



**For Immediate Release**  
**Tuesday, February 9, 2016**

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## **Is Massachusetts Making Progress on Health Care Cost Drivers?**

*New Analysis Finds 10 Major Factors Persist  
Identifies 4 Additional Trends Affecting Cost*

**Boston, MA** – Following the Commonwealth's annual health care cost trends hearings and the release of the Health Policy Commission's recent cost trends reports that included an examination of provider price variation, a new, independent analysis of state reports from 2008-2015 shows that many of the factors contributing to rising health care costs continue to persist, challenging the affordability of health care for consumers and employers and the state's ability to meet the cost benchmark.

"The rising cost of health care is a significant challenge for Massachusetts employers. These reports shed light on the factors driving health care costs and will inform the conversation on measures to contain the cost of health care," said Rick Lord, President and Chief Executive Officer of Associated Industries of Massachusetts.

In 2014, Freedman HealthCare analyzed 16 state reports from 2008-2013 and identified 10 major health care cost trends and cost drivers, which included the following:

1. Provider prices, not utilization of health care services, is the biggest cost driver in the Massachusetts market.
2. There is a significant gap between the highest and lowest paid providers.
3. Health care is most often delivered in higher priced settings.
4. High prices do not directly correlate with high quality of care – in other words, the highest paid providers do not necessarily provide the highest quality of care.
5. Providers with the highest public payer case mix have the lowest commercial reimbursement.
6. Academic medical centers are associated with higher health care costs.
7. In response to increasing provider prices, the commercial market is seeing higher health care premiums and increased consumer cost sharing.
8. Market share impacts health care costs by influencing provider reimbursement rates, total medical expenses, and patient volume.
9. There is growing policy concern that provider consolidation may lead to higher prices, rather than savings from integration of care or improved efficiency.
10. Despite its increasing promotion, the widespread adoption of global payments faces significant challenges, and there is limited evidence to suggest that global payments produce cost savings.

"The continued increase in health care costs is a serious threat to the viability of small business in the state. When coupled with the added costs of the Affordable Care Act it is essential that policymakers utilize these reports to provide relief to small employers," said Retailers Association of Massachusetts President, Jon Hurst.

This year's analysis, conducted by Freedman HealthCare for Associated Industries of Massachusetts (AIM), the Massachusetts Association of Health Plans (MAHP), the National Federation of Independent Business (NFIB), and the Retailers Association of Massachusetts (RAM), re-examined the 2014 findings in light of nine additional reports published by state agencies from 2014-2015. In conducting its analysis, Freedman HealthCare assessed the progress of its prior findings, noting that the 10 trends discussed in the 2014 review remain unchanged, and identified the following four new findings:

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1. Performance against the cost benchmark has been mixed since it was first measured in 2013.
2. Pharmaceutical costs have been increasing and are expected to increase in the future
3. The state is increasingly focused on behavioral health – specifically on the high costs associated with behavioral health conditions, the challenges of clinical and administrative integration of care, and the need for better data
4. Due to persistent and increasing disparities in provider prices over the past several years, the state is recommending policy action be taken to reduce excessive price variation.

"Rising health care costs are squeezing small businesses and the people who work for them. Making health care more affordable for small businesses needs to start with what we pay for medical care, including the factors outlined in the multiple state reports, and addressing them to help small employers," said Bill Vernon, Massachusetts State Director for the National Federation of Independent Business.

The 2014 analysis by Freedman HealthCare examined reports issued by the Office of the Attorney General, the Health Policy Commission, the Center for Health Information and Analysis (and its predecessor the Division of Health Care Finance and Policy), and the Division of Insurance, and sought to identify recurring themes that appeared in at least three or more reports published over two or more years from 2008 to 2013. This year's analysis reviewed nine reports published in 2014 and 2015 by the Office of the Attorney General, the Health Policy Commission, and the Center for Health Information and Analysis. Each of the 10 key findings identified in the 2014 analysis were discussed at least twice in the nine new reports, while the four new findings were mentioned in two or more of the nine new reports and by two or more agencies.

"Our member health plans are doing everything they can to contain costs. However, as multiple state reports have shown, many of the same challenges continue to persist, making it important for efforts to focus on addressing the increases in prices charged by doctors, hospitals and pharmaceutical companies to make health care more affordable for employers and consumers," said Lora Pellegrini, President and Chief Executive Officer of the Massachusetts Association of Health Plans.

"This year's paper aims to concisely and objectively highlight common findings among state agency reports published from 2014-2015. When reviewed together, these reports provide a comprehensive and validated picture of the Massachusetts health care market that can help policymakers and other stakeholders better understand health care cost drivers and trends," said John Freedman, MD, MBA, President of Freedman HealthCare.

#### **About AIM**

*Established in 1915, Associated Industries of Massachusetts is the largest nonprofit, nonpartisan association of Massachusetts employers. With nearly 4500 member companies employing more than 600,000 people in Massachusetts, AIM's mission is to promote the well-being and prosperity of the Commonwealth by reducing business costs, shaping state and federal business regulation, and ensuring a skilled and highly educated work force. For further information, visit [www.aimnet.org](http://www.aimnet.org).*

#### **About MAHP**

*The Massachusetts Association of Health Plans represents 17 health plans covering more than 2.6 million Massachusetts residents. It is dedicated to improving health for all in Massachusetts by promoting affordable, safe and coordinated health care.*

#### **About NFIB**

*The National Federation of Independent Business is the leading small business association representing small and independent businesses nationwide. Its mission is to promote and protect the right of its members to own, operate and grow their businesses. A non-profit, nonpartisan organization founded in 1943, NFIB represents the consensus views of its members in Washington and all 50 state capitals.*

#### **About RAM**

*The Retailers Association of Massachusetts is a statewide trade association of 4,000 retailers and restaurants of all types and sizes. The retail sector in Massachusetts employs 600,000 residents, or 17% of all jobs, and has total sales of over \$100 billion annually.*

#### **About Freedman HealthCare**

*Established in 2005, Freedman HealthCare is a leader in performance measurement, health care reform, and the data needed to guide change. Through Freedman HealthCare's work with state health organizations, healthcare providers, payers and policymakers, the firm assists diverse stakeholder groups in adopting policies and programmatic changes that drive quality improvement and cost containment.*

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