

HPC DATAPOINTS

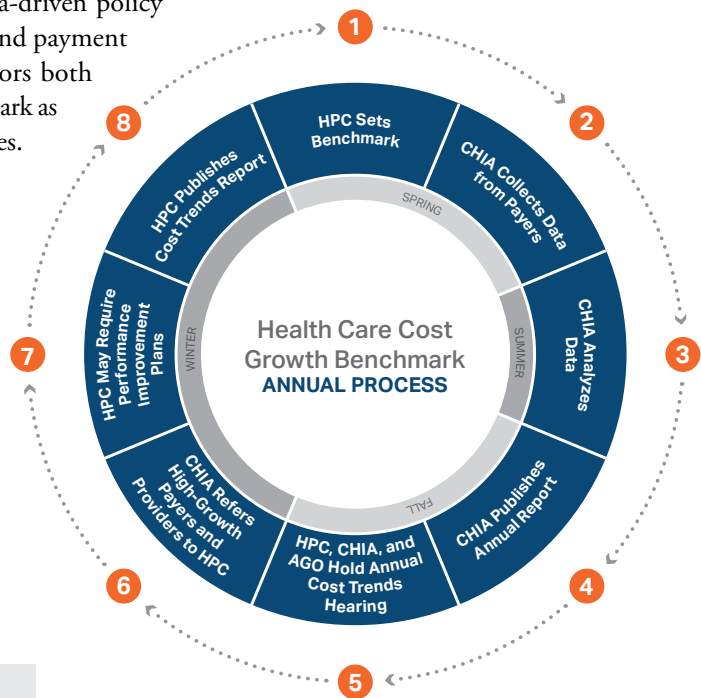
Health Care Cost Growth Benchmark: Annual Process for Monitoring Health Care Spending Growth in Massachusetts

OVERVIEW

In 2012, the Massachusetts legislature enacted a landmark health care cost containment law, Chapter 224 of the Acts of 2012,¹ which set the ambitious goal of bringing health care spending growth in line with the growth in the state's overall economy. It sought to do this by instituting a health care cost growth benchmark, a statewide target for the rate of growth of total health care expenditures (THCE). Further, Chapter 224 established a new independent agency, the Massachusetts Health Policy Commission (HPC), to oversee health care system performance and provide data-driven policy recommendations regarding health care delivery and payment system reform. Under the law, the HPC monitors both statewide spending performance against the benchmark as well as performance of individual health care entities.

ANNUAL PROCESS

Consistent with this mandate, the HPC and its sister agency, the Center for Health Information and Analysis (CHIA), engage in an annual process to monitor health care spending growth relative to the benchmark, which is indexed to a projection of the Commonwealth's long-term economic growth. Part of this process requires payers and providers whose cost growth is excessive to implement performance improvement plans (PIPs) and submit to strict monitoring. The annual process is explained in the graphic to the right.



- 1a. Benchmark measures year-over-year growth in Total Health Care Expenditures (THCE) per capita
- 1b. Benchmark is set prospectively for the following calendar year
- 1c. HPC may modify the benchmark within statutory parameters (see graphic below)
- 2a. Data include per member per month spending trends for payers and provider groups
- 2b. Reported data include both unadjusted spending and risk adjusted spending
- 3a. CHIA calculates THCE for the previous calendar year
- 3b. CHIA examines trends in spending, alternative payment method adoption, quality of care, patient cost-sharing, and more
- 4a. CHIA reports Massachusetts' performance against the benchmark
- 4b. The report includes detail by insurance market, service category, and any notable cost drivers for the year
- 5a. Elected officials, policymakers, researchers, and market participants convene to address challenges and discuss opportunities for improving care and reducing costs

- 5b. The hearing features testimony under oath from top health care executives and industry leaders
- 6a. CHIA uses a quantitative algorithm to identify payers and provider groups whose spending growth is excessive, impeding on Massachusetts' ability to meet the benchmark
- 6b. CHIA confidentially refers these entities to the HPC for evaluation
- 7a. HPC notifies each entity that it was referred by CHIA and performs a comprehensive analysis of the factors driving its spending growth
- 7b. HPC may require an entity to develop and implement a Performance Improvement Plan (PIP) if it has significant concerns about the entity's costs and determines that a PIP could result in meaningful, cost-saving reforms
- 8a. HPC publishes its annual cost trends report, which provides an overview of health care spending trends, evaluates progress in key areas, and makes policy recommendations for strategies to increase quality and efficiency in Massachusetts

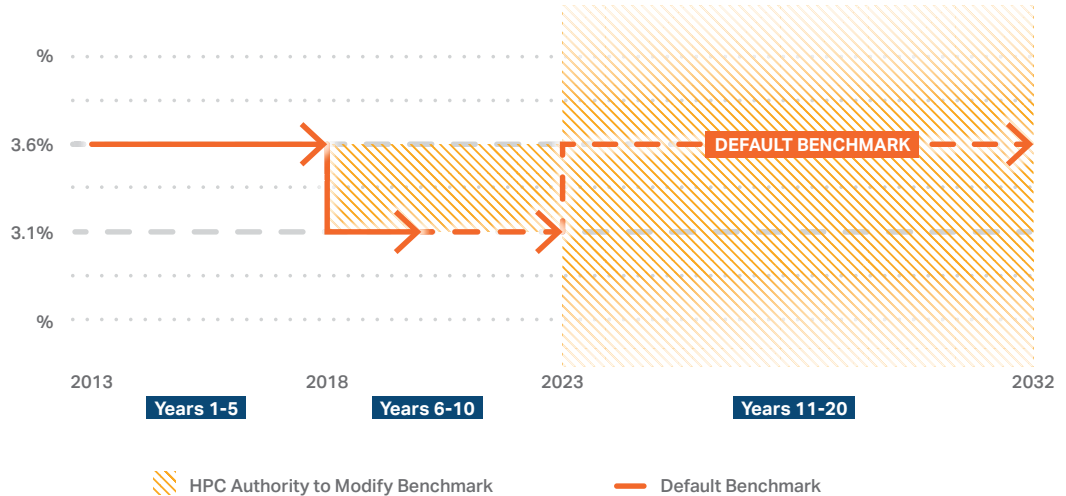
This is a printable version of DataPoints. The online version features interactive graphics, and is available on the HPC's website at mass.gov/service-details/hpc-datapoints-series.

SETTING THE BENCHMARK

Each year, the HPC's 11-member board of commissioners sets the benchmark for the following calendar year between January 15 (when the potential gross state product is established) and April 15. Chapter 224 defines three multi-year benchmarks for health care spending growth.

Since 2013, the growth in health care spending has been, on average, below the benchmark (3.2 percent average growth), and lower than national growth trends.

Setting the Health Care Cost Growth Benchmark



The Massachusetts Health Policy Commission (HPC), established in 2012, is an independent state agency charged with monitoring health care spending growth in Massachusetts and providing data-driven policy recommendations regarding health care delivery and payment system reform. The HPC's mission is to advance a more transparent, accountable, and innovative health care system through its independent policy leadership and investment programs.

HPC DataPoints is a series of online briefs that spotlight new research and data findings relevant to the HPC's mission to drive down the cost of health care. It showcases brief overviews and interactive graphics on relevant health policy topics. The analysis underlying these briefs is conducted by HPC staff. To view all HPC DataPoints, visit our [website](#).

Years 1-5. For the initial five-year period (2013 through 2017), the benchmark was equal to potential gross state product (PGSP), or 3.6%. No modification of the benchmark was permitted. *Example: The 2017 benchmark was set at PGSP, or 3.6%.*

Years 6-10. For the second five-year period (2018 through 2022), the benchmark is equal to PGSP minus .5%, or 3.1%. If the HPC determines that an adjustment to the benchmark is reasonably warranted, it may modify the benchmark so that it is between PGSP (3.6%) and 3.1%. *Example: In 2018, PGSP was 3.6%. The benchmark was set at 3.1%, but the HPC could have modified the benchmark to any level between 3.1% and 3.6%.*

Years 11-20. For years 11 through 20 (2023 through 2032), the benchmark must be set equal to PGSP, or 3.6%. If the HPC determines that an adjustment to the benchmark is reasonably warranted, it may modify the benchmark to any amount. *Example: If, in 2023, PGSP equals 3.6%, the benchmark shall be set at 3.6%, unless the HPC determines that an adjustment in either direction, and in any amount, is warranted.*

Related Links

More information about the health care cost growth benchmark and the HPC's benchmark hearings is available on the [HPC's website](#). Specifically, the HPC's annual cost trends reports, which analyze trends in health care across the Commonwealth, are available [here](#). Materials and video from the annual cost trends hearings can be found [here](#). CHIA's annual reports on the performance of the Massachusetts health care system through 2018 are located on [CHIA's website](#).

Endnotes

- 1 Chapter 224 of the Acts of 2012, An act improving the quality of health care and reducing costs through increased transparency, efficiency and innovation (approved August 6, 2012) Available from: <https://malegislature.gov/Laws/SessionLaws/Acts/2012/Chapter224>.