

Testimony of Erin Sarin for the Health Policy Commission's Annual Cost Trend Hearing Submitted November 14, 2023

Introduction:

Good morning, esteemed members of the Health Policy Commission. My name is Erin Sarin, and I stand before you today as someone who has dedicated a lifetime to understanding and navigating the complexities of the healthcare system in Massachusetts. I am honored to be here and grateful for the opportunity to provide a perspective that is often underrepresented in these discussions—the viewpoint of employers who bear the weight of rising healthcare costs.

Personal Experience:

I've spent fifteen years immersed in the landscape of employee benefits. In the initial half of my career, I specialized in healthcare consulting, working closely with employers across the Commonwealth to craft and negotiate robust benefit programs. During the latter half, I transitioned into Human Resources, overseeing benefit portfolios for large, complex organizations like The MITRE Corporation and Moderna Therapeutics. This shift deepened my understanding of the challenges employers face in providing comprehensive health insurance. I'm also currently a member of the Board of Directors for the New England Employee Benefits Council, and have served this organization for over 4 years. Today, I'm here not as a representative of any specific organization but as a voice shaped by years of experience, ready to share insights and contribute to discussions on optimizing employee benefits for organizational success.

I have witnessed firsthand the profound impact of healthcare costs on businesses. I've faced head-on the escalating challenge of providing comprehensive health insurance for our employees while grappling with the ever-increasing costs. This issue is not just a line item in a budget; it significantly influences our ability to make strategic decisions, invest in our workforce, and contribute to the overall health and well-being of our business and employees.

Key Issue:

Today, I'd like to shed light on a critical issue that directly affects employers—the persistent cost shift from federal and state-based health insurance programs to the commercial market. The current system, where Medicare and Medicaid do not cover their full share of costs through provider fee arrangements, leaves a substantial gap that is then passed on to the commercial market. This cost shift is a symptom of an imbalanced reimbursement structure, where the burden disproportionately falls on employers and, consequently, their employees.

To elaborate, the reimbursement arrangements set for Medicare and Medicaid often do not align with the actual cost of providing healthcare services. Providers, in turn, are forced to make up the difference by charging higher rates to commercial insurers. This creates a domino effect, with employers absorbing these inflated costs through their health insurance premiums.

Impact on Employers:

The tangible repercussions of this cost shift are felt by employers statewide, presenting formidable challenges for companies I've both consulted for and been a part of. These challenges translate into tough decisions regarding hiring, employee benefits, and overall financial stability. The escalating costs place a burden on our capacity to compete, innovate, and make meaningful contributions to the economic well-being of our community.

According to the HPC's 2023 report, there's a widespread trend among employers turning to High Deductible Health Plans (HDHPs) to counter the yearly surge in premiums and claims. This strategy, however, proves unsustainable and poses a significant hindrance for plan participants seeking essential care, including preventive measures, leading to a heightened risk of chronic diseases over time.

While a substantial share of claims costs is shifted to employees through high cost sharing arrangements, it's crucial for employers to annually adjust employee premiums, deductibles, and copays to keep pace with the continuous cost increase. The pursuit of solutions for chronic care often leads employers to third-party and point solutions, resulting in a fragmented healthcare system with complexities in navigating channels to understand and access necessary care. As a large employer, I've had the luxury of being able to purchase these condition-specific care solutions to help curb cost and improve member experience over time. According to the Kaiser Family Foundation¹, employees working for small employers are subject to higher premiums and more out-of-pocket costs, significantly so. Unfortunately, these employers are limited in what strategies they can employ to help address the healthcare challenges of their unique populations.

This upward trajectory in costs has far-reaching consequences, affecting our ability to provide competitive benefits, attract new talent, and invest in employee development programs. As an employer, my profound concern extends to the well-being of our workforce. The escalating healthcare costs create a ripple effect, influencing overall job satisfaction, productivity, and the long-term commitment of employees to the company. Additionally, lower-wage employees may find themselves compelled to forego healthcare, potentially escalating costs for everyone in the future.

Call to Action:

I stand before you today not just to highlight a problem but to advocate for change. I urge the Health Policy Commission to conduct a thorough examination of the consequences of the cost shift to the commercial employer market. This may involve reassessing provider fee arrangements, advocating for increased state funding, or implementing policies that ensure a fair distribution of healthcare costs. By taking proactive steps, we can create a more equitable and sustainable healthcare system in Massachusetts—one that supports both businesses and the broader community.

Closing:

In conclusion, I want to express my sincere gratitude to the Health Policy Commission for providing a platform to voice the concerns of employers in Massachusetts. Your dedication to understanding and improving our healthcare system is commendable, and I trust that together, we can make meaningful strides toward positive change. Thank you for your time, and I look forward to witnessing the positive impact of our collective efforts.

¹ <https://www.kff.org/mental-health/press-release/annual-family-premiums-for-employer-coverage-average-22463-this-year/>