COMMENTS ON THE 2026 HEALTH CARE COST GROWTH BENCHMARK
BEFORE THE HEALTH POLICY COMMISSION
MARCH 14, 2025

The Massachusetts Medical Society is a professional association of over 24,000 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 the HPC in its commitment to a high value health care system that is accessible and affordable to all patients in the Commonwealth.

As anticipated, CHIA's 2025 Annual Report detailed increases in health care expenditures in 2023 predicated largely on pharmacy spending and new MassHealth supplemental payments. The 8.6% per capita increase in the Total Health Care Expenditure (THCE) must be understood in the context of lingering effects from the COVID-19 pandemic, including MassHealth's commencement of eligibility redeterminations, which led to shifts in enrollment and spending, as well as the implementation of new MassHealth performance-based incentive programs and provider closures. While the impact of the COVID-19 pandemic and other time-limited events have directly affected spending, we must recognize longstanding trends identified in the Report, specifically regarding pharmacy spending, which continues to be the greatest driver of cost growth. MMS supported and appreciates the action the legislature took last session to improve affordability of prescription drugs for patients and increase oversight of the pharmaceutical industry, including pharmacy benefit managers (PBMs). We look forward to evaluating how these changes may help curb pharmacy spending growth in the future and alleviate affordability challenges for patients. We further applaud the legislature for taking steps in the new market oversight law to center the affordability of high-quality care in our efforts to improve our health care system. Directing the Division of Insurance to consider affordability in its review of insurance rates recognizes the goal of our shared efforts is not simply to reduce costs, but rather to create an equitable health care system that is accountable for producing better health and better care at a more affordable cost for all the people of the Commonwealth.

At this time, we do not believe the benchmark formula and process established in Chapter 224, which calls for a year-over-year assessment of health care costs, sufficiently captures the complex challenges facing today's health care market. Instead, we believe a longitudinal approach to evaluating health care costs would provide a more effective measure. This approach was effectively deployed in CHIA's 2023 report, which provided a cost analysis on an annualized basis over the three-year period of 2019 to 2021, in recognition of the extraordinary impact of the COVID-19 pandemic and the ensuing market volatility, which demonstrably impacted spending data. Health care trends are best evaluated over longer periods of time, enabling analysis to account for unanticipated market forces that take time to adapt to change. An expanded analysis offers a far more meaningful metric for understanding longitudinal trends providing a better-informed, contextualized cost trend measure and as such, we encourage continuing this broader approach.

While the Medical Society strongly supports HPC's commitment to fostering a high-value care system, we also believe the Commonwealth's approach to cost containment must evolve. The Legislature has recently given serious consideration to amending the cost growth benchmark

formula and process. Both the House of Representatives and the Senate proposed longer cost growth benchmark cycles in their respective versions of the health care market oversight bills last year, with the House adopting a three-year benchmark cycle and the Senate adopting a two-year cycle. While the final law did not extend the cost growth benchmark cycle, we believe the debate and consideration of such a change is instructive. The rigidity of the current benchmark formula and retrospective approach does not adequately incorporate real time financial challenges facing the health care system, which are necessary to set a realistic benchmark that appropriately account for these economic factors— such as labor costs, inflation, and the fiscal impact of evolving federal policies and actions — along with patient needs that impact the overall cost of the system. Notably, the House proposal called for an annual adjustment factor that would consider specific economic and market factors, including, but not limited to medical inflation, labor and workforce development costs, the introduction of new pharmaceuticals, medical devices and other health technologies, as well as the historical growth rate in the Commonwealth's gross state product. Adding such an adjustment factor could help better tailor the benchmark with current economic and market conditions.

Looking at the 2023 data, physician expenses experienced a modest increase, continuing the trend of being largely cost-effective, and remaining well below the benchmark for spending growth. However, certain areas of health care continue to face enormous cost pressures and have an existential need to exceed the benchmark. CHIA's Report highlights the burden of soaring labor costs in health care, along with broader economic pressures throughout other market segments. From 2021-2023, food expenditures in New England grew 26% and housing expenditures grew 19%. Regional inflation in the same period was 11%, while wages and salaries in Massachusetts grew by 9.7%. For smaller medical practices, primary care, behavioral health, and long-term care, maintaining a competitive and equitable health care workforce requires increased compensation and benefits, which raises the costs of labor. As reflected in the CHIA Report, operating practice expenses are also increasing due to inflation and shifts in health care delivery. It is crucial that the growth associated with these factors is not considered solely within the confines of the current benchmark formula.

The spending assessment must account for affordability, equity, and the investments required to realize these fundamental goals. We appreciate the flexibility that is inherent in HPC's approach to assessing individual entities spending against the benchmark. With the passage of the market oversight law that will see an expansion of our Registered Provider Organization program that will include new provider entities that may have predominantly public payor patient panels, it remains essential that HPC utilize this discretion to apply a more nuanced analysis of necessary growth of smaller, less-resourced entities. These entities should not be penalized for making necessary, equity-driven investments. Indeed, to promote equity, we must make allowances for intentional investments – potentially exceeding the benchmark – that seek to address health care inequities and disparities, particularly through supporting practices that provide care to historically underserved and marginalized populations. We should not discourage investments meant to improve access to care. The Commonwealth is currently in a primary care crisis. A recent HPC report[1] revealed that primary care spending in Massachusetts is shrinking, in 2017 it accounted for 8% of all medical spending, but by 2022 it had dropped to 7.5%. While Massachusetts has the most physicians per capita in the U.S., it ranks but 5th lowest for the share of primary care providers offering direct patient care. Additionally, nearly half of physicians working in an office setting, common for primary care providers, are 55 years or older.

[1] A Dire Diagnosis: The Declining Health of Primary Care in Massachusetts and the Urgent Need for Action, January 2025, Massachusetts Health Policy Commission.

The impact on patients is clear: a 2023 CHIA patient survey[2] found a staggering 41% of respondents had difficulties accessing care, either struggling to secure appointments or being turned away by physicians with full patient panels who were not accepting new patients. It is critically important for the Commonwealth to increase investment in primary and change how we pay for and value preventive, longitudinal patient-centered care. Over time, increasing investment in primary care will improve health outcomes and reduce overall spending by improving preventive medicine, better managing chronic illness, enhancing care coordination, and reducing hospitalizations and emergency department visits. There is no single policy answer to the primary care shortage; it is a complex challenge requiring multiple policy interventions. The Medical Society applauds the creation of the newly appointed State Primary Care Task Force as an important step in developing clear recommendations on how we can increase the number of physicians we are training, rethink investment in and payment for primary care, and make the practice of medicine easier and more fulfilling.

While the Medical Society is eager to see recommendations by the Primary Task Force, there are clear immediate steps the Commonwealth can take to eliminate waste and promote high value care while attending to the main drivers of cost growth. We strongly support HPC's prioritization of reducing administrative burdens, which we view as an impediment to quality care delivery and an unnecessary driver of cost. Administrative tasks – such as processing prior authorizations – increase costs and place additional strain chronically short-staffed physician practices, contributing to alarming levels of physician burnout. A survey of Medical Society members on physician wellbeing showed that 55% of respondents are experiencing symptoms of burnout; about one in four physicians have already reduced their clinical care hours; and about one in five physicians plan to leave medicine within the next two years. These concerning figures presage more challenges ahead for an already strained health care system. Respondents consistently identified the current prior authorization process as a particularly burdensome and inefficient system. While prior authorization has a role as a utilization management tool, its application has proliferated far beyond its initial value of controlling spending for novel or high-cost drugs and treatments. Instead, it has permeated all areas of evidence-based clinical practice, creating unnecessary barriers to care for patients and adding undue burden and waste to the health care system.

In our collective endeavor toward a health care system that is accessible and affordable to patients in Massachusetts, it would be prudent to revisit the benchmark formula to ensure that it is advancing us toward our shared goals. In setting a benchmark for 2026, we urge the HPC to utilize their statutory discretion to recommend an adjustment to the benchmark that takes into consideration both the current economic challenges facing the health care system and the evolving federal landscape.

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.

[2] 2023 Massachusetts Health Insurance Survey, June 2024, Center for Health Information and Analysis