

Office of Health Care Affordability Reporting and Cost Targets

OFFICE RESPONSIBILITY:

Track health care entities' "total health care expenditures," which includes:

- Claims-based payments
- Non-claims-based payments
 - Capitation
 - Supplemental provider payments
 - Global budget
 - Other alternative payment methods
 - Salary
- Patient cost sharing
- Net pharmacy spending
- Administrative costs and profits

Office will primarily collect and analyze cost data from payers (e.g. health plans), but may supplement these data with that from providers and the Health Care Payments Data Program.

OFFICE RESPONSIBILITY:

Establish cost targets

Cost target characteristics:

- Based on a target percentage for annual growth in per capita total health care expenditures
- Promote affordability and a predictable and sustainable rate of change in costs
- Set with consideration of economic indicators like inflation and population-based measures like aging
- Maintain quality, equity, and workforce stability
- Because the office will analyze payers' costs, cost targets for providers are expected to be based on their revenues

Cost target timeline

2025

Statewide non-enforceable cost target

2026

Statewide enforceable cost target

2027

Establish definitions for non-statewide cost targets

- Sectors (e.g. *hospital services, physician services*)
- Geographic regions (*optional*)
- Individual health care entities (*optional*)

2028

2029

Enforceable statewide, sector and, if adopted, regional and individual entity cost targets

MASSACHUSETTS CASE STUDY: Cost Targets

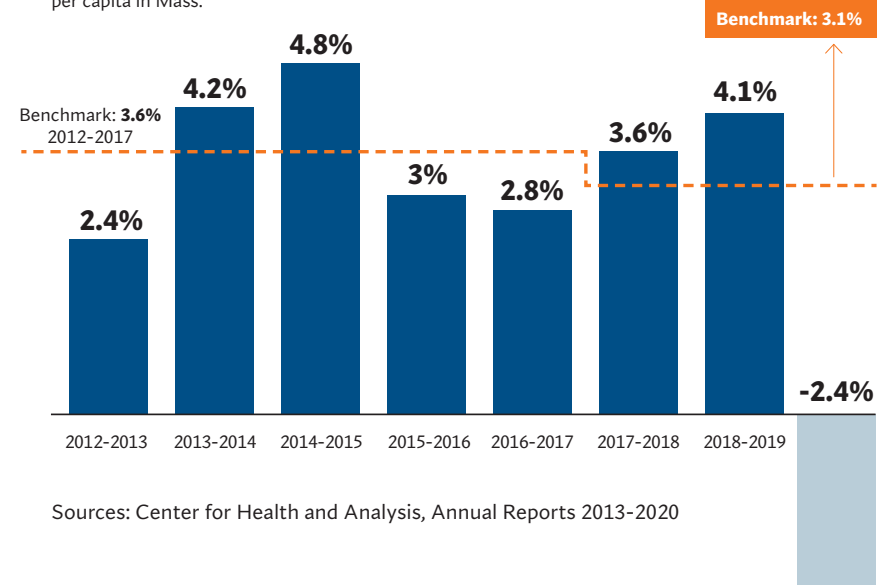
Mass. statewide cost target:

- **2013-2017** projected gross state product (PGSP): **3.6%**
- **2018-2022** PGSP minus 0.5%: **3.1%***
- **2023 and beyond** PGSP: **3.6%***

*Can be modified by the Mass. cost-control commission

Mass. performance against cost targets

Exhibit 1.1: Annual growth in total health care expenditures per capita in Mass.



Sources: Center for Health and Analysis, Annual Reports 2013-2020