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## Testimony of

Christopher Carlozzi, State Director, National Federation of Independent Business  
2021 Health Care Cost Growth Benchmark  
Before the Joint Committee on Health Care Financing and the Health Policy Commission  
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Chair Friedman, Vice Chair Cullinane, Chair Altman and Members of both the Joint Committee on Health Care Finance and the Health Policy Commission:

My name is Christopher Carlozzi. I am the Massachusetts Director of NFIB. A non-profit, non-partisan organization, NFIB is the nation's and our state's largest small business advocacy group. In Massachusetts, NFIB represents thousands of small and independent business owners involved in all types of industry, including manufacturing, retail, wholesale, service, and agriculture. The average NFIB member has five employees and annual gross revenues of about \$450,000. In short, NFIB represents the small Main Street business owners from across our state.

Small business owners in Massachusetts continue to rank the cost of health insurance at or near the top of their list of concerns, as they have done for well over a decade now. The price tag of health care in the Commonwealth is a significant cost of doing business and a significant consideration when creating a new job. And while health care spending may have remained within the growth benchmark for 2018, for small businesses, health insurance expenses continue to increase annually resulting in high deductible plans, with increasing out of pocket costs for both employers and their workers.

As the Health Policy Commission recognized in a recent Cost Trends Report, Massachusetts small businesses and their workers are experiencing the second highest health expenses in the nation. Small business owners cannot fathom why they face continual health cost increases, while individuals and government workers see cost savings. Affordability is still a major issue for small businesses and something lawmakers must address to ensure greater equity for small businesses in the health marketplace.

Last October, Governor Charlie Baker issued Executive Order Number 589 creating an advisory council to better understand the impact of Massachusetts' unique merged market. Some suspect the merged market is resulting in an unfair cross-subsidy where small businesses are paying higher premiums so that individuals pay less. When the 2006 Health Reform Law was passed merging the individual and small group markets, a series of ratings factors were included to prevent premium rate spikes for small businesses. However, under the Affordable Care Act, these ratings factors that once protected small businesses have been phased out over time. Small business owners are eager to hear

the advisory council's findings as well as their recommendations on how to level the playing field for small employers within the merged market.

Once again, while health spending remained within the growth benchmark, small businesses are still struggling to offer affordable health coverage for their workers. Small business owners grow weary of hearing that Massachusetts leads in health reform when every year they experience increased costs. Employers can no longer endure these annual double-digit premium increases that make small business growth and job creation extraordinarily difficult.

Health insurance costs are not contained within a vacuum for Massachusetts small businesses that face constant labor cost increases due to legislative activity. Our state is prohibitively costly to run a small business and employers often struggle to offer affordable health insurance for workers. Legislative solutions to make health insurance more affordable for small businesses and their workers who shoulder the premium costs, are often politically difficult to implement. Meaningful reforms are often stripped from legislation and bills that do end up progressing result in higher costs.

NFIB was pleased to join a collaborative effort with other business groups in the state to help change consumer trends and reduce emergency room visits. The initiative calls for Bay State employers to help educate their workforce on appropriate ER usage in order to help provide approximately \$100 million in cost savings over a two-year period, roughly a 20 percent reduction. Other cost savings measures include greater transparency for consumers by providing them with more choices. NFIB strongly favors more free market solutions to lower cost through competition and choice. The legislature must also seek ways to instill competition into health care by reducing mandates. As many as 54 specific services, treatments, supplies and practitioners are mandated by law, including twenty-two new mandated benefits since 2006, many above and beyond federal essential benefits. Most important to remember, is that these mandates fall disproportionately on small business. Businesses that are large enough to self-insure or are multi-state or multi-national companies do not abide by state mandates as they are regulated by federal ERISA law. New mandate bills are filed in large numbers every legislative session. Many medical procedures are not emergencies and consumers can be given information that allows them to choose the best care and the most cost-efficient care.

For the sake of the economic well-being of Main Street businesses across Massachusetts and their workers, the Commonwealth should once again seek an aggressive cost growth benchmark. But within setting this benchmark, the state must seek ways to lower health costs for Massachusetts small employers and their workforce as well. Thank you.