OVERVIEW

In 2012, the Massachusetts legislature enacted a landmark health care cost containment law, Chapter 224 of the Acts of 2012, 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
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.

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