

March 13, 2019

Health Policy Commission
50 Milk Street, 8th floor
Boston, MA 02109

Re: AIM Testimony Regarding Potential Modification of the 2020 Health-Care Cost Growth Benchmark

Dear Commissioners:

Associated Industries of Massachusetts (AIM) and its thousands of employer members across the Commonwealth would like to thank the Health Policy Commission (HPC) for the opportunity to provide testimony on the 2020 health-care cost growth benchmark. We would like to express our support for maintaining the benchmark at 3.1 percent for 2020, as prescribed by Chapter 224 of the Acts of 2012.

Since its implementation in 2013, the cost-growth benchmark has become a critical component for understanding year-over-year increases in health-care spending. More than 10 years after the implementation of Massachusetts' universal health-care law, employers, consumers and the public sector continue to struggle with escalating costs of comprehensive health care.

A main contributor to our high cost of care is consumers' consistent use of high-cost settings to receive care. According to estimates provided by the Health Policy Commission (HPC), reducing just some of these factors by 10% could save tens of millions of dollars in unnecessary health-care spending. Our hospital outpatient utilization rate is 50% higher than the national average. Our rate of ED visits and inpatient discharges are 10% and 8% higher than the national average, respectively. And our post-acute care discharges are 27% higher than the national average.¹

And as premium and utilization costs continue to grow, employers have fewer options and less flexibility to keep year-over-year increases in check, raising important concerns about their ability to offer comprehensive insurance to their employees. With health-insurance premiums paid by Massachusetts employers and employees increasing 5.8 percent in 2017, the average total premium for employer-based coverage remains among the highest in the country at \$21,000 per year for a family plan and \$7,000 for a single employee. Premiums for smaller employers increased 6.9 percent and are now the second highest in the country. These figures do not include out-of-pocket spending like co-payments and deductibles, which grew 5.9 percent in 2017 for commercially-insured enrollees.

As an advocate for employers in the Commonwealth, we believe that the appropriate role of government in controlling health insurance costs should be to establish reasonable health-care spending targets, like

¹ Source: Health Policy Commission.

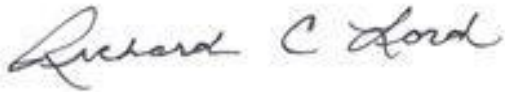
the 3.1% benchmark, instead of proscribing regulatory solutions. The market should be given the chance to correct itself, and the Commonwealth's function should continue to be the monitoring of the industry's progress in achieving this goal.

Massachusetts has successfully and consistently achieved the lowest rate of uninsured residents across the nation, most recently reaching an uninsured rate of just 2.5%.² And while we have remained below the cost growth benchmark in three of the five measurement periods, employers and workers have not yet realized the benefits of moderated health-care spending. These unsustainable cost increases are occurring in an industry where experts agree that at least a third of all care is unnecessary – delivered in the wrong setting; marked by a lack of coordination; provided with an inadequate emphasis on prevention; harmed by medical errors; burdened with rules and fraud; or just plain excessive.

Our Commonwealth worked hand-in-hand with employers 13 years ago to move us all toward universal coverage. We must take this same, comprehensive approach in achieving cost containment goals. Setting an aggressive cost growth benchmark is the main action the Commonwealth can and should take to meet this target.

We applaud the HPC for identifying and quantifying these significant areas of improvement and we respectfully request that the cost growth benchmark for 2020 be maintained at 3.1%.

Sincerely,

A handwritten signature in dark ink, reading "Richard C. Lord". The signature is fluid and cursive, with the first name "Richard" being more prominent than the last name "Lord".

Richard C. Lord
President & CEO
Associated Industries of Massachusetts

² Source: United States Census Bureau, September, 2017.