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SB635

An Act Regarding Shared Responsibility for Funding of Health Care Oversight Agencies

Joint Committee on Health Care Financing

June 3, 2015

The Conference of Boston Teaching Hospitals (COBTH), on behalf of its fourteen member institutions appreciates this opportunity to testify in support of **SB635**, an act which fulfillment of the Commonwealth's funding commitment for the Center for Health Information and Analysis (CHIA) and the Health Policy Commission as stipulated by Chapter 224 of the Acts of 2012.

Chapter 224 enacted broad systemic changes in the Massachusetts health care marketplace with the overarching goal of controlling health care cost growth through transparency, innovation and increasing efficiency. To accomplish this goal, two new state agencies CHIA and the HPC were created to monitor, analyze, benchmark and track the ebb and flow of the market as well as any material changes in the state. Both agencies also took on responsibilities that other state agencies had previously performed. CHIA was tasked with many of the functions of the former Division of Health Care Finance and Policy (DHCFFP) but split several of DHCFFP's former operations with the Executive Office of Health and Human Services (EOHHS) and the Connector. The HPC took over the office of Patient Protection from the Department of Public Health (DPH) in addition to its new oversight responsibilities.

In recognition of the valuable work and resources both agencies would become for the health care market and the entire Commonwealth, Chapter 224 envisioned hospitals and ambulatory surgical centers (ASCs)¹, health insurers, and the state government to each contribute an equal share (33%) of each agency's administrative expenses. In FY2013 funding assessments began for CHIA while funding assessments for the HPC are set to begin in FY2017. However, during both FY2014 and FY2015 hospitals and ASCs² as well as health insurers were assessed the entire operating budget of CHIA, each responsible for 50%. It seems unlikely that this funding dynamic will change in FY2016 and once again hospitals, ASCs, and health insurers will be expected to make up for the state's failure to meet its statutory funding obligations.

The effect of the increased assessment on hospitals, ASCs, and health insurers has only been multiplied with the significant administrative growth CHIA has experienced. While CHIA is a vital agency tasked with many important functions and projects, the division of DHCFFP's former operations with EOHHS and the Connector were expected to result in a decrease of administrative funding needs. However, in

¹ ASCs are responsible for less than 1% of the funding assessment

² ASCs assessment was less than 1%

FY2014 CHIA's appropriations grew 21% and an additional 6% in FY2015. As such hospitals, ASCs, and health insurers, in light of the state's non-contributions, are responsible for the agency's operating budget of over \$31.6 million.

While COBTH and its members recognize the important work CHIA performs and its value for the Commonwealth the state's non-contribution effects a significant burden on the marketplace which runs counter to the overall goal of Chapter 224, controlling health care costs. Where funding assessments for the HPC are set to begin FY2017 the need for the state to contribute its fair share is even more necessary. Like CHIA, the HPC has experience significant growth since its inception. In FY2014 the HPC functioned with an operating budget of \$5.1 million, whereas in FY2015 its budget nearly doubled to \$9.9 million.

SB635 ensures that hospitals, ASCs, and health insurers will be assessed the reasonable and balanced funding assessment originally envisioned by Chapter 224. It recognizes the benefit CHIA and the HPC provide the Commonwealth as a payor through the state's MassHealth and Group Insurance Commission programs. It fairly provides that all stakeholders and beneficiaries of the important work performed by CHIA and the HPC will fairly contribute for the services both agencies provide.

COBTH respectfully requests the committee provide **SB635** a favorable review. Thank you for your thoughtful consideration of this matter.