



MASSACHUSETTS MEDICAL SOCIETY

Every physician matters, each patient counts.

COMMENTS ON THE 2022 HEALTH CARE COST GROWTH BENCHMARK BEFORE THE HEALTH POLICY COMMISSION MARCH 16, 2022

The Massachusetts Medical Society is a professional association of over 25,000 physicians, physicians-in-training, and medical students across all clinical disciplines, organizations, and practice settings. The Medical Society is committed to advocating on behalf of patients, to provide them with a health care system that will best suit their needs, and on behalf of physicians, to help them deliver care of the highest quality and greatest value. The Medical Society appreciates this opportunity to provide comment to the Health Policy Commission and the Joint Committee on Health Care Financing as they deliberate a potential modification of the state's health care cost growth benchmark. The Medical Society joins HPC in the commitment to a high value health care system that is accessible and affordable to all patients in the Commonwealth.

While we recognize that the health care landscape has shifted dramatically over the past couple years due to COVID-19, and while we remain devoted to providing the best care possible to all our patients, we find it critical to the success of health care in the Commonwealth that cost growth metrics adapt to the purposes for which they were implemented. Although physician expenses have never been a major driver of health care costs and physician services are largely cost-effective, practices are experiencing considerable cost escalation, and the spending data for this year and next year will likely reflect these higher physician costs. Accordingly, the benchmark must be utilized as a generalized metric and remain at reasonable rates so as to appreciate the externalities that so significantly affect year-over-year rates of growth. It must contemplate the challenges faced by areas of health care that have an existential need to exceed the benchmark, such as smaller medical practices, primary care, behavioral health, and long-term care. In particular, it should consider the continued struggle with unprecedented workforce challenges coupled with the historic rate of inflation, which have contributed to increased costs and impacted physician practices that are struggling to achieve sustainable margins. The health care workforce strives to remain competitive and equitable in offering compensation and benefits, increasing the costs of labor. Although employment is within four percent of pre-pandemic levels, professional staff wages in physician offices have increased approximately nine percent in that time. Operating expenses are also increasing in the face of inflation and new COVID-19 protocols, including the tremendous expenditures associated with developing technological and staff telehealth capabilities that support patient access to virtual and socially distanced care.

Moreover, the exceptional decline in spending in 2020 will no doubt lead to anomalous growth in 2021, as the system reels to address overwhelming backlogs in care, increasing acuity in patient health, and increased demand for care. It is necessary that the growth associated with these factors is not considered solely within the confines of the benchmark, which is incapable of assessing the real time challenges facing the health care system. Reducing cost is only value added if the quality of health and access to health care are not negatively impacted by economic measures merely in order to satisfy a benchmark. In our collective endeavor toward a health care system that is accessible and affordable to patients in Massachusetts, we urge the HPC to utilize even greater discretion in evaluating costs now, during this period of unprecedented challenge and instability, and well into the future as the health care industry takes time to stabilize once again.

This discretion must extend beyond looking solely at the cost growth benchmark, which, alone as a metric for performance, lags behind the reality of day-to-day needs of health care providers and their patients. The benchmark is inherently incapable of capturing and accounting for the true dynamics of a variable and ever-evolving health care system. The year-over-year evaluation of cost growth is an oversimplified metric for a complex and intricate industry. While in normal times health care expenditures can be quite variable for many health care entities, when fluctuations coincide with surges in COVID-19, utilization and spending are dramatically amplified in a systemic fashion. As such, many health care professionals and entities have experienced drastic shifts in capital aimed at addressing the challenges posed by COVID. Data from 2020 showed a dramatic decrease in utilization and spending, which will necessarily lead to disproportionate rates of growth that are not reflective of an entity's value to the health of those in the communities they serve but which are instead substantially influenced by external factors outside the control of the entity. While the Medical Society strongly supports HPC's commitment to striving for a high-value care system, we urge a more broad-based, longitudinal approach to health care cost evaluation rather than a narrowly focused reliance on the benchmark and year-over-year cost growth. Such an approach, which could look at multi-year averages of growth, would allow for necessary growth of smaller entities whose resources need to be invested where they can help practices and patients, specifically those who are most impacted by higher health care costs.

CHIA's 2022 Annual Report provides a prime example of why the cost growth benchmark needs to be reconsidered. The report showed total health care expenditures decreased by 2.4% from 2019 to 2020, with decreased spending across all major service categories except for pharmacy expenditures. Although total health care expenditure growth satisfied the benchmark, it is clear that the Commonwealth experienced many critical health care challenges that have impacted the health of the population and of the health care system as can be seen, in part, by the continued rise in prices and premium costs alongside the decrease in quality scores for the screening and prevention category. This rise in prices has been felt most significantly by patients with high out-of-pocket financial responsibility, including individuals enrolled in high deductible health plans. As premiums continued to rise, so too did enrollment in these plans, which require enrollees to shoulder a greater burden of medical expenses, which often led to the deferral of appropriate medical care or the foregoing of payment for other necessary expenses. According to the report overall cost decreases largely resulted from significant decreases in utilization of services due to limited access to care, either from patient resistance or state-mandated restrictions on non-essential procedures. Although the benchmark is a useful guidepost, it must observe the sustainability of medical practice as an indicator of the health of the system as a whole.

The HPC benchmark maintains an aggressive goal of intentional cost containment below even prevailing rates of health care inflation. With wider latitude in setting the new benchmark this year, the HPC must take into account the historic level of inflation we are currently experiencing. Additionally, in attempting to satisfy the cost growth benchmark, the Medical Society hopes that our state will continue to emphasize the importance of eliminating waste and promoting high-value care while attending to the main drivers of cost growth. Furthermore, we believe it important that relative cost savings are ultimately passed on to our patients, who should be the primary beneficiaries of cost containment efforts. In years past, the health care system has seen cost growth under the benchmark accompanied by rising out-of-pocket expenditures. This disconnect epitomizes the struggle of measuring cost growth success by a single metric and limits the implications of the benchmark.

In advocating for cost containment alongside health equity, we must recognize that rising health care costs have a disproportionate impact. In order to promote equity, we must make allowances for intentional investment above the benchmark that seeks to address inequity through the support of practices that provide care to historically underserved populations. Health care trends are best evaluated over longer periods of time, as the markets take time to adapt to change, whether that be change in regulation, legislation, or the needs of patients. This past year was a continued example of the volatility of the system on a macro level;

however, many health care professionals and entities experience similar variability as a component of their smaller or growing practices. Accordingly, it is vital for the health of such practices, and the health of the Commonwealth's health care system, and for those it serves, to account for necessary investment in entities that will stave off consolidation, leading to greater competition that will promote more affordable pricing and more accessible health care. To that end, the Commonwealth must continue to expand support of those most vulnerable and impacted by high costs while investigating ways to help medical practices that are experiencing patient care backlogs and workforce shortages as well as other impacts related to inflation and supply shortages. Evolving our use and understanding of the utility of the benchmark is only one step toward that effort.

The Medical Society appreciates this opportunity to offer comment and looks forward to continuing to work with the Health Policy Commission and the Joint Committee on Health Care Financing toward advancing equity in the delivery of accessible, high-value health care to all patients in Massachusetts.