ASSOCIATED INDUSTRIES OF MASSACHUSETTS

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March 28, 2018

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

Re: AIM Testimony Regarding Potential Modification of the 2019 Health Care Cost Growth Benchmark

Dear Commissioners:

Associated Industries of Massachusetts (AIM) and its thousands of employer members across the Commonwealth thank the Health Policy Commission for the opportunity to provide testimony on the potential modification of the 2019 health-care cost growth benchmark. We would like to express our support for maintaining the benchmark at 3.1 percent for 2019, as prescribed by Chapter 224 of the Acts of 2012.

As we continue to track trends in health-care cost and utilization, the cost-growth benchmark has become 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.

A main contributor to our high cost of care is consumers' consistent use of high-cost settings to receive care. According to estimates provided by the Health Policy Commission (HPC), reducing just some of these factors by 10% could save tens of millions of dollars in unnecessary health care spending. Our hospital outpatient utilization rate is 50% higher than the national average. Our rate of ED visits and inpatient discharges are 10% and 8% higher than the national average, respectively. And our post-acute care discharges are 27% higher than the national average.[1]

And as premium and utilization costs continue to grow, employers have fewer options and less flexibility to keep year-over-year increases in check, raising important concerns about their ability to offer comprehensive insurance to their employees. Without comprehensive insurance, employees have less ready access to the type of coordinated and preventative care that leads to long-term health and productivity.

As an advocate for employers in the Commonwealth, we believe that the appropriate role of government in controlling health insurance costs should be to establish reasonable health care spending targets, like the 3.1% benchmark, instead of proscribing regulatory solutions. The market should be

[1] Source: Health Policy Commission.

given the chance to correct itself, and the Commonwealth's function should continue to be the monitoring of the industry's progress in achieving this goal.

Massachusetts has successfully and consistently achieved the lowest rate of uninsured residents across the nation, most recently reaching an uninsured rate of just 2.5%.[2] In contrast, the implementation of a cost growth measure occurred only 6 years ago, and the results of that measure are mixed. We have exceeded the 3.6 percent cost-growth benchmark in two of the past four measurement periods. Total Health Care Expenditures (THCE) grew by 2.3 percent from 2012 to 2013; 4.2 percent from 2013 to 2014; by 4.1 percent from 2014 to 2015; and by 2.8 percent from 2015 to 2016.[3]

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. Our Commonwealth worked hand-in-hand with employers 10 years ago to move us all forward toward universal coverage. We must take this same, comprehensive approach in achieving cost containment goals. Setting an aggressive cost growth benchmark is the main action the Commonwealth can and should take to meet this target.

We applaud the HPC for identifying and quantifying these significant areas of improvement and we respectfully request that the cost growth benchmark for 2019 be maintained at 3.1%.

Sincerely,

Richard C Lord

Richard C. Lord
President & CEO
Associated Industries of Massachusetts

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[2] Source: United States Census Bureau, September, 2017.
[3] Source: Center for Health Information and Analysis, Annual Report. September, 2017.