceutical **spending** and price **transparency**

Barriers to addressing health-related social needs

1. Lack of *resources* and *capacity*
2. **Structural** and **technological** barriers to data sharing
3. **Legal** barriers to data sharing

Health plans reported **227,496** health care transparency website inquiries in 2017, a **26% increase** from 2016



Top MA health plans continue to identify **unit price increases** as the **primary driver** of health care expenditures

BY THE NUMBERS

36 Providers
14 Health Plans

The HPC is required to identify a number of health care providers and payers as witnesses for the cost trends hearing. In advance of the annual hearing, the HPC required pre-filed testimony from fifty health plans, providers, and hospitals in response to a set of questions on relevant topics. Key themes from the 2018 pre-filed testimony can be found below. To review all testimony, please visit our website.

TOP AREAS OF CONCERN FOR MEETING THE BENCHMARK

- **86%** of health plans identified pharmaceutical spending as a top area of concern in meeting the benchmark
- **58%** of providers identified the potential for mandated nurse-to-patient staffing ratios as a top area of concern in meeting the benchmark

“In 2016 prescription drugs for Harvard Pilgrim’s fully insured members accounted for 25% of total health care spend net of rebates, manufacturer discounts, and refunds. This was an increase from 20% in 2011. The increase has translated into a per-member-per-month increase from \$81 in 2011 to \$101 in 2016.”

– HARVARD PILGRIM

INFORMATION ON RETAIL CLINICS AND URGENT CARE CENTERS

- Providers reported over 1 million unique patient visits to urgent care centers or retail clinics in 2017
- **60%** of urgent care center payer mix is commercially insured, a greater share of revenue than health care spending overall
- **44%** of providers expressed concern that urgent care centers are often siloed from primary care

“[T]he growth of these alternative care sites diminishes the financial cross subsidy that has been a long-standing support for emergency departments, particularly in community hospital settings.”

– LAWRENCE GENERAL HOSPITAL

“The alternative care sites improve access for the community and the population we serve on a daily basis. During times of physician and advanced provider shortages, they provide a lower cost alternative than emergency services.”

– BERKSHIRE MEDICAL CENTER

ROLE OF PHARMACY BENEFIT MANAGERS (PBMS)

- **85%** of health plans use PBMs, primarily for pharmacy contracting and claims processing
- **83%** of PBMs have a policy to either proactively disclose or automatically charge patients the lowest amount available for prescriptions

HPC BOARD MEMBERS

Dr. Stuart Altman, Chair

Stuart Altman, Ph.D., is the Sol C. Chaikin Professor of National Health Policy at The Heller School for Social Policy and Management at Brandeis University. He is an economist with five decades of experience working closely with issues of federal and state health policy within government, the private sector, and academia.

Dr. Wendy Everett, Vice Chair

Wendy Everett, Sc.D., is Special Advisor to NEHI, a national health policy research institute, where she leads initiatives for the Global Lab for Health and Nick Littlefield Fellowship.

Dr. Donald Berwick

Donald M. Berwick, M.D., was President and CEO of the Institute for Healthcare Improvement (IHI) for nearly 20 years. In July 2010, President Obama appointed Dr. Berwick to the position of Administrator of the Centers for Medicare & Medicaid Services, a position he held until December 2011.

Mr. Martin Cohen

Martin D. Cohen is the President and CEO of the MetroWest Health Foundation. He has more than 30 years of experience working to plan and implement comprehensive strategies to improve public mental health services.

Dr. David Cutler

David Cutler, Ph.D., is the Otto Eckstein Professor of Applied Economics at Harvard University and holds secondary appointments at Harvard Kennedy School and Harvard School of Public Health.

Mr. Timothy Foley

Appointed to the Board in October 2016 because of his demonstrated experience in representing the health care workforce, Tim Foley is the Vice President of 1199SEIU Healthcare Workers East.

Secretary Michael J. Heffernan

Executive Office of Administration and Finance

Michael J. Heffernan serves as Secretary of the Executive Office for Administration and Finance. He is responsible for managing state finances, and oversees state agencies that provide core administrative services.

Dr. John Christian (Chris) Kryder

Dr. John Christian Kryder is an Executive Partner at Flare Capital, a Boston-based healthcare technology investment group. He spent twenty-five years as a Clinical Instructor in Medicine in the Medical Engineering and Medical Physics Program at Harvard Medical School, HST Division.

Mr. Richard C. Lord

Richard C. Lord is President and Chief Executive Officer of Associated Industries of Massachusetts (AIM), a state-wide employer advocacy and service organization of more than 5,000 member companies.

Mr. Renato (Ron) Mastrogiovanni

Ron Mastrogiovanni is the President and Chief Executive Officer of HealthView Services and has more than 25 years of experience in management consulting, financial services, and health care software design.

Secretary Marylou Sudders

Executive Office of Health and Human Services

Marylou Sudders serves as the Secretary of the Executive Office of Health and Human Services. In this role, Secretary Sudders leads the largest executive agency in state government, and oversees critical services that touch approximately one in six residents of the Commonwealth.

PUBLIC MEETINGS

Please join us at one of our upcoming public meetings at the HPC's offices, 50 Milk Street, 8th Floor, Boston.

BOARD MEETINGS

Thursday, December 13 at 12:00PM

COMMITTEE MEETINGS

Market Oversight and Transparency

Wednesday, November 28 at 9:30AM

Care Delivery Transformation

Wednesday, November 28 at 11:00AM

ADVISORY COUNCIL MEETINGS

Wednesday, November 14 at 12:00PM

For more information on the HPC, visit our website at www.mass.gov/hpc.

To contact us, email HPC-Info@state.ma.us or tweet us [@Mass_HPC](https://twitter.com/Mass_HPC).

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