



**TESTIMONY OF EILEEN MCANNENY, EMPLOYER COALITION ON HEALTH
PRESIDENT, BEFORE THE HEALTH POLICY COMMISSION AT THE COST TREND
HEARING ON NOVEMBER 14, 2024**

Good afternoon and thank you for the opportunity to testify. I come before you today as the President of the Employer Coalition on Health (ECOH), a group of concerned employers who are working to address the unsustainable growth in healthcare costs and make healthcare more affordable in Massachusetts, and as a person with almost 3 decades of experience in the Massachusetts health policy world.

As you know, the statutory charge for today's hearing is to “*examine health care provider, provider organization and private and public health care payer costs, prices and cost trends, with particular attention to factors that contribute to cost growth within the commonwealth's health care system.*” This goal has taken on greater urgency as the strains on our health care system grow more acute.

The HPC has done valuable work documenting the cost trends and cost drivers over the past 12 years, providing important data and transparency for key metrics. Notably, the primary cost drivers have remained consistent over that period. They are the unit cost of care at hospitals, and the growing spending on pharmaceuticals.

What has changed much more dramatically since Chapter 224 was enacted in 2012, is the healthcare landscape, including:

- A diminished small group market. The small group market had 603,753 covered lives in 2012 versus 343,550 today. This could indicate fewer small businesses, fewer businesses buying coverage or more employees opting to utilize public plans.
- According to KFF, the average family premium in the U.S. was \$25,572 in 2024 versus \$15,745 in 2012, a 62% increase, and those figures are higher in Massachusetts.
- Consolidation of provider organizations: There were **95** hospitals in 2012 and **70** today. This consolidation provides hospitals with more leverage in negotiating reimbursement rates and leads to higher unit costs of care.
- Significant growth in the number of people covered by public health programs: **1,760,918** Medicaid enrollees as of 12/31/18 versus **2,054,992** as of August 2024. Almost 1.4 million seniors are enrolled in Medicare in 2024. This means there are fewer people in the commercial market cross-subsidizing Medicaid and Medicare which leads to higher premiums.

Considering these troubling trends, I offer five recommendations.

1. We need to acknowledge the healthcare system is in crisis.

All stakeholders testifying today indicated as much, offering their unique perspective. I would like to add the employers' voice to that list. Although there was not a panel of them at today's hearing, employers, employees, consumers and taxpayers shoulder these skyrocketing costs and

are greatly impacted by them. Healthcare costs are second only to housing costs as the reason that residents aged 25-34 are leaving Massachusetts. 50% of those surveyed by CHIA indicate cost is a barrier to accessing care.

This is not surprising given the data included in the recent HPC 2024 Cost Trend Report.

- Massachusetts has the second highest average family health insurance premiums in the country, now exceeding \$30,000 a year.
- Massachusetts remains among the highest-spending states in the country for health care, after New York and Alaska.
- Affordability challenges disproportionately impact populations of color, and those in Massachusetts with less resources, contributing to widening disparities in access to care.

ECOH Recommendation: I am urging the HPC and all public policy officials to address health care affordability in Massachusetts with the urgency that this crisis warrants. Acknowledging the crisis is the first critical step to addressing the problem.

2. Policymakers must do more to moderate healthcare cost trends.

While the HPC had initial success in moderating the cost trend after its inception in 2012, that goal has become more elusive in recent years. In fact, the health care benchmark has not been met for six straight years. The most recent data show our state has exceeded the benchmark by more than two percentage points with spending growing by 5.8% per capita this past year. That is the highest in a decade and insurers are indicating the future trend may be even steeper.

ECOH Recommendation: The HPC should offer recommendations that target the cost drivers that you have repeatedly identified - hospital unit prices and the growing expenditures on drugs and reinforce a meaningful statewide benchmark. ECOH urges the HPC to actively advocate for policy solutions that the legislature can enact to drive change. Further, ECOH urges the HPC to work with the Department of Insurance (DOI) and the legislature to more proactively inform the public, the media and lawmakers about how cost drivers and new mandates impact employer premiums.

3. Pharmaceutical companies and pharmaceutical benefit managers must be part of the discussion.

Pharmaceutical companies and pharmacy benefit managers are becoming a growing part of our healthcare system. Prescription drugs account for a greater portion of the healthcare spend in Massachusetts, as HPC has documented for several years now. That trend is likely to accelerate with the onslaught of weight loss drugs.

- The pharmaceutical cost trend is expected to increase dramatically due to the commercial spending on GLP-1 drugs. According to a recent HPC analysis, the number of prescriptions has increased seven-fold since 2018. The total spending in Massachusetts is projected to surpass \$270 million in 2023, more than double the amount in 2022.

The role of pharmaceutical benefit managers (PBMs) is not widely understood. Having a better understanding of how they operate, how savings are realized and distributed, and what impact they have on the healthcare market is a critical piece of this payment puzzle.

ECOH Recommendation: We recommend that the HPC file legislation to make both pharmaceutical companies and PBMs testify annually at cost trend hearing. In the meantime, HPC should invite them to testify under oath as to how specific drugs have impacted healthcare in terms of efficacy and cost. Medical device companies should also be invited as technology plays a bigger role in healthcare delivery.

4. The time for studying the problem is over. We need transformational change across the industry, led by hospitals.

As the leader of MHHA recently stated that “*it is imperative that everyone involved in healthcare – from insurers to business partners to policymakers – recognize the new reality of hospital finances.*” He also acknowledged at a public forum that the current payment system was designed 60 years ago, paid for volume, and had commercial insurance cross-subsidizing public payers at a time when there were far fewer enrollees in MassHealth and Medicare. That model doesn’t work anymore because of the dramatic changes that have occurred since, and we need to collectively recognize this new reality.

The answer to the current hospital financial woes, however, cannot simply be for purchasers to pay more. They are already contributing their fair share. Commercial payers cross-subsidize public payers, reimbursing hospitals 130% more than MassHealth and at a rate of more than double what Medicare pays for many services. Like hospitals, all businesses in Massachusetts are facing higher labor costs amid a worker shortage, higher utility and borrowing costs, and general inflationary impacts.

Hospitals must lead the way in healthcare transformation. That is not casting blame, but rather fishing where the fish are. Hospitals are the recipients of \$0.40 of every health insurance premium dollar and they are best positioned to know how to change the system so that we are adequately paying for high value and appropriate care.

ECOH Recommendation: The HPC, perhaps in collaboration with the Attorney General’s office, should report more detailed information on hospital finances. Not all hospitals are losing money, nor are those losing money doing so to the same degree or for the same reasons. More transparency would enable better analysis of both the causes and solutions for addressing this issue.

5. Add Employers to the HPC Board.

Massachusetts has an affordability, competitiveness and equity problem, and healthcare costs contribute to all three. At the same time, healthcare is an important sector of our economy and healthcare providers and insurers are among our largest employers, giving them an outsized influence on health policy. Legislation and regulation are often too focused on healthcare insiders and not enough on the patients and consumers of care. Missing from these discussions is the voice of thousands of small and non-healthcare businesses that are adversely impacted by this

phenomenon. A perfect example is that during this healthcare cost crisis, the legislature enacted a new healthcare mandate that adds to the cost of care for those in the fully insured market, which is individuals and small businesses.

ECOH Recommendation: As the leading state agency on healthcare costs, the HPC should formally add a board seat designated for a member of the small business community. This would ensure that the perspective of employers would be included as part of the HPC's ongoing dialogue and help shape future policy initiatives to support our small business community.

Thank you for the opportunity to provide comments today and stand ready to assist you in any way appropriate as your work to reduce healthcare costs in the Commonwealth.