

## BACKGROUND

The Commonwealth of Massachusetts recently implemented a first-in-the-nation approach to measuring and benchmarking growth in statewide spending on health care.

Under a key provision of the 2012 Massachusetts health care cost containment law,<sup>1</sup> the Center for Health Information and Analysis (CHIA) is charged with calculating Total Health Care Expenditures (THCE) and comparing its annual growth against an established health care cost growth benchmark.

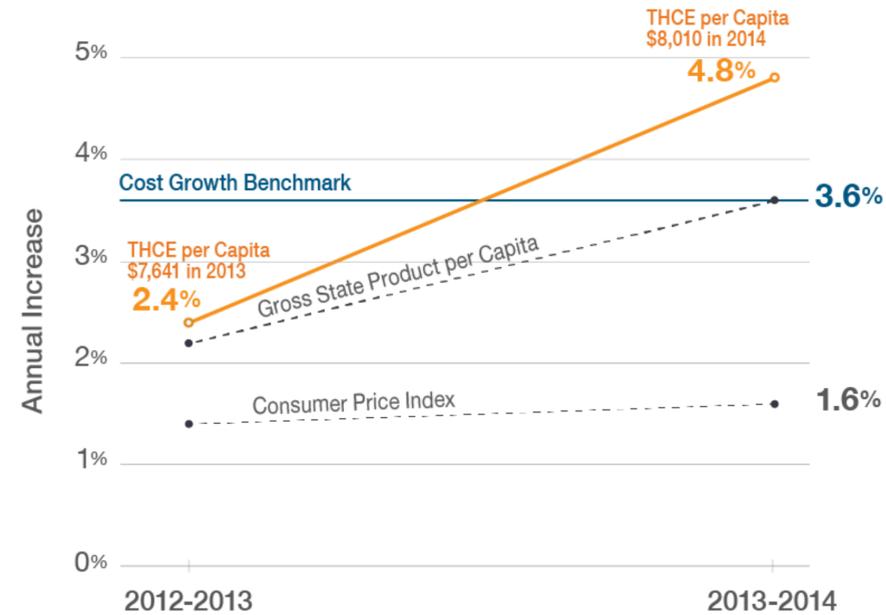
The purpose of this presentation is to share lessons learned in the development and implementation of this initiative and to inform new and existing efforts focused on health care cost containment at the state level.

## STUDY DESIGN

THCE represents the total amount paid by or on behalf of Massachusetts residents for health care services covered by public and private health insurance. This includes claims and non-claims based payments to providers, patient cost-sharing and the cost of administering private health insurance. Most data is reported directly to CHIA by private and public health care payers, including Medicare and MassHealth<sup>2</sup>. Additional data are sourced from publicly available reports.

Each year, CHIA publishes an initial assessment of THCE based on data submitted five months after the close of the calendar year, including payers' estimates for claims completion and quality and performance settlements. Final THCE is published the following year, based on data which is submitted seventeen months after the performance year. For each performance period, growth in THCE per capita is compared with a cost growth benchmark, which is tied to the gross state product and determined by the Massachusetts Health Policy Commission.

Figure 1. Total Health Care Expenditure Growth in Context



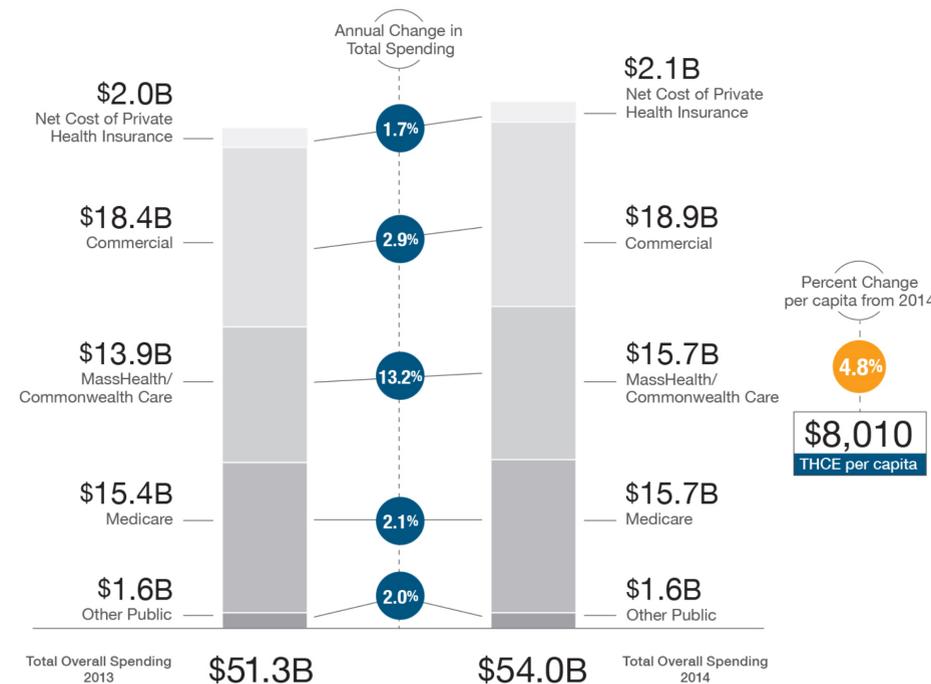
## PRINCIPAL FINDINGS

In calendar year 2013, THCE per capita grew by 2.4%, in line with moderate growth observed nationwide and below the cost growth benchmark of 3.6% set by the Health Policy Commission. In 2014, THCE grew 4.8% from \$7,641 to \$8,010 per resident. This rate exceeded the 3.6% benchmark, as well as projected growth in national health care expenditures per capita, state inflation, and the Massachusetts economy (figure 1).

Looking across insurance sectors, the commercial market and Medicare reported below-benchmark per capita growth in 2014, at 2.9% and 2.1%, respectively (figure 2). MassHealth spending increased 19%, driven primarily by enrollment growth (+23%) related to implementation of the Affordable Care Act. Consistent with national trends, 35% of overall THCE per capita growth in 2014 was due to increases in pharmaceutical spending for both commercial and public payers.

*Total Health Care Expenditures per capita grew by 4.8% in 2014, above the Commonwealth's health care cost growth benchmark.*

Figure 2. Components of Total Health Care Expenditures, 2013-2014



## CONCLUSIONS AND POLICY RELEVANCE

THCE outcomes can trigger actionable policy changes targeted to the unique needs of different types of health care entities. For example, when THCE growth exceeds the benchmark, health care organizations—payers and medical groups—that are identified as contributors to higher spending growth may be required to develop performance improvement plans in collaboration with state agencies.

All states currently face challenges in bending the health care cost curve. The experiences of Massachusetts may help inform policy nationwide.

Notes:

- Chapter 224 of the Acts of 2012.
- MassHealth is Massachusetts' combined Medicaid and CHIP program.

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