



1 Beacon Street, 16th Floor
Boston, MA 02108

www.aimnet.org | 617.262.1180 | fax 617.536.6785

March 8, 2017

Health Policy Commission
50 Milk Street, 8th floor
Boston, MA 02109

Re: AIM Testimony Regarding Potential Modification of the 2018 Health Care Cost Growth Benchmark

Dear Commissioners:

Associated Industries of Massachusetts (AIM) and its 4,000 member employers across the commonwealth thank the Health Policy Commission for the opportunity to provide testimony on the potential modification of the 2018 health-care cost growth benchmark. We support maintaining the benchmark for 2018 at 3.1 percent, as prescribed by Chapter 224 of the Acts of 2012.

The cost-growth benchmark is a critical component for understanding year-over-year increases in health-care spending. More than 10 years after the implementation of Massachusetts' universal health care law, employers, consumers and the public sector continue to struggle with escalating costs of comprehensive health care.

Massachusetts employers and consumers currently pay some of the highest health-insurance premiums in the country. The Health Policy Commission (HPC) has highlighted that rates in the small-group market have increased between 5.4 percent and 8.3 percent during the past eight quarters. Small and medium-sized employers who purchase insurance in the small-group market typically cannot self-insure and thus bear the costs of providing health care coverage with few cost-saving options available. AIM members say that the burden of health-insurance costs has become a major impediment to competition and expansion.

Testimony provided by AIM member Pat Begrowicz, owner of Onyx Paper in South Lee, at the 2016 Health Care Cost Trends Hearing painted a stark picture of unabated premium increases across the fully-insured commercial market. Even after implementing wellness and nutrition programs, and encouraging employees to choose high-quality, lower-cost coordinated care, the 150-employee manufacturer still faced a 20 percent premium increase in a single year. This experience is not unusual.

AIM advocated consistently during the debate over Chapter 224 for an aggressive goal to reduce the growth in health-care costs. Together with the Greater Boston Interfaith Organization, we urged the state to set the health care cost growth benchmark at 2 percentage points below the growth in the state's economy. The association ultimately supported the establishment of a 3.6 percent benchmark because we recognized the vital importance of creating a standard to measure the state's cost-containment efforts.

But we have not yet seen sufficient progress. We have exceeded the 3.6 percent cost-growth benchmark in two of the past three measurement periods. Total Health Care Expenditures (THCE) grew by 4.2 percent from 2013 to 2014, and by 4.1 percent from 2014 to 2015.¹ These unsustainable cost increases are occurring in an industry where experts agree that at least a third of all care is unnecessary – delivered in the wrong setting; marked by a lack of coordination; provided with an inadequate emphasis on prevention; harmed by medical errors; burdened with rules and fraud; or just plain excessive.

The Health Policy Commission has identified several areas in which wasteful or inappropriate spending should be addressed, including:

- excessive use of community appropriate care delivered in high-cost settings
- high rate of hospital readmissions
- inappropriate use of emergency rooms, and
- high rate of discharge to post-acute facilities.

It is estimated that savings of between \$300 million and \$800 million could be achieved without impacting the quality of care in any way.

We applaud the HPC for identifying and quantifying these significant areas of improvement and we respectfully request that the cost growth benchmark for 2018 be maintained at 3.1%.

Sincerely,



Richard C. Lord
President & CEO
Associated Industries of Massachusetts

¹ Source: Center for Health Information and Analysis, Annual Report. September, 2016.