Boston, MA – With rapidly rising health care costs placing an increasing burden on Massachusetts residents and businesses and straining state and municipal budgets, the Massachusetts Association of Health Plans (MAHP) today released a package of legislative proposals and voluntary measures its member health plans will adopt, including public disclosure of health care revenues and expenses, to help control costs for consumers and employers.

"A major challenge to the state's landmark Health Care Reform Law is the rising cost of health care," said James Roosevelt, Jr. president and CEO of Tufts Health Plan and chair of the Massachusetts Association of Health Plans. "The law's success hinges on getting a handle on health care costs. Understanding why costs are rising is the first step to controlling them."

The proposal contains four components designed to shine a spotlight on underlying health care costs and statutory changes that seek to make better use of existing health care dollars including:

- Public hearings on cost drivers requiring health plans and providers to explain health care cost increases;
- Enhanced public reporting of health care revenues and expenses;
- A public forum to find solutions; and
- A 17-point legislative package that has the potential to save several billion dollars.

"With their historic commitment to patient satisfaction and high quality service delivery, the Commonwealth's health insurers have been important partners in our already-successful efforts to expand access to health care," said House Speaker Salvatore F. DiMasi. "Now, we can rely on them to lead industry-wide innovation to further improve administrative efficiency, cost containment, and quality of care. Only by working together as partners can we raise standards to further improve our health care system – which has been and will continue to be the national model."

"Reducing the cost of health care is critical to the ongoing progress of the Commonwealth's landmark health care reform law," Senate President Therese Murray (D-Plymouth) said. "I began talking about this important next phase in health care reform back in May at the Massachusetts Health Policy Forum, and I reiterated the importance of cost control to the Greater Boston Chamber of Commerce's Government Affairs Forum in October. As we continue our work with the Commonwealth's health insurers to improve access to quality health care, our biggest and most important challenge is to bring down rising costs. In short, we must increase our workforce capacity of nurses and primary care physicians, require more public information and transparency from hospitals and insurance companies, expand our use of cost-effective technology, and readjust financial incentives to encourage quality and efficiency. MAHP is taking an important first step toward addressing these issues, and their commitment and partnership is crucial to the future success of our health care system."

– more –
Public Hearings on Cost Drivers
MAHP's proposal would require that health plans with more than 10,000 insured members in Massachusetts participate in an annual public hearing on health care costs – no matter what their rate increases are. As part of the hearing process, health plans would be required to outline the factors contributing to any changes in premiums, including their projected medical expenses due to provider reimbursement rates, patient utilization, administrative costs, capital investments, and efforts to reduce the rate of growth. To provide a complete picture of the factors driving health care costs, it is essential that hospitals, health centers, physician practices, and pharmacies also participate in these hearings to explain the factors contributing to their rising costs, including greater utilization of technology, increases in consumer demand, and higher reimbursement rates.

"Health insurance costs have been the number-one issue for employers. Making more information available is needed so that businesses know they are getting value for their health care dollar," said Richard Lord, president and CEO of Associated Industries of Massachusetts. "We commend MAHP and its members for their commitment to making greater information available on health care costs, so that we can work together to keep health care affordable."

Public Reporting of Health Care Revenues & Expenses
Beginning this week, MAHP member health plans will voluntarily disclose in a consumer-friendly format their financial data, including total revenues, administrative costs and surpluses and reserve levels, along with what they pay for medical costs for their insured members. This information will be available on MAHP's website (www.mahp.com). As part of its proposal, MAHP urges hospitals to make public data disclosing total inpatient and outpatient service revenue, total patient expenses, total capital expenses, total administrative expenses, surplus revenue, and endowment levels at a similar level of detail to that being released by health plans. While much of the data to be disclosed is currently filed with various state entities, it is important that the health care industry makes this information available in a format that is more easily understandable and more accessible to the public than it is today.

"We have been strong advocates for greater transparency around hospital and health plans costs," said Jon Hurst, president of the Retailers Association of Massachusetts. "This is a good first step and we look forward to working with the health plans on their proposal."

A Public Forum to Find Solutions
Making better use of existing health care resources and keeping health care affordable will require the participation of everyone in health care, not just one or two groups working alone. Included in its proposal is a recommendation that the health care community – hospitals, physician groups, health plans, community health centers, consumer organizations, employers, and state policymakers – work together to convene a series of forums to identify and outline additional measures that control health care costs while maintaining or improving quality of care.

17-Point Legislative Package
In addition to increased public disclosure by health plans and providers, MAHP's proposal includes 17 legislative proposals designed to protect employers and consumers against the cost of catastrophic claims and to improve quality by promoting the right care, at the right place, at the right time. If enacted, these provisions could save the health care system several billion dollars. Among the legislative proposals:

more
1. Public Reporting of Preventable Errors and Prohibiting Billing for Avoidable Mistakes
2. Strengthening the Determination of Need Process
3. A Special Commission to Study State-Funded Stop-Loss Coverage
4. Allow for the Operation of Limited Service Clinics
5. Medical Malpractice Reform
6. Require Electronic Transmission of Health Care Transactions
7. Repeal Mandated Benefits that are no Longer Effective
8. Comparative Effectiveness Studies of Medical Services
9. Extend the Moratorium on Mandated Benefits
10. Permit Mandate-Lite and Mandate-Free Products
11. Hospital Reporting on Measures to Reduce Duplicative Diagnostic Services
12. Hospital Reporting on Measures to Eliminate ER Diversions and Overcrowding
13. Make Greater Use of Managed Medicaid
14. Eliminate Duplicative Regulatory Requirements
15. Standardized Reporting Requirements
16. Streamline Administrative Processes
17. Standardize Physician Credentialing

"Consumers, employers and the state depend on those of us in health care to keep health care affordable," said Marylou Buyse, MD, a practicing primary care physician and president of the Massachusetts Association of Health Plans. "Health plans, hospitals and other providers owe it to them to answer the question, 'Why are costs going up and what are you going to do about it?'"

The MAHP initiative is proposed by the following local Massachusetts health plans:

- Boston Medical Center HealthNet Plan
- Fallon Community Health Plan
- Harvard Pilgrim Health Care
- Health New England
- Neighborhood Health Plan
- Network Health
- Senior Whole Health
- Tufts Health Plan

# # #
Our Commitment to Cost Control

The Health Care Reform Law has done a great job of expanding access to health care and Massachusetts is well on its way to meeting the goal of ensuring health care coverage for every resident. Making the law work in the long-term depends upon adopting comparable measures to control costs and a commitment to act.

The Massachusetts Association of Health Plans (MAHP) and its member health plans are prepared to do our part. We are offering a series of approaches that the Legislature should enact along with specific measures that we will adopt now to help control costs for consumers and employers.

However, keeping health care affordable requires everyone in health care – hospitals, physicians, health plans, consumer groups, employers and policymakers – to be involved and to work together. We believe that it is important that hospitals, physicians and others join us by working with us on the approaches we have outlined and in offering additional measures that they will adopt as a way to control health care costs.

1. **Public Hearings on Cost Drivers: Requiring Health Plans & Providers to Explain Health Care Cost Increases**

   Experts estimate that health care spending in Massachusetts rose from $46.5 billion annually in 2002 to $62.1 billion annually in 2006. That's a 33% increase in just four years. We need to have a broad discussion on what's driving health care costs.

   We endorse Senate President Murray's recommendation that the state require a public process for health plans to document the causes for premium increases in excess of 7% in any given year. To shine a spotlight on underlying health care costs and to provide a full representation of the entire market, we recommend that all carriers over a minimum size (over 10,000 insured members) be required to participate in an annual public hearing no matter what their rate increases are to outline the factors contributing to any changes in premiums, including their projected medical expenses due to provider reimbursement rates, patient utilization, administrative costs, capital investments, and efforts to reduce the rate of growth. Further, we recommend that the Health Care Quality and Cost Council (the Council) be the entity that convenes these hearings.

   As part of these hearings, the Council would be charged with examining factors driving health care costs, including but not limited to the utilization of technology, utilization of specialty care, Medicaid utilization, hospital facility costs, physician payments, prescription drug costs, and cost-shifting.

   However, premiums directly reflect the cost of care, and health plans are just one component of the health care industry. In order to have a broad discussion and provide a complete picture of what is driving health care costs, hospitals, health centers, physician practices, and pharmacies shall be required to participate in these hearings. To determine the facilities and providers that would be required to appear before it, the Council shall utilize claims data it has collected from
health plans and require that for each provider type (physician practices, teaching hospitals, community hospitals, community health centers, pharmacies) the top 10 entities based on the total amount of health plan reimbursements received per population served would appear before the Council to explain the factors contributing to their rising costs, including greater utilization of technology, increases in consumer demand, and higher reimbursement rates.

2. **Public Disclosure by Health Plans & Hospitals**

Health plans have been strong proponents of making publicly available information on the cost and quality of health care services in this state. Consumers and employers have every right to know where their premium dollars go and we recognize that this information should be available on health plans.

While information on health plans' revenues and expenses is filed with the Division of Insurance, this information can be difficult to access and hard to understand. We commit to disclosing health plan revenue and expense data in a consumer-friendly format on the MAHP website. Included in the data that we will release on a quarterly basis:

- The amount paid for medical expenses, such as hospital and medical benefits, prescription drugs, and bonuses paid to providers
- Total administrative costs
- Health plan surpluses and reserve levels

Additionally, we commit to release annually information related to health plan executive compensation. This information is included in health plans' Federal 990 Form filings, we commit to listing the compensation and any contributions to employee benefit plans and deferred compensation for corporate officers and the five highest paid employees other than officers of each health plan as long as this information is listed in conjunction with parallel disclosure of the compensation of hospital executives in an easily accessible public website.

Similar disclosure is needed from the hospital community and we urge them to make public available data disclosing total inpatient and outpatient service revenue, total patient expenses, total capital expenses, total administrative expenses, surplus revenue, endowment levels, and executive compensation at a similar level of detail to that being released by health plans. While this data is currently filed with various state entities, it is important that hospital leaders disclose this information in a format that is easily understandable, achieves consistency in what is reported, and make it accessible to the public.

3. **A Call to Action**

Keeping health care affordable will require a commitment by all: hospitals, physicians, health plans, patients, employers and policymakers to making better use of existing health care resources and solutions will require the participation of everyone in health care, not just one or two groups working alone. The barriers to achieving costs savings are great but they can be overcome.

We don't pretend to have all the answers and believe it is important that our partners in the health care community – hospitals, physician groups, community health centers, consumer organizations, employers, and state policymakers – work with us to convene a series of forums to identify and outline additional measures that control health care costs while maintaining or
improving quality of care.

Additional Legislative Cost Control Measures
In addition to increased public disclosure by health plans and providers, we recommend that legislative leaders adopt the following 17 approaches into any proposed cost-control legislation. These measures are designed to protect employers and consumers against catastrophic claims and to improve quality by promoting the right care, at the right place, at the right time.

- **Public Reporting of Preventable Errors and Prohibit Billing for Avoidable Mistakes**
  The Department of Public Health has estimated that infections contracted during a hospital stay could be causing up to $473 million in avoidable medical costs annually in Massachusetts. The Health Care Quality and Cost Council should collect and publish by hospital the number of Never Events, hospital-acquired infections, and avoidable hospital readmissions that occur and the state should prohibit hospitals and providers from billing for the extra costs associated with these errors.

- **Strengthen the Determination of Need Process**
  Currently, 103 projects, totaling $553,261,528 in capital expenditures are pending in the DoN Program, with 17 projects totaling nearly $300,000,000 filed in 2007, including new construction and new site locations. The Determination of Need process should be strengthened to evaluate and compare the safety, efficacy and cost effectiveness of whether new technologies are necessary at various institutions and perform a more robust review process for expansions of medical facilities. Projects under construction would be exempted, but all other projects would have to be reviewed by the Attorney General and Inspector General to determine the necessity and appropriateness of these projects.

- **Special Commission to Study State-Funded Stop-Loss Coverage**
  The state should convene a Special Commission to examine the creation of a mechanism of stop-loss reinsurance and determine appropriate attachment points and revenue sources supported by the state.

- **Allow for the Operation of Limited Service Clinics**
  Establish a new statutory category of clinics to allow the operation of limited access clinics in a retail setting and require a review and report of these clinics to the Legislature after two years.

- **Medical Malpractice Reform**
  The state should establish a pilot program to test a medical court in three Massachusetts counties, giving these courts jurisdiction over medical treatment disputes that patients have with physicians, other health care professionals and hospitals. Further, the Department of Public Health should work with providers and health plans to develop "best practice" protocols and provide that providers that correctly follow these protocols would have a rebuttable presumption in medical malpractice cases.

- **Require Electronic Transmission of Health Care Transactions**
  To encourage efficiency and reduce administrative costs, the state should require all health care providers and group purchasers to exchange health care administrative transactions, including eligibility, claims, and payment and remittance advice, in electronic formats.

- **Repeal Mandated Benefits that are no Longer Effective**
  The Legislature should no long require coverage of mandates that are no longer consistent with the standard of care. The Legislature should utilize the Divisions of Health Care Finance and Policy's forthcoming review of existing mandates to identify those mandates that no longer are considered appropriate and repeal them.

- **Comparative Effectiveness Studies of Medical Services**
  To assist in providing greater understanding of different procedures for the same condition, the
Health Care Quality and Cost Council should provide grants to support individuals and entities that conduct "comparative effectiveness studies" of medical services. The results of these studies would then be publicly available through the Council.

- **Permit Mandate-Lite and Mandate-Free Products**
  The state should allow for the introduction of mandate-free and/or mandate-lite products, but require coverage of certain mandates deemed essential services, such as mental health services.

- **Extend the Moratorium on Mandated Benefits**
  The Legislature should extend the moratorium until the time when the Consumer Price Index for medical services does not increase for two consecutive years. By tying the moratorium to the objective standard of the Consumer Price Index (CPI) for medical care services, it helps ensure the affordability of health coverage. This leaves open the possibility for removing the moratorium, once health care costs stabilize.

- **Hospital Reporting to DPH on Measures to Reduce Duplicative Diagnostic Services**
  While a significant technological advance, diagnostic imaging is also the fastest growing medical expenditure in the United States, with an annual 9 percent growth rate, and the increase in the availability of diagnostic imaging is associated with higher utilization and spending for these services. Unnecessary or inappropriate tests also expose patients to extra risk. The Department of Public Health should require hospitals to file within 30 days of the hospital fiscal year a written plan designed to eliminate the duplication of unnecessary diagnostic services performed on a patient by another hospital or diagnostic facility.

- **Hospital Reporting to DPH on Measures to Eliminate ER Diversions and Overcrowding through Improved Management**
  Lack of coordination and the resulting competition for available beds creates unnecessary stress on the health care system, leading to overworked nurses because of uncertainty in staffing needs, medical errors and lower hospital operating margins. The Department of Public Health should require all hospitals with ERs to file annually a written operating plan to eliminate ER diversions and overcrowding.

- **Make Greater Use of Managed Medicaid**
  The state should make greater use of Medicaid Managed Care Organizations to control costs, promote prevention, provide access to coordinated and integrated care, and utilize successful programs offered by the health plans for the Medicaid population.

- **Eliminate Duplicative Regulatory Requirements**
  The Division of Insurance, the Office of the Attorney General, and the Department of Public Health should review existing state health care statutory and regulatory requirements to make recommendations on eliminating state regulations that duplicate or conflict with federal requirements or revising regulations to conform to appropriate national standards.

- **Standardized Reporting Requirements**
  Require the Health Care Quality and Cost Council to conduct a review of existing statewide reporting requirements for hospitals, health plans, physicians and other health care entities to determine the necessity for eliminating duplicative reporting requirements and then create standardized reporting requirements across all state agencies.

- **Streamline Administrative Processes**
  Provide DOI with the authority to meet with carriers and providers to develop recommendations for administrative and operational streamlining without anti-trust implications.

- **Standardize Physician Credentialing**
  Require the use of the standardized credential form by all health plans and participating physicians and hospitals.