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Testimony of

Christopher Carlozzi, State Director, National Federation of Independent Business
2021 Health Cost Trends Hearing
Before the Health Policy Commission
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Chair Altman and Members of the Health Policy Commission:

My name is Christopher Carlozzi. I am the Massachusetts Director of the National Federation of Independent Business. 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 exceeded the growth benchmark, small businesses continue to be disproportionately impacted by annual premium increases 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 previous Cost Trends Report, Massachusetts small businesses and their workers are experienced the second highest health expenses in the nation. Small businesses are still feeling those cost pressures, only with the additional financial strain of operating during and in the aftermath of a pandemic. Small business owners cannot fathom why they face continual health cost increases, while individuals and government workers often experience 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.

In 2019, Governor Charlie Baker issued Executive Order Number 589 creating an advisory council to better understand the impact of Massachusetts' unique merged market. Some conclude the merged market is resulting in an unfair cross-subsidy scenario with small businesses paying higher premiums while 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 were phased out over time. In fact, additional waiver requests were denied again this year by the Biden Administration. Small business owners are eagerly anticipating the

recommendations made by the advisory council on how to level the playing field for small employers within the merged market.

As small businesses face labor shortages and struggle to attract new workers, being able to offer affordable health coverage is more important than ever. 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 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 policy. Our state is prohibitively expensive to run a small business and employers find it increasingly difficult 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.

The legislature must also reduce the number of state health 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. Reports estimate 17 cents of every premium dollar is spent on mandates. It is important to remember 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. An incredible number of new mandate bills are filed every legislative session without consideration of the cost impact on small businesses. 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 state must begin to finally address the cost of insurance and the barriers to affordability for small employers within the merged market. Thank you.