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* **OPINION**

**Commentary: Healthcare cost study overdue on Beacon Hill**



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By Barbara Anthony | Charles Chieppo – Pioneer Institute

Sep 17, 2024

It’s no secret that for decades Massachusetts has had among the highest healthcare costs in the country. In 2022 (the last year for which data is available), total healthcare expenditures in the state were $71.1 billion and over 35% of these expenditures flow to the state’s hospitals for inpatient and outpatient care. This $71.1 billion translates to over $10,000 for every single resident and represents a nearly 6% increase over the previous year.

These costs are keenly felt by Massachusetts residents. A recent Blue Cross Blue Shield [survey](https://newsroom.bluecrossma.com/2024-03-20-MASSACHUSETTS-RESIDENTS-CITE-HIGH-COSTS-AS-THE-MOST-IMPORTANT-ISSUE-IN-HEALTH-CARE) found that in the past year, 40% of Massachusetts consumers refrained from accessing needed healthcare because of high provider or pharmaceutical prices.

That said, we’re told we have among the best hospitals in the country and, therefore, the high prices we pay purchase top-quality care.

There is great price variation among hospitals for the same procedures, many of them routine, such as MRIs of brain scans or[leg joints](https://pioneerinstitute.org/pioneer-research/health-care/massachusetts-hospitals-score-poorly-on-price-transparencyagain/), abdominal ultrasounds and electrocardiograms.  What we don’t know is whether the high prices insurers, employers, and consumers pay are justified by a higher quality of care, or if they are the result of other factors, such as past practice and reputational or economic market power.

Since 2010, state healthcare policy makers have decried the existence of what has been termed “unwarranted” price variations.  In response, then-Attorney General Martha Coakley, at the direction of the state Legislature, conducted a [study](about:blank) to assess the relationship between the quality of healthcare and prices in Massachusetts. The study found wide variation in Massachusetts hospital prices, but no correlation between high prices and better care.

In 2012, the state Legislature created the Health Policy Commission (HPC) in an effort to address high healthcare costs.  Each year, the commission establishes a “soft” ceiling for the growth of total healthcare expenditures in the Commonwealth, known as the “benchmark.” Before the HPC, healthcare spending grew at around 6% to 9% annually. The benchmark set growth between 3.1% and 3.6% and tamped down pre-pandemic annual growth to 3% to 4%.

Despite such progress, healthcare costs have escalated in recent years and wide disparities for the same procedures continue unabated. Since 2012, the Massachusetts Legislature has not enacted measures to fine tune healthcare cost containment efforts.  This year, formal legislative sessions concluded without lawmakers enacting meaningful healthcare cost-containment legislation once again.

A perennial cost-containment policy discussion point is the treatment of community hospitals versus the state’s [“glimmering academic medical centers,”](https://www.bostonglobe.com/2024/08/07/business/hospitals-insurance-community-systems-health-care/?p1=BGSearch_Overlay_Results) which charge the highest prices and attract the most commercial revenue. The HPC has asked for the authority to lower the ceiling on price increases for the wealthiest hospitals while permitting greater flexibility for community hospitals. The automatic assumption that higher prices mean better quality across procedures should be scrutinized as part of cost containment efforts.

Although Coakley’s study was loudly criticized by hospitals when it was released in 2010, it provided important information on price differences among providers. There has been no similarly comprehensive study for the past 14 years. In an effort to provide more recent data about the  variations among hospitals in terms of prices and commercial revenues, Pioneer Institute released two online hospital data tracking systems. One compares [commercial prices](https://pioneerinstitute.org/mass-hospital-trackers/) and the other looks at [commercial and public revenue sources](https://pioneerinstitute.org/mass-hospital-trackers/)**.** Not surprisingly, the data show that many of the hospitals with the highest relative commercial prices – such as Boston Children’s, Dana-Farber, Brigham and Women’s, and Mass General – also take in the most commercial revenue.

John Freedman, a healthcare policy consultant in Burlington, told the [*Boston Globe*](https://www.bostonglobe.com/2024/08/07/business/hospitals-insurance-community-systems-health-care/?p1=BGSearch_Overlay_Results) “doctors and hospitals in Massachusetts don’t get paid what they deserve, they get paid what they negotiate. The big players … get paid more… regardless of their quality or efficiency...”

We look to the state to make policy decisions to control healthcare prices when the market fails to do so, yet this fundamental issue — does quality justify the high prices charged by certain major hospitals — remains unanswered. Given the continuation of unwarranted price variations and the high prices charged by certain providers, a new study on this issue is very much overdue.

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