



**Testimony of Jon Hurst, President
Before the MA Health Policy Commission
The 2024 Health Care Cost Growth Benchmark
March 15, 2023**

The Retailers Association of Massachusetts (RAM) is a statewide trade association organized in 1918, with 4,000 member employers, including all types and sizes of stores, restaurants, and various consumer service providers. The typical RAM member operates out of one location and has ten employees. The retail sector operates out of 70,000 locations across the Commonwealth and employs over half a million people.

Every March since 2006, we have surveyed our members on proposed health insurance premium renewal rates. The results should come as no surprise to anyone with an eye on health care trends in Massachusetts over the past two decades. The consistently high percentage premium increases almost every year show a definitive pattern of discrimination, unequal market treatment, and perhaps unfair cross subsidies.

The 2023 RAM member reported average of premium increase at renewal over last year is 11.7%. Survey respondents did not include any multi-state chain operators, and all were MA based independents with 50 or fewer employees. To mitigate the 11.7% rate of increase, members reported taking the following steps:

- 20% changed health insurance carriers
- 27% increased employee cost sharing
- 3% dropped coverage entirely

The eleven-year average increase is 9.61%. Over that same time frame, this can be compared to an average 4% increase at the GIC, a 2% rate of inflation, and a cost growth benchmark of either 3.1 or 3.6%. Every year these small businesses see increases which are two to three times the cost growth benchmark.

The annual question I ask you remains; are small business employees really 2-3 times less healthy or less educated consumers of health care services than those at the average? Are these employees larger utilizers of services than the rest of the population, and by a multiple of three? Doubtful, since small business employees are a representative slice of the population. And since small businesses and their employees are always far above the benchmark, that would seem to indicate that other classes of consumers are always at, or far below the benchmark.

Who are those consumers? Who are those payers? Do certain risk pools and groups of consumers have certain advantages on provider negotiations, on choices, on cost and claims tools, which do not exist for small businesses? Are the margins of providers unfairly being put on the backs of Main Street so that others with certain marketplace or government created advantages can pay less? Are small businesses somehow deemed not equal enough or smart enough under the law or in the markets, to do as well as those that always meet or beat the benchmark?

Small employers need help on controlling health care and insurance costs. They compete every day with large employers to recruit and retain employees. The HPC can help by looking deeper into several issues and questions out there today that raise concern. For instance, further investigation is warranted on the migration of 400,000 lives out of the Merged Market since 2007. Where did they go?

What will happen with the upcoming MassHealth redeterminations? If many of those lives will flow into the Merged Market, what does that mean for small business premiums? Likewise, what does that mean for provider revenue through higher non-government rate reimbursements, and should that impact the benchmark? And in merging small group and non-group into the same risk pool, leaving Massachusetts a national outlier, are we forcing premium cross subsidies from small businesses to individuals?

State mandates are the other cause of premium discrimination for small businesses. With 32 state mandates, the Department of Insurance reports that self-insured employers operating under federal law are not fully covering those costly state mandates, unlike fully insured small businesses. Self-insured employers (most of the commercial market in MA) only need to follow federal law, and therefore only cover the ten Essential Benefits under the ACA.

Providers keep pushing unaffordable medical inflation by both pressing for higher commercial reimbursements rates and through the expansion of state mandated benefits. Small businesses are increasingly moving to self-insured plans to avoid both premium cross subsidies and state mandates.

For these reasons, we urge a return to a health care cost growth benchmark of 3.1%. Thank you, and we look forward to working with you on these critical cost and fairness issues.

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