



## What Health Care Experts Are Saying...

...about what's behind rapidly rising Massachusetts health care costs.

In *Massachusetts Health Care Cost Trends 2010 Final Report* (April 2010), the Massachusetts Division of Health Care Finance and Policy wrote:

- Health care costs are growing at an unsustainable rate. Cost containment efforts should focus primarily on mitigating the growth in medical expenses ... Price increases, due to both higher negotiated rates and care moving to higher cost settings, account for the majority of the growth in health care costs. (pages 2-3).

In its *Investigation of Health Care Cost Trends and Cost Drivers. Preliminary Report* (January 29 2010), the Office of Attorney General Martha Coakley stated:

- Data from two large health plans show that price increases are responsible for roughly three quarters of the total health care cost increases in the commercial health care marketplace over the past three to four years (page 16).

In its report to Massachusetts policymakers, *Controlling Health Care Spending in Massachusetts: An Analysis of Options* (August 2009), the RAND Corporation stated:

- Generally, premiums are determined by three factors: expected health spending for a given group of individuals, the actuarial value of the plan, and a load factor that captures the cost of administering the plan (page 194).

...about the shortcomings of insurance premium rate regulation.

In a report to Massachusetts policymakers on options for controlling health care costs, *Controlling Health Care Spending in Massachusetts: An Analysis of Options* (August 2009), the RAND Corporation found no evidence that rate regulation would be beneficial:

- The likelihood that savings can be realized from premium rate regulation is small and may have unintended consequences ... Restrictions on premium growth rates could cause insurers to cut the amount of services covered, shift costs back to consumers, or fail to cover new technology ... In general, insurance premium regulation might be more feasible if coupled with policies designed to keep the growth of overall medical expenditures in check (pages 195–198).

The National Association of Insurance Commissioners discussed the limitations of rate review in a February 23, 2010 letter to Congress:

- While rate review can help keep insurers focused on constraining the growth of these costs, it cannot fundamentally address the growth of health care costs, which must be addressed through payment reform, delivery system changes, an emphasis on prevention, and consumer engagement.

—continued

# What Health Care Experts Are Saying...

...about disparities in provider prices.

In *Examination of Health Care Cost Trends and Cost Drivers. Final Report* (March 16, 2010), the Office of Attorney General Martha Coakley wrote:

- Our preliminary results indicate that there is no correlation between price and quality, and certainly not the positive correlation between price and quality we would hope to see in a rational, value-based health care market (page 9).
- Although this report does not purport to explain all reasons for provider price disparities, our investigation shows that those disparities are not adequately explained by quality of care, patient severity, or the status of a hospital as a teaching or disproportionate share hospital (page 15).
- Bending the cost curve will require tackling the growth in price and the market dynamics that perpetuate price inflation and lead to irrational price disparities (page 38).

...about cost solutions that require provider and insurer participation.

In *Massachusetts Health Care Cost Trends 2010 Final Report* (April 2010), the Massachusetts Division of Health Care Finance and Policy recommended that:

- Insurers should develop and promote insurance product options that direct care to efficient, lower cost providers. There are opportunities to modify insurance regulations to enhance the role of insurers to offer more cost-effective products, such as select and tiered network products, and to promote management of patient care more effectively (page 3).
- In the absence of legislation, insurers should use existing negotiating tools to influence provider rates and rate increases. It is imperative that insurers and providers work together to lower the rate of growth in provider rates immediately (page 6).

...about the need for payment reform.

In July 2009, the Massachusetts Special Commission on the Health Care Payment System recommended the adoption of sweeping provider payment reforms within five years:

- To promote safe, timely, efficient, effective, equitable, patient-centered care, and thereby reduce growth and levels of per capita health care spending, the Special Commission recommends that global payments with adjustments to reward provision of accessible and high quality care become the predominant form of payment to providers in Massachusetts (page 10).

In *Massachusetts Health Care Cost Trends 2010 Final Report* (April 2010), the Massachusetts Division of Health Care Finance and Policy wrote:

- The predominance of a fee-for-service payment methodology rewards volume rather than value. Payment methodologies must be realigned to promote an integrated delivery system that rewards quality, cost-effective, patient-centered care provided in the most appropriate settings...In order to transition the health care delivery system in Massachusetts towards greater efficiency and integration, the Division recommends that comprehensive payment reform be enacted. (pages 3, 9).

