Introduction to the Health Policy Commission and the Path to Affordability in Massachusetts

January 9, 2024
THE MASSACHUSETTS HEALTH POLICY COMMISSION

Health Care Spending and Pricing Trends

Care Delivery Transformation

HPC 2023 Policy Recommendations
Imperative for Action: Over the past 20 years in Massachusetts, the growth in health care premiums has far exceeded the growth in household income and general inflation. The cost of an average annual family premium plan now exceeds $25,000.
In 2012, Massachusetts became the first state to establish a target for sustainable health care spending growth.

**CHAPTER 224 OF THE ACTS OF 2012**

An Act **Improving the Quality** of Health Care and **Reducing Costs** through Increased **Transparency**, **Efficiency**, and **Innovation**.

**GOAL**

Reduce total health care spending growth to meet the **Health Care Cost Growth Benchmark**, which is set by the HPC and tied to the state’s overall economic growth.

**VISION**

A transparent and innovative healthcare system that is accountable for producing **better health** and **better care** at a **lower cost** for all the people of the Commonwealth.
The work of the HPC is overseen by an 11-member Board of Commissioners who are appointed by the Governor, Attorney General, and State Auditor.

**GOVERNOR**
Maura Healey
- Chair with expertise in health care delivery
- Primary care physician
- Expertise in health plan administration and finance
- Secretary of Administration and Finance
- Secretary of Health and Human Services

**ATTORNEY GENERAL**
Andrea Campbell
- Expertise as a health economist
- Expertise in behavioral health
- Expertise in health care consumer advocacy

**STATE AUDITOR**
Diana DiZoglio
- Expertise in innovative medicine
- Expertise in representing the health care workforce
- Expertise as a purchaser of health insurance

**HEALTH POLICY COMMISSION BOARD**
Deborah Devaux, Chair

**EXECUTIVE DIRECTOR**
David Seltz

**ADVISORY COUNCIL**
Sets a **prospective target** for controlling the growth of total health care expenditures across all payers (public and private) and is tied to the state’s long-term economic growth rate.

The health care cost growth benchmark is **not a cap on spending or provider-specific prices**, but is a measurable goal for restraining excessive health care spending growth and **advancing health care affordability**.

To promote accountability for meeting the state’s benchmark target, the HPC can require health care providers and health plans to implement **Performance Improvement Plans** and submit to public monitoring.

A PIP of an individual provider or health plan is only required following a **retrospective, comprehensive, and multi-factor review** of the entity’s performance by the HPC, including evaluating cost drivers outside of the entity’s control and the entity’s market position, among other factors.

**TOTAL HEALTH CARE EXPENDITURES**

**Definition:** Annual per capita sum of all health care expenditures in the Commonwealth from public and private sources

**Includes:**
- All categories of medical expenses and all non-claims related payments to providers
- All patient cost-sharing amounts, such as deductibles and copayments
- Administrative cost of private health insurance
The Health Policy Commission’s Mission and Goal

The HPC’s mission is to advance a more transparent, accountable, and equitable health care system through its independent policy leadership and innovative investment programs. The HPC’s overall goal is better health and better care – at a lower cost – for all residents across the Commonwealth.
Eight states have now established statewide health care cost growth targets, cumulatively representing one in five residents in the U.S.
The HPC employs four core strategies to realize its vision of better care, better health, and lower costs for all people of the Commonwealth.

- **RESEARCH AND REPORT**: Investigate, analyze, and report trends and insights.
- **WATCHDOG**: Monitor and intervene when necessary to assure market performance.
- **PARTNER**: Engage with individuals, groups, and organizations to achieve mutual goals.
- **CONVENE**: Bring together stakeholder community to influence their actions on a topic or problem.
The Massachusetts Health Policy Commission

HEALTH CARE SPENDING AND PRICING TRENDS

Care Delivery Transformation

HPC 2023 Policy Recommendations
Total health care spending growth in Massachusetts was above the benchmark, on average, from 2017 – 2021.

Source: Massachusetts Health Policy Commission 2023 Annual Cost Trends Report
Commercial spending growth was substantially above the benchmark and the U.S. average from 2019 – 2021.

Annual growth in per capita commercial health care spending, Massachusetts and the U.S., 2006-2021. Data for 2020 and 2021 represent average annual growth from 2019-2021. Other data points represent growth from the previous year to the year shown.

Notes: Massachusetts data include full-claims members only. Commercial spending is net of prescription drug rebates and excludes net cost of private health insurance.
Premiums have continued to grow, even as costs have shifted to patients in the form of higher deductibles. 43% of privately insured had high deductible plans in 2021.


Notes: High deductible defined as individual deductibles greater than $1,400 in 2020 and 2021 and $1,350 in 2019.
After years of growth, the average cost of insurance for a family in Massachusetts reached $26,000 in 2022.

NATIONALLY, PREMIUMS ROSE AN ADDITIONAL 7% IN 2023

Family health insurance premiums in Massachusetts have increased 202% since 2000 while the price of a new compact car increased 9%.

Average Massachusetts family health insurance premium (employer and employee contribution combined) and national cost of a new compact car, 2000-2021

Many residents face premiums and deductibles much higher than these averages. 10% of residents had premiums over $31,000 and/or deductibles over $7,000.

Where does the $26,000 in average family health care costs come from?

**Notes:** Cost sharing amount based on data on cost sharing relative to premium payments in 2021 from CHIA Annual Report, 2023. Source: Agency for Healthcare Research and Quality: Medical Expenditure Panel Survey-Insurance Component and Center for Health Information and Analysis, Annual Report, 2023.
Where does the $26,000 in average family health care costs go?

Notes: Prescription drug spending is net of rebates. Figures are based on breakdown of 2021 commercial spending applied to 2022 premium and out of pocket spending. Professional fees associated with care provided in hospitals or other facilities is included in the “Physicians” or “Other professionals” categories.

Source: Total Medical Expenditures data obtained from the Center for Health Information and Analysis, CHIA Annual Report on the performance of the Massachusetts health care system, 2023.
Added to other basic costs of living, health care costs at this level require sacrifices in other areas of life for many Massachusetts families.

Notes: The average employer premium contribution is added back to income. Health insurance premiums include employer portion. Family of 4 includes a 4 year old, an 8 year old, and two adults. Costs are for a family in the Boston metro area.

Nearly 50% of all Massachusetts adults report delaying or skipping necessary care due to cost; affordability burdens are even higher for BIPOC populations.

Percent of Massachusetts adults who reported the following outcomes based on survey of 1,158 Massachusetts adults, May 2021

46% of Massachusetts adults delayed or skipped care due to cost, including:
- Skipped needed dental care (27%)
- Delayed going to the doctor or having a procedure done (25%)
- Cut pills in half, skipped doses of medicine, or did not fill a prescription (22%)

Almost 10% of adults reported that due to the cost of medical bills, they:
- Were unable to pay for basic necessities like food, heat, or housing
- Used up all or most of their savings
- Were contacted by a collection agency

3 in 4 Massachusetts residents are worried about affording health care in the future.

Source: Altarum Healthcare Value Hub, Data Brief 97, September 2021, “Massachusetts Residents Struggle to Afford High Healthcare Costs; Worry About Affording Care, Leading to Support for Government Actions to Address High Healthcare Costs”. Data based on survey of 1,158 Massachusetts adults conducted in May 2021.
Reducing excessive health care spending is essential to achieving an affordable, equitable, and accessible health care system for all residents of Massachusetts.

These trends are unsustainable for government, employers (particularly small businesses), and residents.

- The current trajectory of commercial spending growth will continue to erode take-home pay, increase avoidance of care, worsen health outcomes, and will require more and more residents to choose between health care and other basic needs.

Limiting the future growth of health care spending will require identifying areas where spending growth can be moderated without harming access to and quality of care, particularly as policymakers and the HPC have identified the need for investments in primary care, behavioral health care, health equity, the health care workforce, and in under-resourced providers.
Price growth accelerated in 2021 and accounts for the majority of commercial spending growth.

Annual percentage increase in aggregate prices by setting, 2018-2021

Notes: Only procedure codes that were billed from 2018 through 2021 were included (thus, COVID-related services are excluded). HOPD and office price growth includes both facility and professional spending. Price growth is computed at the level of a procedure code encounter. Procedure code encounters are defined as the same person, same date of service, and the same procedure code to capture the potential for both facility and professional claims billed on the same day for the same service based on the setting. The inpatient stay price growth reflects change in payment for inpatient stay divided by APR-DRG weight (case-mix adjusted). Payment growth for inpatient stays include all services provided during the hospital stay. Procedures codes with fewer than 20 services or $1,000 in aggregate spending during the period were excluded. Percent changes were weighted by the most contemporary aggregate spending for each procedure code (e.g., 2019 for the 2018-19 period).

Price variation is very high even for commodity-like basic services

Total cost of a fixed laboratory services market basket, including cost-sharing, among Massachusetts providers in 2021

Notes: The index represents the cost of the same 50 lab services in each hospital or provider shown, weighted by total statewide spending on each lab in 2019 and using the average price of each lab for each provider in 2021. Providers with fewer than 20 service encounters for any individual procedure code have imputed values (statewide mean price) for that procedure code and are not included if more than 20 procedure codes would need to be imputed.

Sources: HPC analysis of the Center for Health Information and Analysis (CHIA) All-Payer Claims Database, 2019-2021, V 2021. Data for 5 large payers were included in the analysis; HPC analysis of information from the Centers for Medicare and Medicaid Services, Clinical Laboratory Fee Schedule (2021).
47% of imaging services performed in 2021 in HOPD settings were paid in excess of 200% of Medicare’s HOPD price.

Percentage of imaging services paid at shown ranges relative to what Medicare would pay a HOPD, by setting of care, 2021

- Imaging services make up approximately 5.5% of commercial health care spending.
- 47% of imaging services performed in HOPDs were paid more than 200% of Medicare’s HOPD price, as were 11% of imaging services performed in an office setting.
- 22.5% of all imaging spending was above 200% of Medicare’s HOPD price.

Note: Includes encounters for all Medicare covered imaging services. Benchmarks are applied at the level of a procedure code, and reflect the Medicare Physician Fee Schedule professional component and facility payment from the Outpatient Prospective Payment System (OPPS). For services where there is no corresponding OPPS payment (e.g., mammography), the global MPFS payment amount (which corresponds to the entire payment for relevant professional and technical components of an when delivered in an office setting) was applied. Percentages are calculated as the aggregate utilization in each bin divided by total utilization for each care setting.

Sources: HPC analysis of the Center for Health Information and Analysis (CHIA) All-Payer Claims Database, 2021, V 2021; HPC analysis of information from the Centers for Medicare and Medicaid Services, Medicare Physician Fee Schedule (2021)
Overall, 27% of spending in the following categories was found to be excessive due to high prices. This excessive spending amounted to $3.0 billion in 2021.

Estimated excessive spending using example benchmark for seven service categories, 2021

<table>
<thead>
<tr>
<th>Service category</th>
<th>Modeled spending (millions), 2021</th>
<th>Price benchmark</th>
<th>% of spending over the price benchmark</th>
<th>Excessive spending ($, millions)</th>
<th>Excessive spending (% of TME)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Labs</td>
<td>$970M</td>
<td>200% of Medicare</td>
<td>22.9%</td>
<td>$220M</td>
<td>0.9%</td>
</tr>
<tr>
<td>Specialty Services</td>
<td>$620</td>
<td>200% of Medicare (Office)</td>
<td>35.4%</td>
<td>$220</td>
<td>0.9%</td>
</tr>
<tr>
<td>Imaging</td>
<td>$1,380</td>
<td>200% of Medicare – HOPD</td>
<td>18.8%</td>
<td>$260</td>
<td>1.0%</td>
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<tr>
<td>Endoscopy/Colonoscopy</td>
<td>$340</td>
<td>200% of Medicare</td>
<td>4.4%</td>
<td>$10</td>
<td>0.06%</td>
</tr>
<tr>
<td>Inpatient Stays</td>
<td>$3,620</td>
<td>200% of MassHealth</td>
<td>10.7%</td>
<td>$390</td>
<td>1.4%</td>
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<tr>
<td>Clinician-Administered drugs</td>
<td>$650</td>
<td>200% of Medicare</td>
<td>5.8%</td>
<td>$40</td>
<td>0.2%</td>
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<tr>
<td>Prescription Drugs</td>
<td>$3,580</td>
<td>120% of international prices</td>
<td>51.9%</td>
<td>$1,860</td>
<td>7.5%</td>
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<tr>
<td>Total</td>
<td>$11,150</td>
<td>(45% of TME)</td>
<td>26.9%</td>
<td>$3,000</td>
<td>12.0%</td>
</tr>
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Notes: *To calculate total excessive spending, the HPC used the more conservative imaging benchmark, 200% of Medicare – HOPD.
Average commercial prices (gross) for branded prescription drugs increased 15% in 2021 to over $1,000 per prescription, with 6% of prescriptions exceeding $5,000.

The price of generic drugs has remained stable, with average spending of $30 per prescription in 2017 and $31 in 2021.

Notes: Claims with implausible spending and cost-sharing values were excluded. COVID-19 vaccines were excluded from analysis in 2021.
Sources: HPC analysis of the Center for Health Information and Analysis (CHIA) All-Payer Claims database, 2017-2021. Data for 4 large payers were included in the analysis.
Massachusetts had the 4th highest rate of avoidable Medicare hospitalizations in 2021.

Annual avoidable hospital admissions per 1,000 FFS Medicare beneficiaries in 2021 among beneficiaries age 65+, by state

Avoidable hospitalizations are those for certain chronic conditions (diabetes, COPD, asthma, hypertension, CHF, dehydration, bacterial pneumonia, UTI, and lower extremity amputation) that could have been prevented or treated outside of an inpatient hospital setting.

Notes: Data includes only beneficiaries enrolled in Medicare fee-for-service (FFS) aged 65+ and combine admissions for the following ambulatory care-sensitive conditions: diabetes, chronic obstructive pulmonary disease (COPD), asthma, hypertension, congestive heart failure (CHF), dehydration, bacterial pneumonia, urinary tract infection (UTI), and lower extremity amputation.

Sources: HPC analysis of the Center for Medicare and Medicaid Services Geographic Variation Public Use file, 2021.
Massachusetts had the 5th highest 30-day Medicare readmission rate.

Notes: Represents the share of inpatient readmissions within thirty days of a reference acute hospital stay (within same calendar year). Hospitalization data is based on 100% of Medicare fee-for-service (FFS) claims.

Sources: HPC analysis of CMS Medicare Geographic Variation Public Use File, by National, State, and County, 2021.
Accounting for age and health status, Massachusetts’ Medicare population had 20% (67,000) more hospital stays than expected in 2021, the highest excess rate among all states.

This excess of observed minus expected hospitalizations amounts to roughly 9% of all hospital stays (among all payers) in Massachusetts in 2021.

Notes: Bars represent the percentage difference between observed and expected inpatient hospitalization rates. Hospitalization data is based on 100% of Medicare fee-for-service (FFS) claims. Expected rates were created adjusting for differences in the elderly population across states, including age, Medicare advantage uptake, disability, activity limitations and health status.
Across all payers, Massachusetts had the highest rate of hospital admissions from the emergency department of all states analyzed in 2019.

Notes: Represents the share of discharges originating in an ED that were ultimately admitted to an inpatient unit. Data are for all ages and payers. Not all states report data to HCUP and not all reporting states include data in both settings. States without 12 months of data in the year were excluded. This resulted in 35 states with an ED admission rate.

Sources: HPC analysis of AHRQ HCUP Inpatient and Emergency Department Summary Trend Tables, 2019.
Primary care commercial spending grew much more slowly than total spending, declining as a proportion of total spending to 8.1% in 2021.

Commercial medical spending by category per member per year, 2017-2021

Primary care declined as a percentage of all commercial spending from 9.1% in 2017 to 8.1% in 2021.

Notes: Analysis restricted to members under 65 and those with prescription drug coverage. Prescription drug spending is not included in “Other medical services”. Sources: HPC analysis of Center for Health Information and Analysis All-Payer Claims Database, V2021, 2017-2021. Numbers on this slide are updated from the original 6/7 presentation.
Even a modest reduction in growth of commercial spending would lead to significant savings for Massachusetts families.

If Massachusetts health care spending grew 3.6% annually from 2024 to 2030, versus the current trajectory of 5.8%:

- Total commercial spending on health care would be reduced by $23.2 billion
- 14% lower family premiums and out of pocket spending ($35,300 vs. $40,900) *in 2030
- $12,840 more in take-home pay per worker *2024-2030
- $2,107 Saved in out of pocket spending *2024-2030

Less care avoided due to cost
Fewer financial harms

Premium data based on the Medical Expenditure Panel Survey – Insurance component and data from the Massachusetts Center for Health Information and Analysis on out of pocket spending. Calculations assume a 30% family marginal tax rate and that reductions in premium spending are reflected as increases in employee wages that face federal and state taxes. Total enrollment in commercial insurance is from CHIA’s enrollment trends data.
The Massachusetts Health Policy Commission
Health Care Spending and Pricing Trends

CARE DELIVERY TRANSFORMATION

HPC 2023 Policy Recommendations
Why the HPC Invests in Innovative Health Care Programs

RESPOND TO PRESSING HEALTH CARE CHALLENGES
Since its inception, the HPC has leveraged investment programs to address emerging issues in health care such as the opioid epidemic, maternal health inequities, and upstream social determinants of health.

TEST PROMISING INTERVENTIONS THAT SUPPORT ACCESS TO HEALTH CARE
The HPC designs programs from an existing evidence base and incorporates novel solutions to determine whether and how programs improve care and quality at a lower cost.

FACILITATE COMMUNITY PARTNERSHIP WITH HEALTH CARE PROVIDERS AND HEALTH SYSTEMS
The HPC intentionally incorporates community engagement in its programs to ensure they best meet the needs of the people they’re designed to serve.
Investing in Health Care Transformation and Innovation

**Health Care Innovation Investment (HCII)**
*Launched 2016*
Created innovative models to deliver better health and better care at a lower cost through three pathways: Targeted Cost Containment, Telemedicine, and Neonatal Abstinence Syndrome.

**Moving Massachusetts Upstream (MassUP)**
*Launched 2019*
Funds upstream initiatives that improve health, lower costs, and reduce health inequities across communities through effective collaboration among government, health care systems, and community organizations.

**Birth Equity and Support through the Inclusion of Doula Expertise (BESIDE)**
*Launched 2021*
Aims to address inequities in maternal health outcomes and improve the care and patient experience of Black birthing people by increasing access to and use of doula services.

**Community Hospitalization and Revitalization, and Transformation (CHART)**
*Launched 2015*
Invested in community hospitals to enhance the delivery of efficient, high-quality care.

**SHIFT-Care Challenge**
*Launched 2018*
Supported sustainable, transformative care models seeking to reduce avoidable acute care utilization across two pathways: Health-related Social Needs, Behavioral Health.

**Cost-Effective, Coordinated Care for Caregivers and Substance Exposed Newborns (C4SEN)**
*Launched 2021*
Supports efforts to improve quality of care of substance-exposed newborns and their caregivers and contribute to the collective knowledge about clinical and operational best practices for supporting SEN and caregivers through the postpartum period.
MassUP Investment Program Overview: Addressing Social Determinants of Health

- Supports partnerships between **health care provider organizations** and **community organizations** that work to address upstream challenges to community health and health equity.

- $2.5 million total in awards from HPC Payment Reform and DPH Prevention and Wellness Trust Funds.

- 36-month program:
  - Launched September 2020 with 6-month Planning Period
  - 30-month Implementation Period ends August 31, 2023

- Administered by the HPC; evaluation and technical assistance/peer learning support provided in collaboration with Department of Public Health (DPH)

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<tr>
<th>PARTNERSHIP</th>
<th>COMMUNITY</th>
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<tr>
<td>Hampshire County Food Policy Council</td>
<td>Hampshire County</td>
<td>Food Systems and Security</td>
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<tr>
<td>HEAL Winchendon – Economic Empowerment</td>
<td>Town of Winchendon</td>
<td>Economic Stability and Mobility</td>
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<tr>
<td>Cross-City Coalition</td>
<td>Cities of Chelsea, Revere</td>
<td>Economic Stability and Mobility</td>
</tr>
<tr>
<td>Springfield EATS</td>
<td>Springfield neighborhoods</td>
<td>Food Systems and Security</td>
</tr>
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PROGRAM GOALS

• Increase the number of Black birthing people offered the opportunity to work with doulas
• Improve the quality of prenatal, labor and delivery, and postpartum care
• Support a culture of understanding and respect between doulas and hospital staff
• Embed principles of racial equity and cultural humility

A TWO-YEAR PILOT PROGRAM TO REDUCE PREGNANCY-RELATED DEATHS AND IMPROVE PREGNANCY OUTCOMES

Legislative allocation of $500K. Funds that are not directed specifically to awardees through the BESIDE investment program will be used to support other related activities that advance those goals.

TWO HOSPITAL Awardees

• Boston Medical Center
• Baystate Medical Center

~$392K, 21 IMPLEMENTATION MONTHS

The HPC awarded two grants up to $200K; 5-8 months of Planning Period, 21 months of Implementation, 6 months of Evaluation

BESIDE Investment Program Overview
Updates on BESIDE Awardee Initiatives

Baystate Medical Center

- Working in partnership with Springfield Family Doulas
- Met its patient enrollment target early with nearly one year still left in the grant period. With additional funds from the HPC, they have increased their enrollment target from 30 to 50 birthing people.
- Baystate’s Department of OB/GYN Racial Disparities and Health Equity Committee continues to meet to promote health equity and address racial disparities within the OB/GYN department at Baystate.

Boston Medical Center

- Expanding the Birth Sisters program
- Formed a new advisory committee of doulas, midwives, clinicians, and OB/GYN leadership to address bias in labor and delivery.
- Administered a survey to the doulas of the Birth Sisters program to better understand the challenges and needs of the doula workforce.
- In response, making adjustments to pay structure, case-load assignments, and staff support to improve the doula experience.

37 BESIDE Babies Delivered

“We are taught to be strong and resilient as Black women, but I can let her know ‘it’s ok to ask for help; it’s ok for you [to] not be able to handle this; it’s ok to need support; you are doing a good job.’ I think that I can say all of that because their struggles have been my struggles. We form a trusted bond. This is the essence of our work.”

– BESIDE Doula
The Massachusetts Health Policy Commission

Health Care Spending and Pricing Trends

Care delivery transformation

HPC 2023 POLICY RECOMMENDATIONS
The HPC’s 2023 Policy Recommendations reflect a comprehensive approach to reduce health care cost growth, promote affordability, and advance equity.
Policy Recommendations

Modernize the Commonwealth’s Benchmark Framework to Prioritize Health Care Affordability and Equity For All.

Constrain Excessive Provider Prices.

Enhance Oversight of Pharmaceutical Spending.

Make Health Plans Accountable For Affordability.

Advance Health Equity For All.

Reduce Administrative Complexity.

Strengthen Tools to Monitor the Provider Market and Align the Supply and Distribution of Services With Community Need.

Support and Invest in the Commonwealth’s Health Care Workforce.

Strengthen Primary and Behavioral Health Care.
HPC Summer Fellowship Program

2023 Summer Fellow Projects Included:

- Developing an equity strategy framework for Learning and Dissemination (L+D) to promote more accessible and inclusive outputs for current and future investment programs.
- Researching the impact of private equity in the health care sector, including a review of oversight efforts in Massachusetts and nationally.
- Planning and facilitating a health equity after action review with HPC investment program staff, and creating a technical assistance resource guide for investment program awardees.
- Analyzing shifts in trends related to vaccination site administration subsequent to the COVID-19 pandemic.

2024 Program

- Ten-week program from June 3 – August 16
- Paid opportunity for up to twelve graduate students
- Applicants must be enrolled full-time in a Master’s, PhD, law, or medical program
- Apply by Monday, January 22nd

bit.ly/24FellowApply

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HPC DataPoints, Issue 25-
Not Throwing Away My Shot:
Shifts in Where People Get Flu Vaccines in MA
Questions?

David Seltz
Executive Director
David.Seltz@mass.gov

mass.gov/HPC
@Mass_HPC
tinyurl.com/hpc-linkedini
tinyurl.com/hpc-video