

HEARING TO DETERMINE THE 2024

HEALTH CARE COST GROWTH BENCHMARK

**CENTER FOR HEALTH INFORMATION AND ANALYSIS (CHIA) ANNUAL REPORT
ON THE PERFORMANCE OF THE MASSACHUSETTS HEALTH CARE SYSTEM**

Lauren Peters, Executive Director, CHIA

Erin Bonney, Director of Health Informatics and Reporting, CHIA

Liz Almanzor, Director of Provider Finance, CHIA

Performance of the Massachusetts Health Care System

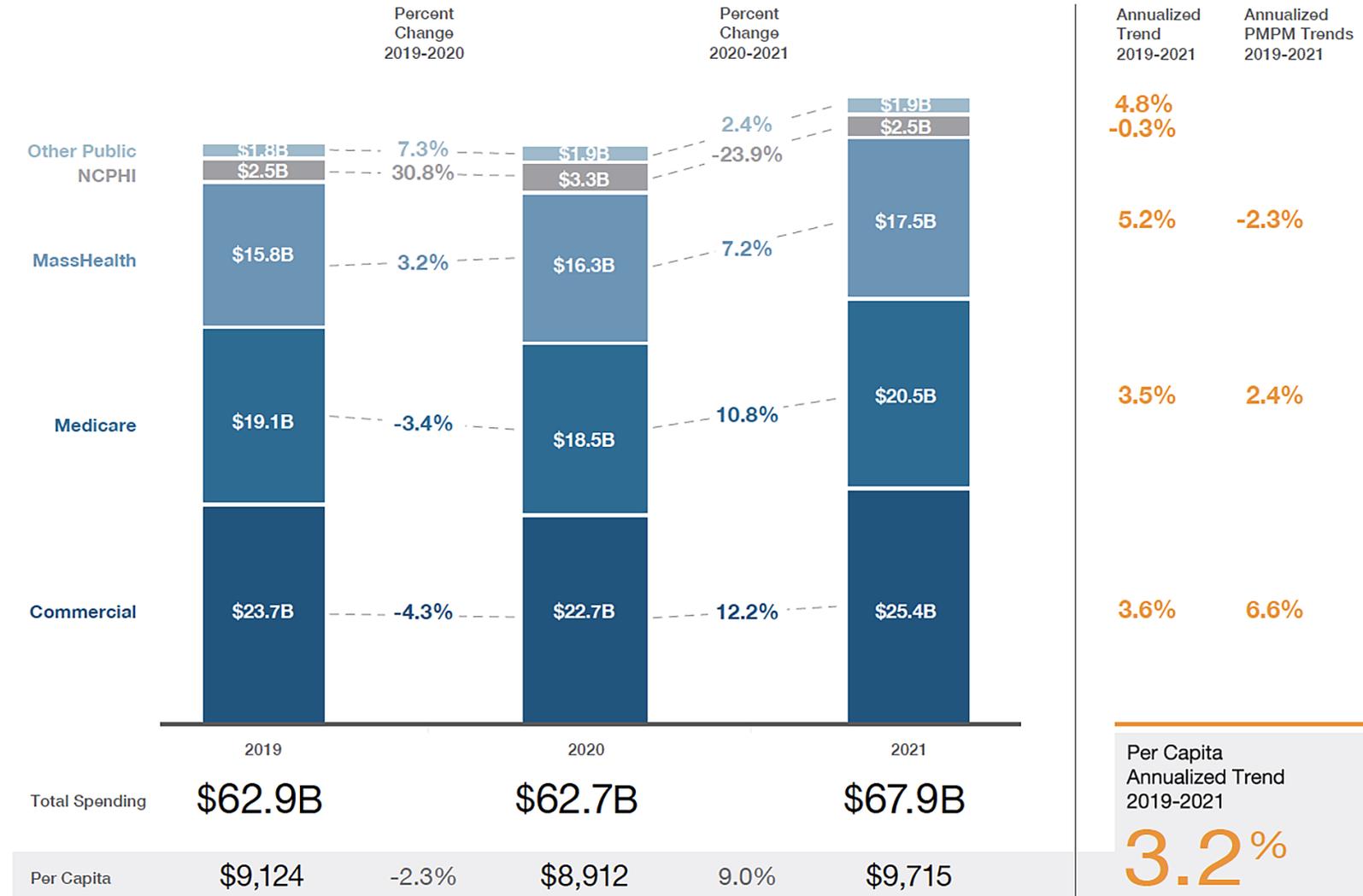
Annual Report
March 2023

Background

- The Center for Health Information and Analysis (CHIA) is an independent state agency with a broad mission to provide reliable and timely information about the Massachusetts health care system.
- CHIA's [Annual Report on the Performance of the Massachusetts Health Care System](#) is published each year and includes data on health care cost, coverage, and quality trends, reported to CHIA by health plans, health care providers, and state agency partners.
- The report also includes the calculation of Massachusetts Total Health Care Expenditures (THCE) and the Commonwealth's [performance relative to the health care cost growth benchmark](#), which supports the accountability processes initiated by this hearing.
- Given the significant impacts of the pandemic on the health care system, CHIA calculated THCE and analyzed other relevant metrics on an annualized basis over the three-year period of 2019 to 2021.

Total Health Care Expenditures

Components of Total Health Care Expenditures, 2019-2021



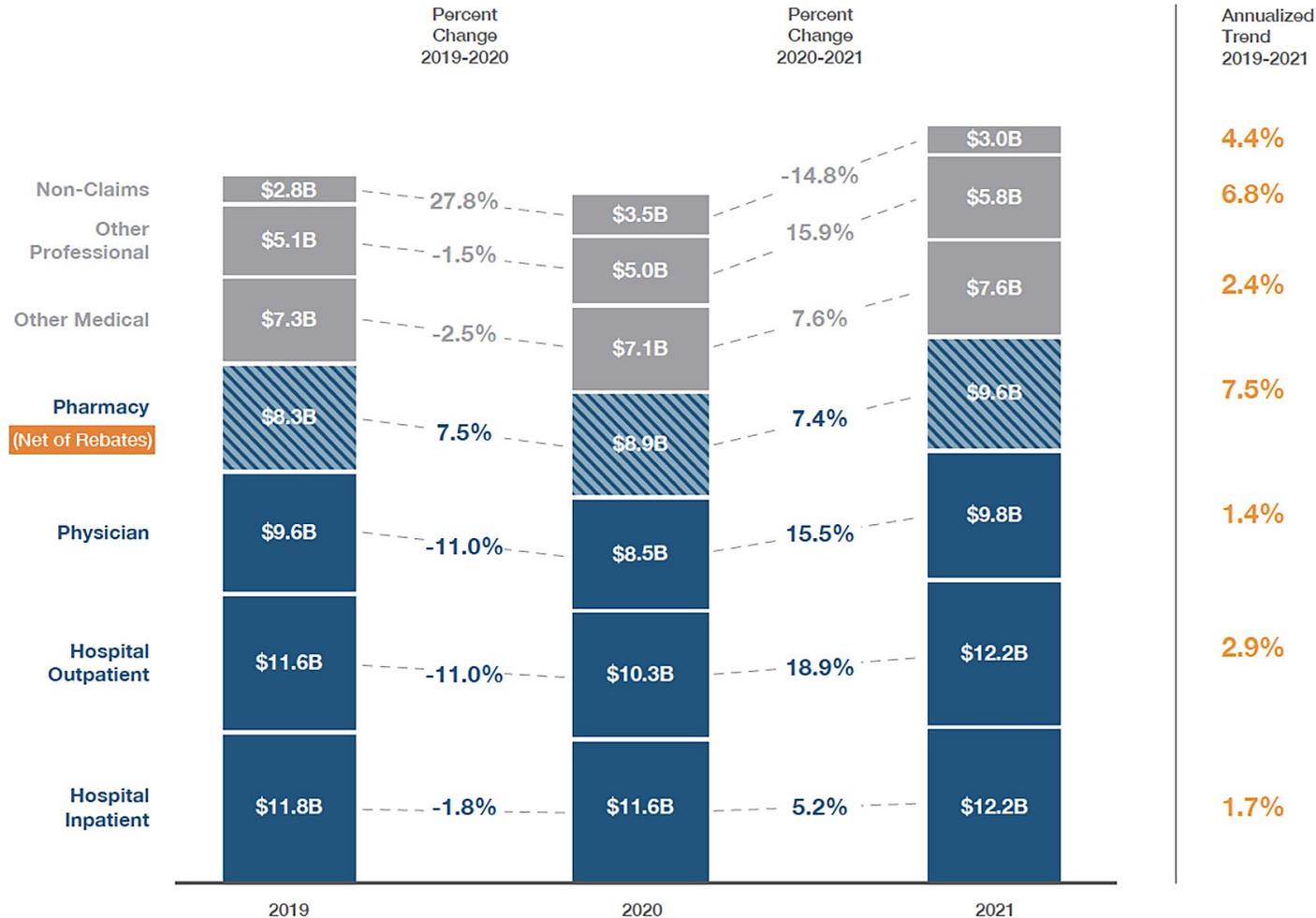
From 2019, THCE per resident increased at an annualized rate of 3.2% to a per capita spending level of \$9,715 in 2021.

Note: THCE does not include federal funding for public health activities, nor any COVID-19 relief funds distributed from the federal government directly to hospitals and health systems in 2020 and 2021. THCE does include COVID-19 relief payments distributed by MassHealth.

Total Health Care Expenditures

Spending by Service Category: 2019-2021

Net of Prescription Drug Rebates

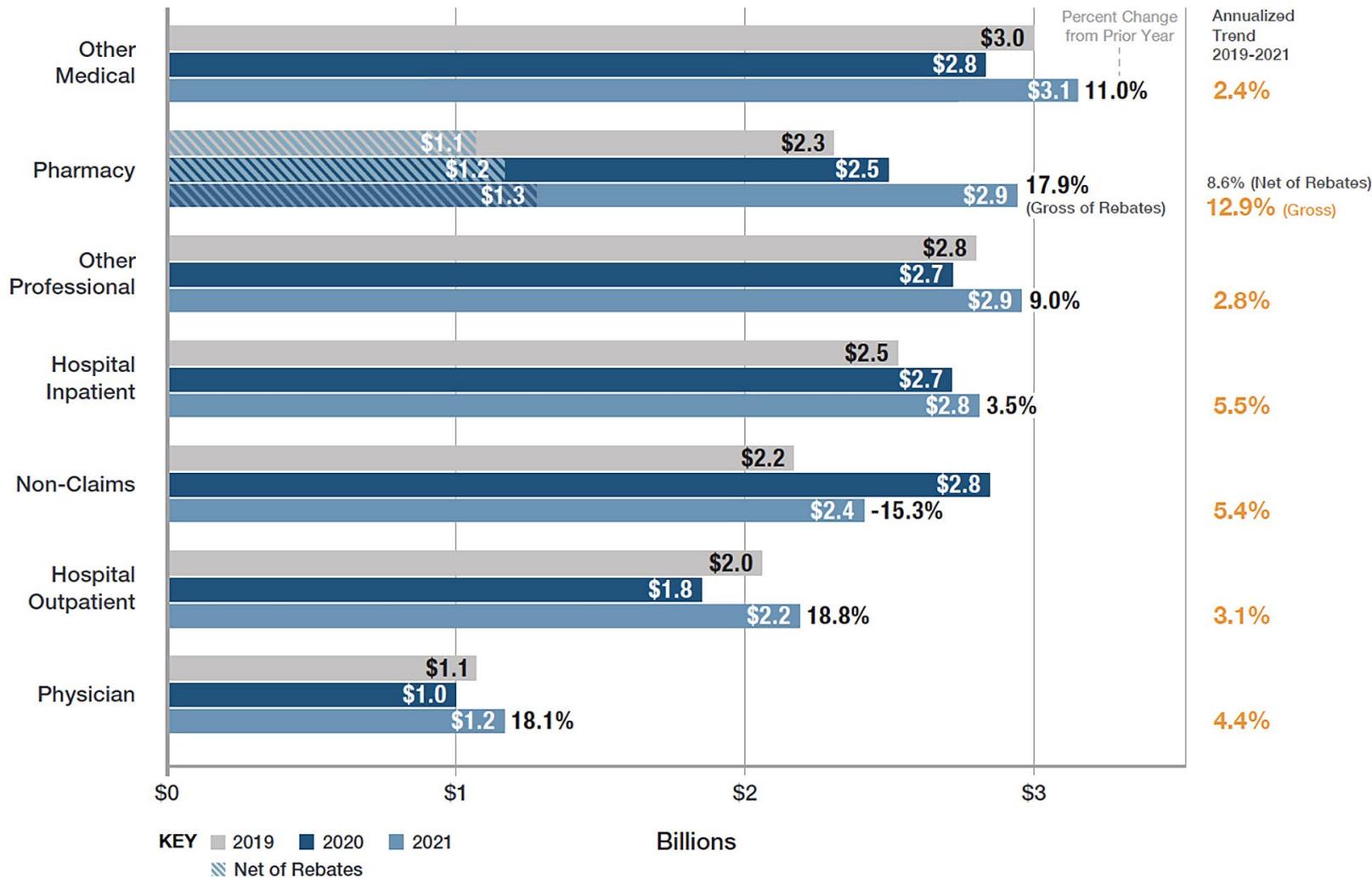


Spending increased in all claims-based service categories in 2021.

KEY ■ Four largest service categories

MassHealth

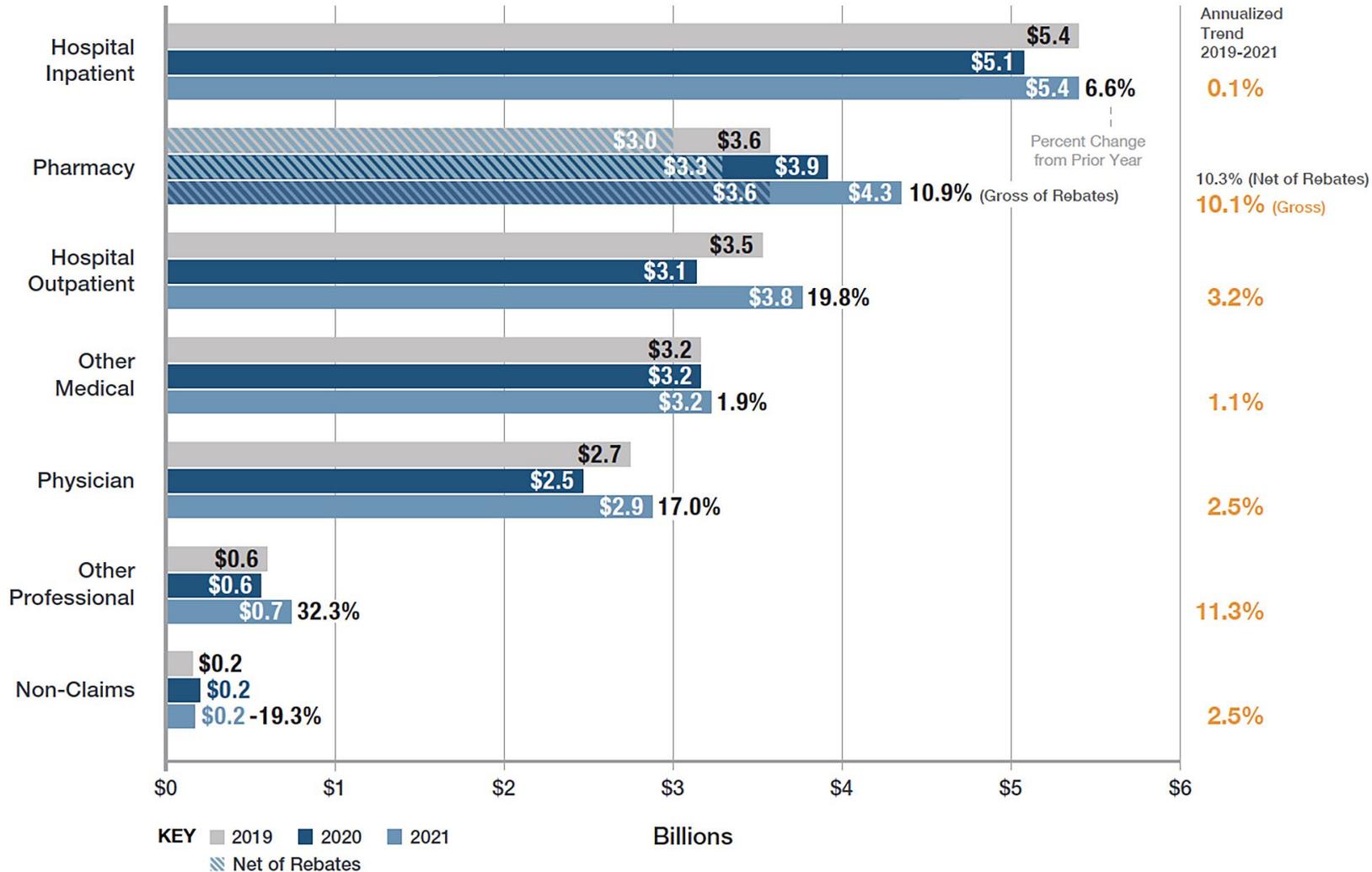
Spending by Service Category, 2019-2021



Spending for home health and long-term care services (“Other Medical”) was the largest MassHealth service category, increasing at an annualized rate of 2.4% from 2019 to 2021.

Medicare

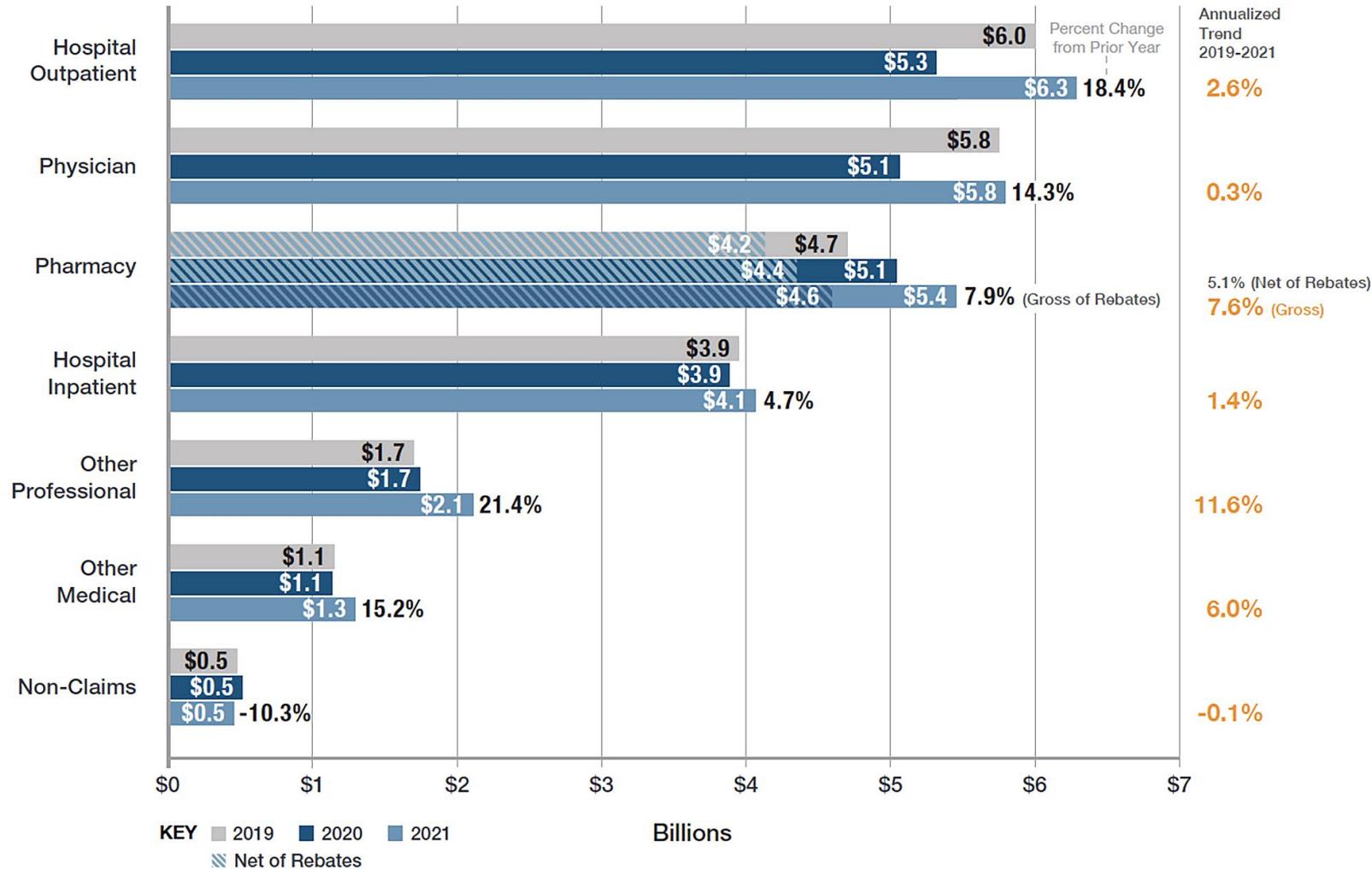
Spending by Service Category, 2019-2021



Hospital inpatient spending was the largest Medicare service category, as 2021 spending returned to 2019 levels.

Commercial

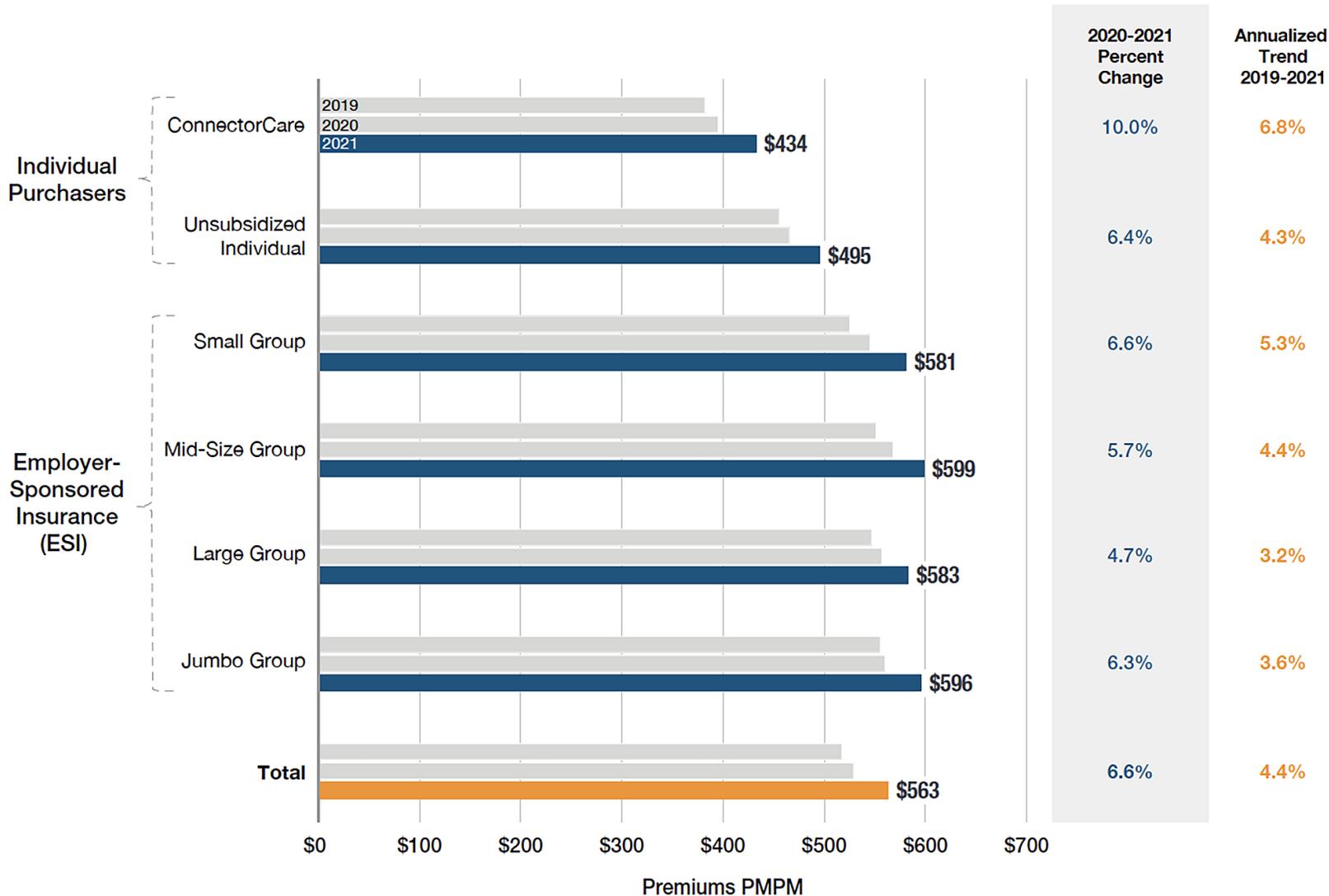
Spending by Service Category, 2019-2021



Hospital outpatient and physician spending were the largest contributors to increases in spending in 2021, after being the largest contributors to spending declines in 2020.

Private Commercial Premiums

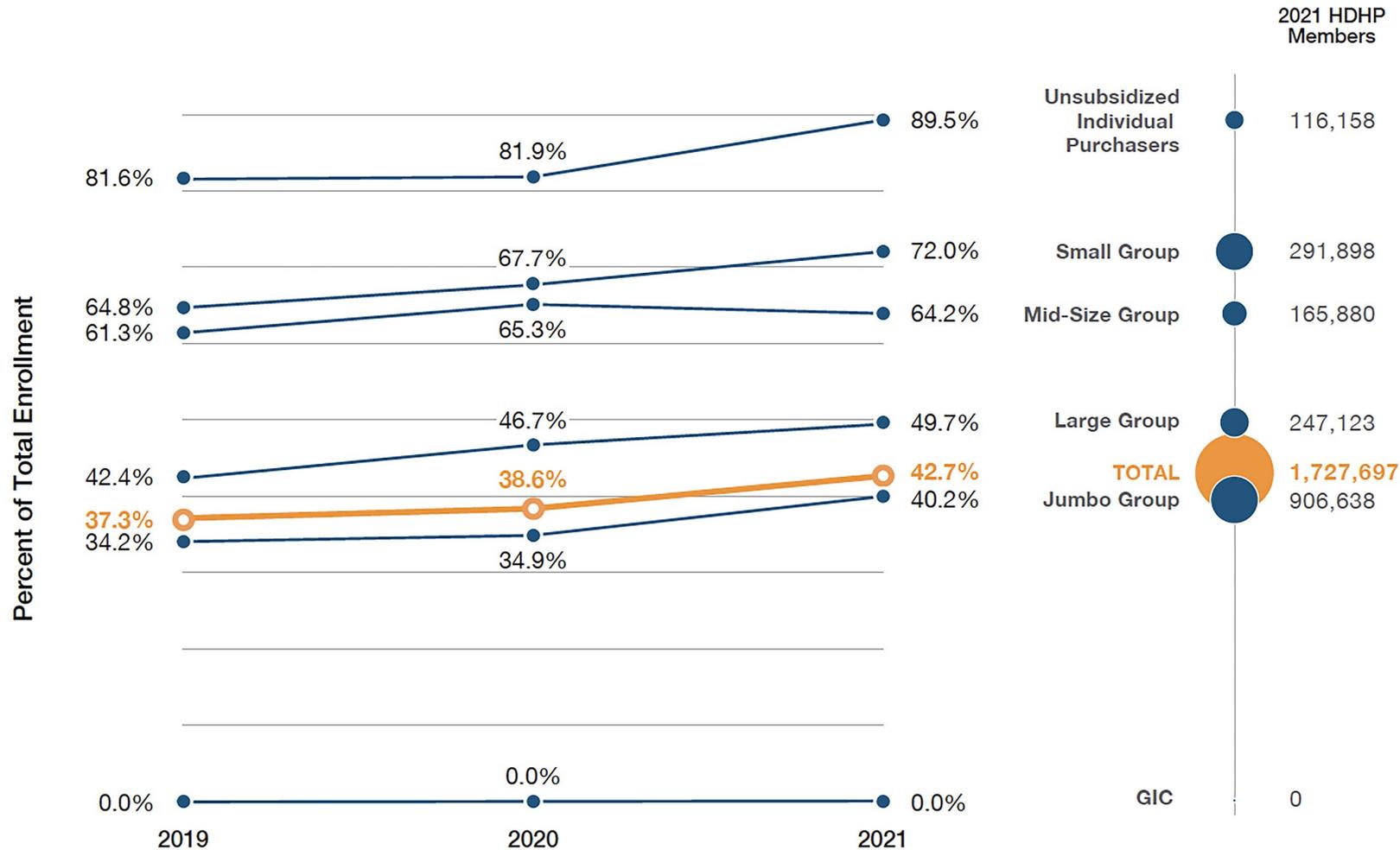
Fully-Insured Premiums by Market Sector, 2019-2021



Fully-insured premiums increased by 4.4% on an annualized basis from 2019 to 2021, reflecting an increase of 6.6% from 2020 to 2021.

High Deductible Health Plan Enrollment

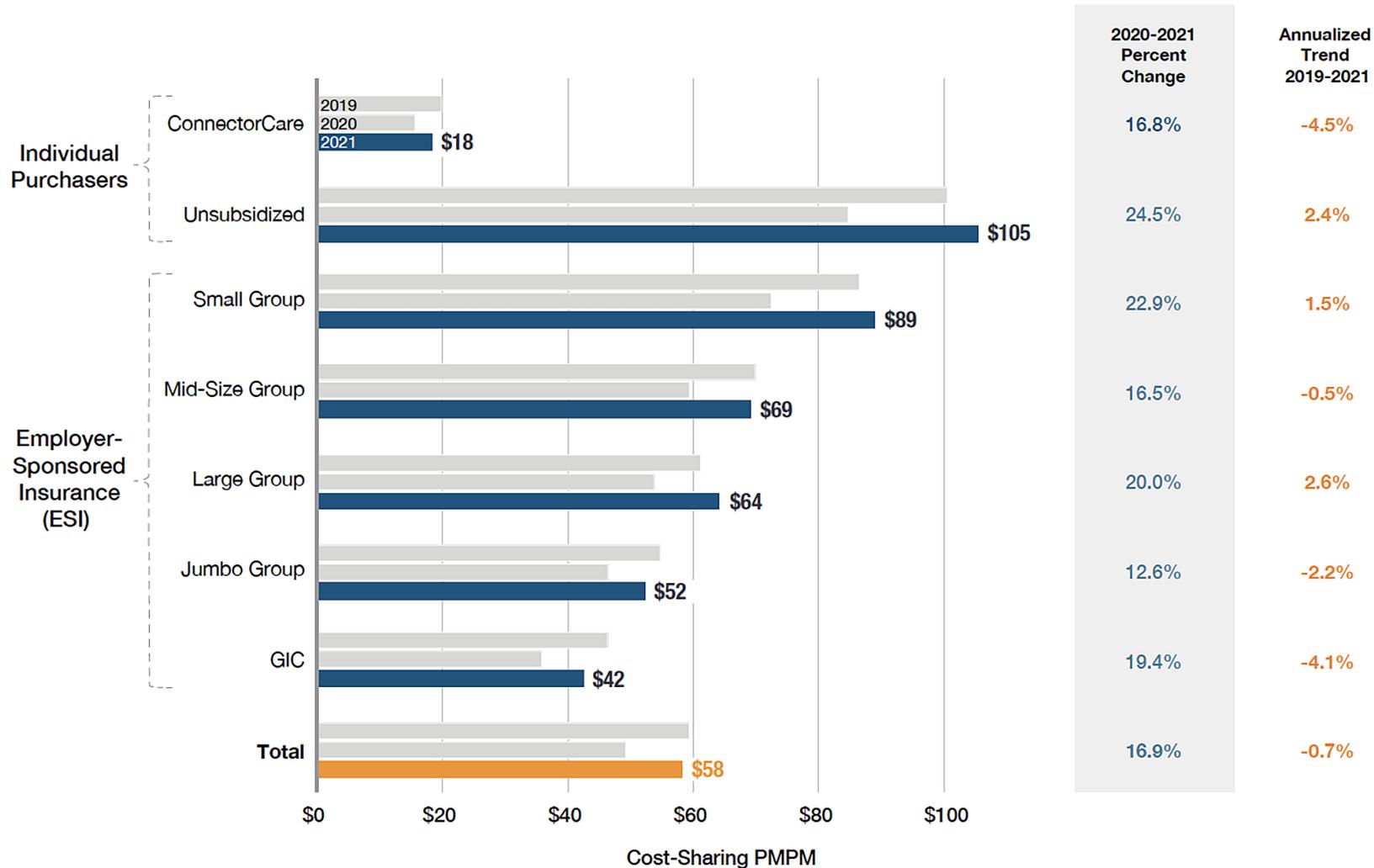
By Market Sector, 2019-2021



In 2021, HDHP enrollment increased from 38.6% to 42.7% of the private commercial market, increasing faster than the previous year and continuing a long-term growth trend.

Private Commercial Member Cost-Sharing

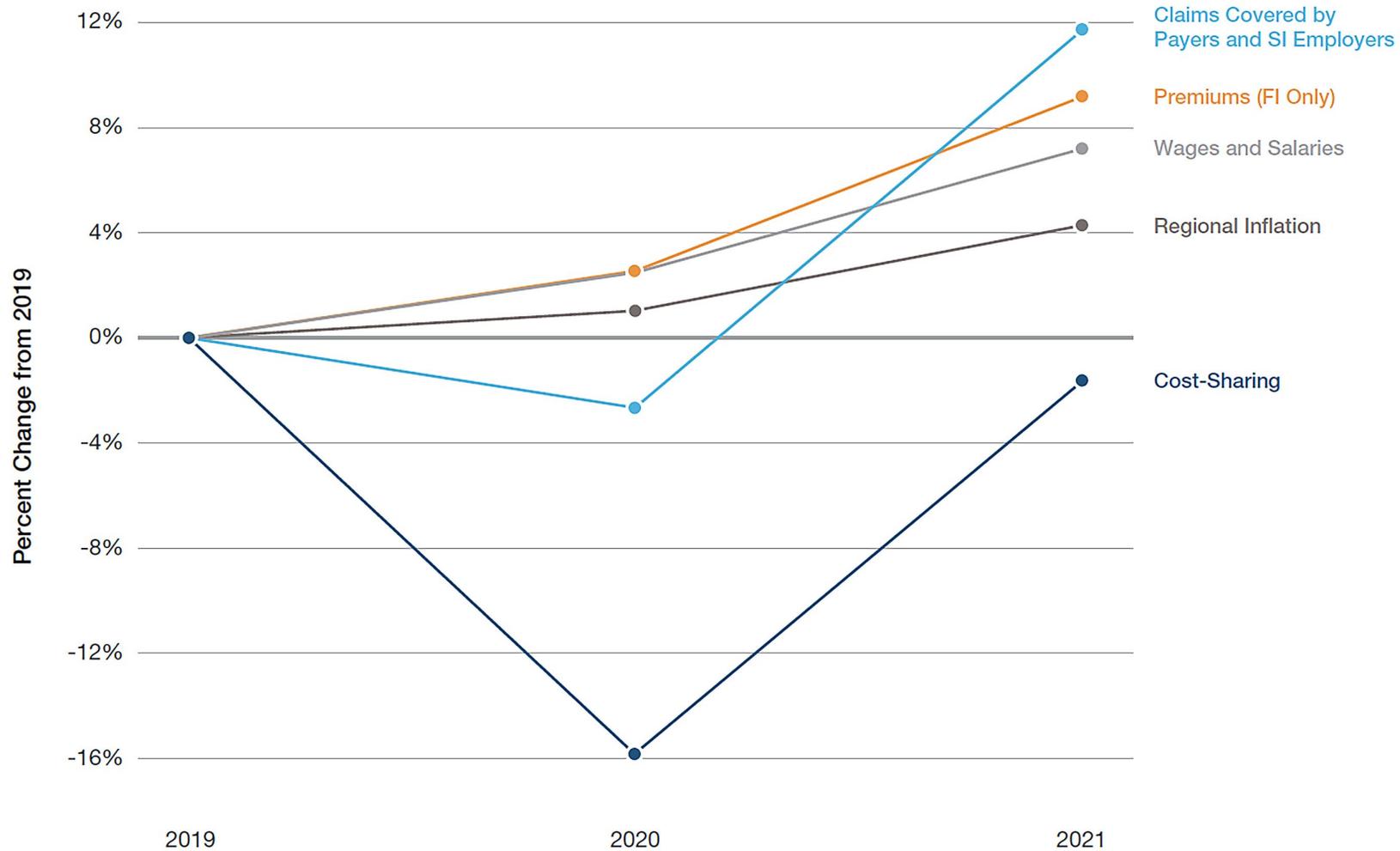
Cost-Sharing by Market Sector, 2019-2021



From 2019 to 2021, total member cost-sharing levels and trends fluctuated, driven in part by COVID-19-related policies that suspended cost-sharing for certain services.

Private Commercial Affordability

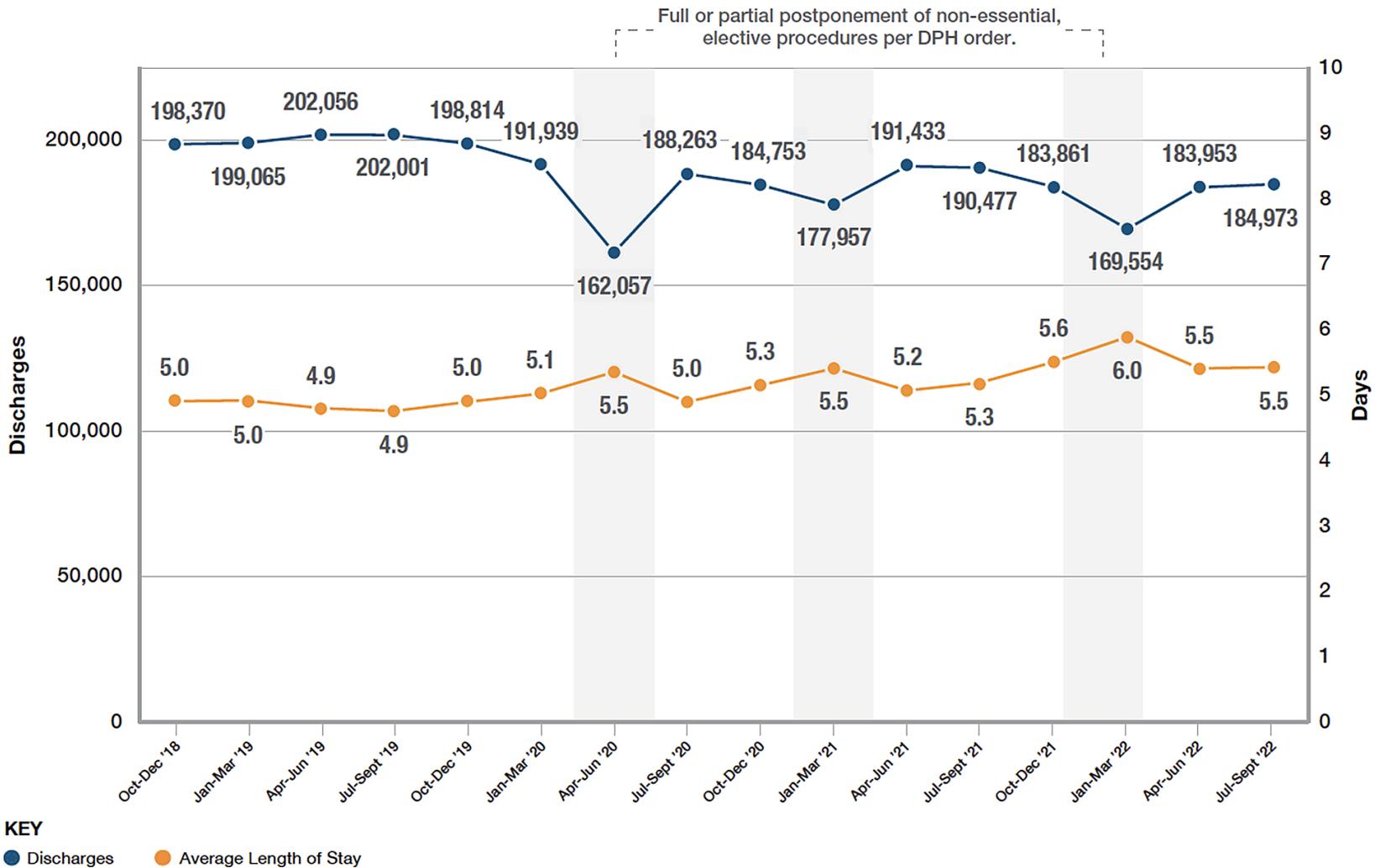
2019-2021



Between 2019 and 2021, premiums increased at a faster annual rate than both wages and salaries and regional inflation. At the same time, claims covered by insurers and self-insured employers grew faster than premiums.

Total Acute Care Hospital Inpatient Discharges

October 2018 to September 2022



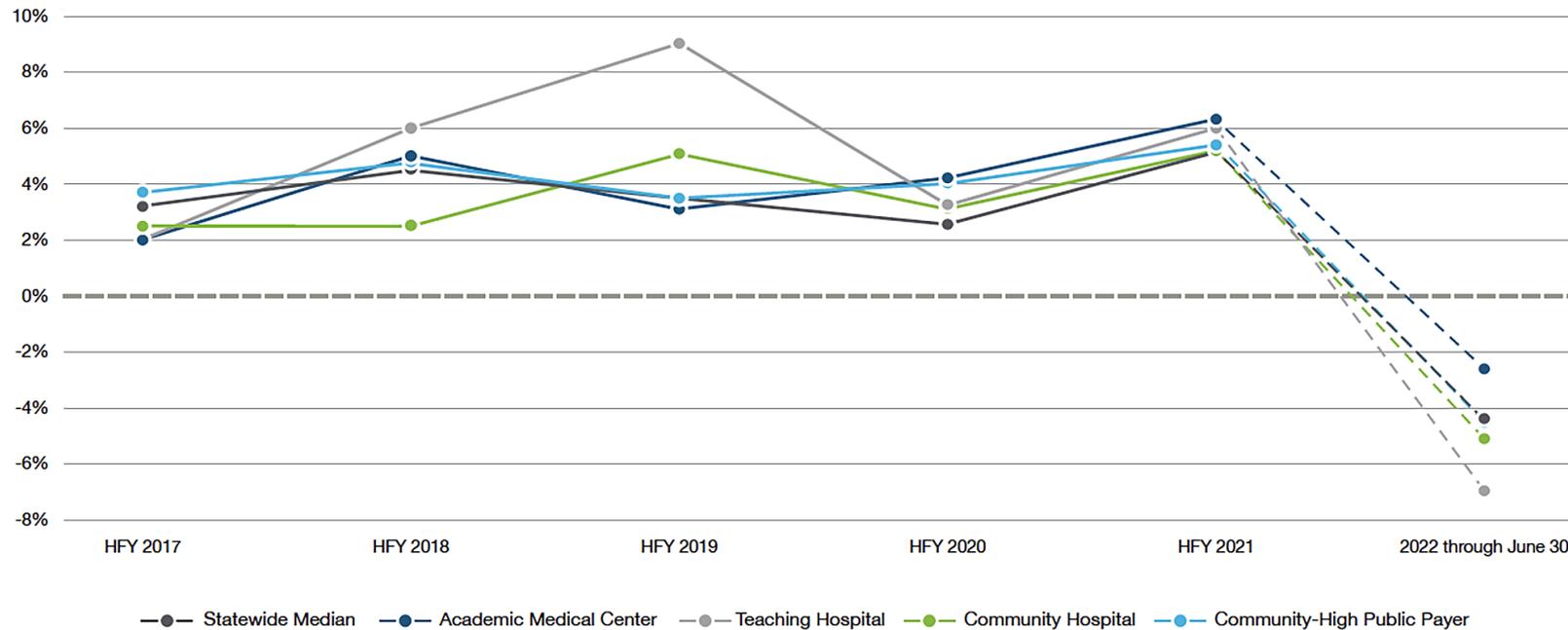
Between 2018 and 2022, overall inpatient discharge volume decreased while the average length of stay increased.

KEY

- Discharges
- Average Length of Stay

Total Margin Trends

By Hospital Cohort

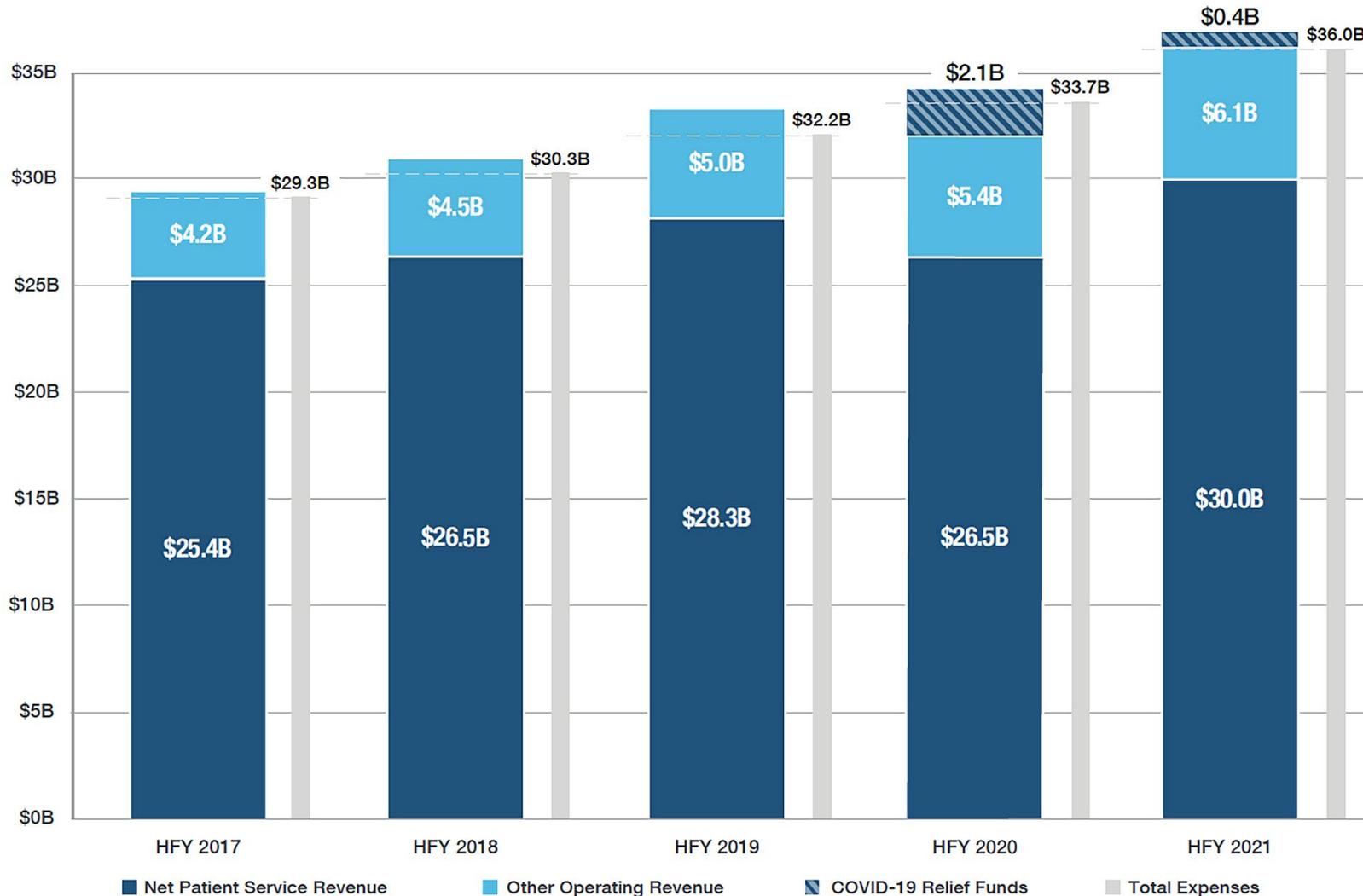


The median acute hospital total margin in HFY 2021 was 5.2%, an increase from the prior fiscal year. All hospital cohorts reported negative median total margins in HFY 2022 through June 30, 2022.

Note: The total and operating margins include federal and state COVID-19 relief funding reported as operating revenue.

	HFY 2017	HFY 2018	HFY 2019	HFY 2020	HFY 2021	June 30, 2022
Statewide Median	3.2%	4.5%	3.5%	2.6%	5.2%	-4.4%
Academic Medical Center	2.0%	5.0%	3.1%	4.2%	6.3%	-2.6%
Teaching Hospital	2.0%	6.0%	9.0%	3.2%	6.0%	-7.0%
Community Hospital	2.5%	2.5%	5.1%	3.1%	5.2%	-5.1%
Community-High Public Payer	3.7%	4.8%	3.5%	4.0%	5.4%	-4.5%

Hospital Operating Revenue and Expense Trends



Aggregate Net Patient Service Revenue returned to pre-pandemic levels in HFY 2021. Aggregate expenses totaled \$36B in HFY 2021, an increase of 7.1% from the prior fiscal year.

Note: The total and operating margins include federal and state COVID-19 relief funding reported as operating revenue.

New Analyses

Additional Analysis Included in 2023 Report

Behavioral Health

- Overview of behavioral health care trends in Massachusetts, including capacity, utilization, and spending for mental health and substance use disorder services
- Spending on behavioral health services in 2021 ranged from **1.9%** of total health care spending (Medicare Advantage) to **15.9%** (MassHealth MCO/ACO-A); **6.6%** of spending for private commercial members was for behavioral health services

Telehealth

- Health plans reported total payments to providers for services delivered via telehealth, growing from 0.01% of spending in 2019 to **3.7%** in 2021
- The majority of telehealth spending was for services provided by non-physician professionals, such as nurse practitioners, physical therapists, and behavioral health providers

COVID-19

- Health plans reported spending for key service categories related to COVID-19, related to testing, treatment, and vaccine administration
- These service categories accounting for **4.8%** of total spending for commercially-administered plans

Recent and Upcoming Reporting from CHIA

Enrollment Trends

- Interactive dashboard overviewing health insurance enrollment by payer type, market sector, and payer from September 2020 through September 2022
- Available at <https://www.chiamass.gov/enrollment-in-health-insurance/>

Hospital and Health System Financial Performance

- Quarterly report on data through December 2022
- Forthcoming in March 2023

Health Equity

- Equity Brief: Massachusetts Foreign-born Residents, Particularly Non-citizens, Are Less Likely to Have Continuous Health Insurance Coverage
- Forthcoming in March 2023