

August 25, 2017

Ms. Emily Brice  
Deputy Chief of Policy and Strategy  
Commonwealth Health Insurance Connector Authority  
100 City Hall Plaza, 6<sup>th</sup> Floor  
Boston, MA 02108

**Re: AIM Comments for 1332 Waiver Request**

Dear Ms. Brice:

Associated Industries of Massachusetts (AIM) and its thousands of employer members wish to raise a number of points relative to the Commonwealth's application for a State Innovation Waiver under 1332 of the Patient Protection and Affordable Care Act of 2010 (Affordable Care Act).

Since the implementation of universal health care in Massachusetts and the Affordable Care Act nationally, our 4,000 employer members statewide have been concerned over the ever-increasing cost of health insurance. AIM members are proud to lead the nation with 76% of Massachusetts employers offering health insurance coverage to their employees compared with 55% of employers nationwide.<sup>1</sup> This rate is even higher for Massachusetts employers with 50 or more employees, of which 98 percent offer coverage.

But providing that coverage has consequences. According to the most recent data available from the Centers for Medicare and Medicaid Services, Massachusetts was the second highest-cost state for health care in 2014, spending over 30 percent more than the national average. Personal health-care spending in Massachusetts, per capita, has increased more than 12 percent in five years – from \$9,417 in 2009 to \$10,559 in 2014. Cost growth like this is unsustainable and has increased unabated in the face of attempts by both employers and the commonwealth to contain it.

Small businesses, in particular, struggle to manage rising costs with virtually no control over the prices handed to them by insurers. In 2015, over 57% of Massachusetts' insured residents received their coverage via their employers.<sup>2</sup> Even with such a large percentage of employers actively participating in the health insurance system, their individual market power to contain costs is limited.

Four years after a major push within Massachusetts toward health care cost containment, businesses have little to show in the way of cost savings and efficiencies. We know it is possible

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<sup>1</sup> Source: 2014 Employer Survey by the Center for Health Information and Analysis.

<sup>2</sup> Source: 2015 Massachusetts Health Insurance Survey by the Center for Health Information and Analysis

to slow the rate of growth in health care costs; but we also know that we must remain vigilant to ensure that cost growth reflects necessary and efficient changes in the market. We also must establish clear, predictable policies that reflect the specific needs and characteristics of the Massachusetts health insurance marketplace and the consumers it serves. It is possible for the market to respond positively to government pressure and changes in consumer behavior.

The State Innovation Waiver program is an opportunity for Massachusetts to tailor ACA health care policies with a goal of increasing efficiency, decreasing administrative burden, and prioritizing cost containment. With a maximum term of five years – and an option to renew after the term has expired – the waiver program also holds out the promise of increased predictability, a characteristic lacking in the market since the roll-out of the ACA in 2014.

Additionally, the 1332 waiver program provides an alternative to the challenging process of advancing legislation through Congress piecemeal. Any changes made to health care or health insurance policy have immediate and direct implications for premium costs shared between employers and employees. In the face of Congressional uncertainty, a clear and definite process will provide the predictability necessary to moderate the consistent increases Massachusetts employers have experienced since the implementation of the ACA.

AIM would like to be recorded in support of the following provisions included in the waiver:

- Promote Market Stability with a Premium Stabilization Fund in Lieu of Cost-Sharing Reductions;
- Revive Permissibility of Section 125 Plans for Non-Benefits Eligible Employees to Enhance Consumer Savings and Promote Private Coverage;
- Permission for the Commonwealth to Administer the Federal Small Business Health Care Tax Credit;
- Allow for State Option to Continue to Use Select State-Based Rating Factors; and,
- Commence a Process to Evaluate the Future of Risk Adjustment in the Commonwealth.

AIM would also like to raise a concern relative to the provisions around the State Employer Shared Responsibility Program, as referenced in the Flexibility Requests. While we support the request to waive the provisions of the federal employer mandate and related requirements, we would request that the Health Connector remove any reference to the newly-created Massachusetts employer contribution as a permanent policy.

As our Commonwealth faces an alarming deficit in its Medicaid program, employers have been required to shoulder the escalating costs of the public healthcare system, in addition to the costs of commercial health insurance. More importantly, our members are being asked to close the MassHealth deficit absent of long-term structural reforms needed to solve the underlying financial problems with the program. This policy, it should be specified, is a temporary, two-year program.

Today, we face an immediate state funding gap that foretells the financial challenges we will face in the coming years if our public health-care system continues without reform. We may well proceed through two years of an employer assessment and face an even worse funding scenario in the MassHealth program.

Eleven years ago, Massachusetts employers joined with doctors, hospitals, patient advocates and lawmakers to forge a health-reform law that required all parties to share the responsibility for improving access to health care. With the flexibility of an approved State Innovation Waiver, and coordinated reform on the state level, Massachusetts can take definitive steps to achieve long-term, comprehensive cost containment across our Commonwealth.

Thank you for taking AIM's position into consideration. Should you have any questions please feel free to contact me directly at 617-262-1180.

Sincerely,

A handwritten signature in cursive script that reads "Katherine E. Holahan".

Katherine E. Holahan  
Vice President for Government Affairs