March 20, 2025

Jonathan Kromm
Executive Director, Maryland Health Services Cost Review Commission
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Baltimore, MD 21215

Submitted to: MDH.Maryland-Model@maryland.gov

RE: Response to the All-Payer Total Cost of Care Target Technical Advisory Committee public comment opportunity

Dear Executive Director Kromm,

Thank you for the opportunity to provide public comments in response to the Maryland Multi-Agency Regulatory AHEAD Work Group's ("Work Group") request for additional information related to the state's total cost of care (TCOC) growth target under the AHEAD Model.

United States of Care (USofCare) is a non-partisan, non-profit organization working to ensure everyone has access to quality, affordable health care, regardless of health status, social need, or income. We know from our listening work that affordability tops the list of people's concerns about our country's health care system. Cost concerns are especially acute in Maryland, where more than half (55%) of all people have experienced difficulty affording their health care over the past year and more than four-in-five worry about affording care in the future. Marylanders have long benefitted from the state's unique system of all-payer rate setting and, more recently, its innovative Total Cost of Care Model, which has lowered health care spending by more than $700 million. Unfortunately, due to the increasing cost of care, more is needed to ensure health care remains affordable for Maryland families. This underscores the importance of pursuing additional policies to lower health care costs to improve Marylanders' everyday health care affordability.

The AHEAD Model will do just this. Building on the success of the Total Cost of Care Model, which sunset at the end of last year, the AHEAD Model will provide much-needed financial certainty to health care providers while also benefitting Maryland families across the state by shifting the way in which care is delivered in order to expand access to primary care, prioritize population health, improve health outcomes, and lower health care costs in the State. As consumer advocates, we appreciate the Maryland Health Services Cost Review Commission's (HSCRC) collaborative approach to implementation of the AHEAD Model. We also appreciate HSCRC's efforts to ensure that a wide array of impacted stakeholders have a seat at the table alongside industry to provide feedback as the state implements the AHEAD Model and, in particular, constructs its TCOC growth target. Furthermore, we appreciate the opportunity to

share the consumer perspective more broadly as one of two consumer representatives on the All-Payer TCOC Target Technical Advisory Committee ("Advisory Committee"). Moving forward, we encourage the Work Group to continue to elevate the consumer perspective and provide opportunities for further beneficiary engagement as the state moves forward with full implementation of the AHEAD Model.

Support for the AHEAD Model's Total Cost of Care Growth Target
We believe the Model's all-payer TCOC growth target will provide an important framework to allow agencies, providers, and insurers to continue to work together to rein in health care cost growth and improve care delivery; and we appreciate the HSCRC's thoughtful approach to establishing it. A TCOC growth target will provide important insights on health care cost growth in the state and can help inform progress and policies associated with the AHEAD Model. While a TCOC growth target alone won't solve the health care affordability challenges Marylanders face, pairing it with additional policies that are complementary to the goals of the AHEAD Model, such as an affordability standard (see below), ensures that any system-wide savings are translated into cost savings for people through more affordable premiums and lower out-of-pocket costs.

The Work Group presented several proposals and questions to the Advisory Committee to solicit feedback and inform its development of the state's all-payer TCOC growth target. Our responses are outlined below and are shaped by insights gleaned from listening to people:

What economic measurements should Maryland use to define the TCOC growth target (or "counterfactual")?
We strongly support the development of a TCOC growth target that relies – at least in part – on consumer-focused metrics that reflect broader statewide economic growth, including household resources. Individual TCOC growth target methodologies vary by state, with most relying on gross state product (GSP) or household income growth. **While targets tied to GSP capture overall economic growth, we believe one largely tied to median – and not average – household income is more representative of individuals' or families' experiences and their household's ability to spend, so we encourage the state to base its growth target on this metric.** To account for periods where household income growth may stagnate and any unforeseen affordability challenges facing state residents, the Work Group should consider blending household income with GSP, similar to California or New Jersey's TCOC growth targets.

How should the analysis approach costs for specific Medicaid services (including developmental disability services and home- and community-based services (HCBS))?
More than 40,000 Marylanders receive HCBS through Medicaid, including more than 18,000 people with developmental disabilities. Looming federal Medicaid cuts threaten to make the program's years-long waiting list even longer. **To avoid further limiting access to these programs for Marylanders, we recommend excluding certain Medicaid services, and in particular developmental disability services and other HCBS, from the growth target calculation.**

While we understand the value of a TCOC growth target that encompasses *all* health care spending, we believe these services are fundamentally different because their cost growth is driven by policy decisions or eligibility changes rather than price increases or changes in utilization. We believe incorporating these services under a TCOC growth target could unintentionally limit access to care for these often-marginalized populations. In the event that this spending is included under its TCOC growth target, we recommend that agencies, in addition to breaking down spending by market and service category, take into account external factors or policy changes if/when certain entities exceed the benchmark, as Connecticut does. Doing so would allow the state to keep its focus on controlling spending in the broader health care market while also preserving access to needed Medicaid services.

Additional comments related to prescription drugs and the TCOC growth target
Nationwide, health care spending on prescription drugs grew 8.6% between 2020 and 2023, and the cost of prescription drugs continues to contribute to affordability challenges for people. Depending on the circumstances, higher spending on prescription drugs may lead to cost savings by reducing hospitalizations or emergency department visits or further increase costs without any corresponding offsets. **Because of this, we strongly support prescription drug spending being included in a TCOC growth target to understand its impact on overall health care spending.**

With the fractured nature of pharmaceutical spend data, we recognize that quantifying current prescription drug spending may pose unique challenges, but we believe HSCRC can supplement all-payer claims database (APCD) data with other sources to estimate the net cost of drugs to help inform the TCOC growth target. Looking ahead, we encourage the Working Group to think creatively how it can leverage alternative sources, such as data collected by the Prescription Drug Affordability Board (PDAB), to further drill down the data to identify specific drugs contributing to the cost increase and intervene to lower costs where appropriate. It is also important to note that Maryland is uniquely positioned to control prescription drug spending in the state through its PDAB, which has authority to apply upper payment limits to certain high-cost prescription drugs in the commercial insurance market.

Consumer Affordability Standard
Despite health care affordability being a top issue affecting families' day to day lives and budgets, cost containment efforts across many states have failed to adequately measure real world impact of these solutions on consumers. **While the TCOC growth target being developed under this workgroup will be important in monitoring cost growth in the health care system overall, we strongly encourage the HSCRC to also develop a consumer "affordability standard" to be monitored in parallel.** This standard can help Maryland understand how people are experiencing health care affordability challenges and, paired with the TCOC growth target and other efforts, how policy solutions embedded in the AHEAD Model translate to improved affordability and what role different sectors of the health care system play in driving those experiences.

Affordability standards have long been used by many peer states, all taking varying approaches to the development and implementation. In Connecticut, the state Comptroller's office worked

with the Office of Health Strategy to develop the Connecticut Healthcare Affordability Index (CHAI), which builds upon the state's self-sufficiency standard index to measure the impact of health care costs, including premiums and out-of-pocket expenses, on a household's ability to afford all basic needs, like housing, transportation, childcare, and groceries. The CHAI is used to establish and adjust Connecticut's household health care spending target, inform their healthcare benchmarking initiative, and set primary care spending targets. Rhode Island adopted a health care affordability standard in 2010, based on the Consumer Price Index for Urban Consumers and other market factors. This metric, set annually by the Office of the Health Insurance Commissioner, informs their review and approval of contracted rates between providers and insurers. Notably, the state has also leveraged this affordability standard to incentivize payment reforms similar to those under the AHEAD Model, such as primary care investments and risk sharing agreements between providers and commercial payers.

Should the State decide to pursue the development of an affordability standard, Maryland should be deliberate about which consumer health care costs are included and should strive to include both premiums and other out of pocket costs to accurately capture the ways Marylanders pay for their health care and, in turn, accurately evaluate the impact on affordability. Recognizing that what is "affordable" varies significantly based on factors such as income, location, age, and health status, we would also encourage Maryland to consider a standard that blends multiple measures to account for these differences. USofCare is happy to partner with the State on this issue.

Importantly, policy actions, like those taken through the implementation of the AHEAD Model, are necessary in ensuring that these standards are achieved and maintained. Controlling the underlying cost of care is inextricably linked to making sure that care is affordable; even with low uninsured rates and fairly adjusted premiums and cost-sharing, ever-rising costs will erode wages and crowd out Marylander's spending on other important goods and services. **As such, we strongly encourage the agencies comprising the Regulatory Work Group to identify opportunities for the affordability standard to inform the development and monitoring of AHEAD Model implementation and its impact on health care tspending, including in health insurance rate review and hospital global budget development.**

By developing the all-payer TCOC cost growth target under the AHEAD Model along with a consumer-focused affordability standard, Maryland can continue to build upon the success of the Total Cost of Care Model to improve health outcomes while lowering health care costs for state residents. We thank the members of the Advisory Committee, Work Group, and HSCRC for their commitment to successful implementation of the AHEAD Model. We appreciate the opportunity to provide feedback. Please don't hesitate to reach out with any questions.

Sincerely,

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