March 14, 2024

Ms. Deborah Devaux,
Chair Health Policy Commission
50 Milk Street Boston, MA 02109

The Honorable Cindy Friedman, Senate Chair
The Honorable John Lawn, House Chair
Joint Committee on Health Care Financing
State House Rooms 413-D and 445 Boston, MA 02133

RE: **Testimony Regarding the Health Policy Commission's Cost Benchmark**

Dear HPC Members and Elected Officials,

Good afternoon and thank you for the opportunity to provide comments today. I am Eileen McAnneny, and I come before you today as a private citizen and health care consumer, soon to be a representative of a coalition of employers collaborating to promote affordable, high quality, and rational health care, and as someone with 30 years' experience in public policy representing employers and taxpayers, much of that time focused on health care policy. To that end, I urge you to reduce the cost benchmark.

Addressing health care costs was one of three tenets of the agreement that led to the passage of Chapter 58 of the Acts of 2006, the landmark health care law in Massachusetts. The other tenets were access and quality.

Chapter 224 of the Acts of 2012 was intended to address health care costs. As you know, it was the statute that created the Health Policy Commission, a novel watchdog agency to monitor rising costs. Chapter 224 also established an annual cost growth benchmark as a target for healthcare spending. As a lobbyist for Associated Industries of Massachusetts, I actively participated in the discussions to set the initial cost benchmark. The employer community argued then that the cost benchmark should be negative to take cost out of the system given that 30 percent of all care was estimated to be unnecessary or inappropriate.

Policymakers rejected that argument and imposed a cost growth benchmark. That benchmark has often exceeded the rate of inflation and wage group, effectively allowing health care to grow at a rate faster than the economy. Despite that, the cost benchmark has not been met for several of the years it has been in effect, in part due to inadequate consequences for failure to comply.

While Chapter 58 provided near universal access, and quality improvement has been an ongoing focus, the work of bending the health care cost trend remains unfinished. Yet the need to address health care costs has grown more urgent over time. Today, the cost of healthcare remains unaffordable for many people and impedes them from seeking the care they need. As CHIA reported in its 2022 report, 41 percent of Massachusetts residents had trouble paying for health

care in 2021 and over a quarter of respondents reported an unmet need for medical or dental care in the past 12 months due to cost. Last year's double-digit increases of 16% on average for commercial insurance have only driven those percentages higher.

The cost trend is even more alarming. CEOs of the largest insurers indicated at the most recent cost trend hearing that next year's rate increases will be even steeper. This is due to further provider consolidation, higher unit prices, and a growing spend on pharmaceuticals. The Group Insurance Commission, the state entity purchasing health insurance for state workers, retires and some municipal workers, and one of the largest purchasers in New England, just approved rate increases that average 8.5%. The cost trend for small businesses will be even more shocking, as they tend to see the largest increases year-over-year.

On the macro-economic front, employers are facing persistent inflation, high interest rates and pressure to increase wages given the shortage of workers. Against this backdrop, there is less money available for benefits or new hires. These substantial year-over-year increases in costs generally, and health insurance premiums in particular, translate into less discretionary income for individuals, shrinking profit margins for businesses, and higher tax bills for taxpayers.

The impact of these rising health care costs is real and felt most acutely by the fully insured commercial market. Perhaps that explains why the small group marked has shrunk by 42 percent over the past decade, from 665,000 to 385,000 covered lives (2010 to 2021). Of those small employers still purchasing in the small group market, 72% are buying high deductible health plans to afford coverage (up from 34.5% a decade ago). This buy-down in benefits leads to more out of pocket expenses and/or more bad medical debt for individuals and more uncompensated care for providers.

So I come before you today suggesting something has to give.

As your annual cost trend reports indicate, there are several actions that policy makers and purchasers can take to address the underlying cost drivers. Whether it is getting care in the appropriate setting, reducing use of emergency departments for routine care, or increasing price transparency to educate people about the large variation in the cost of care, there are actions that we can and must take. There must be a sense of urgency to tackle the rising cost of healthcare. It has been 18 years since Chapter 58 became law and the vision of more affordable health care remains elusive.

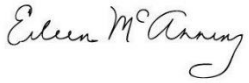
It is time to signal that health care costs must be tamed by taking the steps necessary to transform our health care system for its long-term sustainability. Reducing the cost benchmark would signal that annual healthcare cost increases cannot continue unabated and serious efforts must be made to make the necessary systemic changes that will pave the way for more affordable, value-based care.

Taking this important step to bend the health care cost trend certainly aligns with Governor Healey's three guiding principles – affordability, competitiveness, and equity – and arguably would be the biggest single step that policymakers could take to make progress on all three.

For these reasons, I urge the Health Policy Commission to lower the cost benchmark.

I appreciate the opportunity to give voice to the employer perspective, thank you for your time this afternoon and I would be happy to answer your questions.

Sincerely,



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