



10 High Street  
Suite 1003  
Boston, MA 02110  
617-482-1327  
NFIB.com

## Testimony of

Christopher Carlozzi, State Director, National Federation of Independent Business  
2020 Health Care Cost Growth Benchmark  
Before the Health Policy Commission  
March 13, 2019

Chairman Altman and Members of 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 have ranked the cost of health insurance at or near the top of their list of concerns for over a decade. 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 growth may have slowed to an impressive 1.6 percent in 2017, for small businesses, health insurance expenses continue to increase annually with efforts to get the cost increases under control seeming to always fall short of expectations.

While individuals and government employees are experiencing health savings, small businesses are once again reporting premium increases. In fact, the Health Policy Commission's 2018 Cost Trends Report found Massachusetts small businesses and their workers facing the second highest health expenses in the nation. Small business owners cannot fathom why they face continual health cost increases, yet individuals and government workers are now seeing lower costs. It begs the question, why are small businesses facing the second highest health costs in the nation and individuals covered through the Health Connector experiencing the second lowest?

Some would argue that our unique merged market is resulting in an unfair cross-subsidization where small businesses are paying higher costs, resulting in individuals paying 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 are gradually being phased out. After 2019 the remaining ratings factors allowed by waiver will be completely eliminated and small businesses will face even greater cost increases. This is a major problem that must be addressed by the Massachusetts Legislature this session.

The 2018 Cost Trends Report may have reported growth well-below the 3.6 percent benchmark, but a small business' ability to offer affordable health coverage for their workers has in no way improved. Since passing the Massachusetts Health Reform Law, elected officials have touted those reforms as a major success. This has not been the experience for the state's small firms and their workforce that struggle to find affordable coverage and face annual premium increases and high deductible plans. Among Massachusetts health care reform efforts, costs have always been second to quality of care and access to insurance, but it is time to recognize that cost is the biggest barrier to care. Small businesses can no longer endure annual double-digit premium increases. Much like the Commonwealth is experiencing, health care expenses are also devouring small business budgets and crowding out revenue to grow, hire and expand.

Health insurance costs are not contained within a vacuum for Massachusetts small businesses facing across the board operating and labor cost increases. Our state is prohibitively costly to run a small business with highest in the nation energy costs, mandated paid sick leave regulations, high unemployment insurance rates, high wages, and the cost associated with a new paid family and medical leave benefit. A large number of small businesses were also subject to the EMAC assessment for the past five quarters. Small business owners were completely overwhelmed and caught off-guard by this new, Massachusetts-only expense. What is perhaps most frustrating is that small businesses are being penalized for something they have little-to-no control over. As health insurance costs become more unaffordable, and higher cost, high deductible plans more prevalent, workers are opting for state subsidized coverage instead. The worker is simply making a budgetary decision that is best for their family. Small businesses are offering the most affordable options available and cannot prevent workers from seeking state subsidized coverage without reimplementing of the, now-defunct, employer gate. Yet the state is penalizing employers for their workers' decision to seek affordable coverage. This new assessment does nothing to make health care more affordable for businesses and their workers, it simply piles on a new labor expense further straining small business budgets.

But solutions to the health insurance cost crisis for small businesses and their workers who shoulder the premium costs are often difficult to implement. 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 more transparency for consumers by providing them with more choices. NFIB strongly favors more free market solutions to lower cost through competition and choice. Government must seek ways to instill competition into health care by reducing mandates. 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, we must work to reduce health insurance costs for thousands of struggling small businesses. Thank you.