



Controlling Health Care Costs

Health care in Massachusetts is one of the state's great competitive advantages. The Commonwealth is home to some of the most highly rated health care providers and health plans in the country; it has near universal access for its citizens to the health care system; and it enjoys a generally healthy population. However, the high cost of health care in Massachusetts is a competitive disadvantage, and both premiums and health care spending are growing at unsustainable rates for a large number of employers.

The mission of the Massachusetts Business Roundtable (MBR) is to strengthen the state's economic vitality with the goal of making Massachusetts a highly-desirable place to do business. Over the past decade, MBR, through its Health Care Task Force, has made market-based recommendations in a series of reports that promote a three-pronged strategy to address the unsustainable increases in health care costs over the long-term. These recommendations are summarized in this document, a framework of those specific elements that MBR believes must be included collectively as part of a comprehensive strategy by employers, employees and state government to control escalating health care costs.

These reforms represent a long-term strategy that will take time to impact the cost trend. They are not meant to be short term solutions. Yet there is evidence that elements of this framework are causing significant changes in the health care marketplace right now. As these changes continue, and as the market continues to shift through market based mechanisms, MBR strongly recommends that any state cost containment efforts be very clear about a cost reduction goal, include a clear metric for measuring success, resist measures that simply redistribute the burden of cost increases among different groups of employers, and avoid unintended consequences on employers and other stakeholders in the health care system that will exacerbate the state's competitive disadvantage.

MBR fully embraces the premise that all constituencies (employers, consumers, providers, plans, and government) have the shared responsibility for addressing health care costs in Massachusetts and calls upon each to engage collectively in this effort.

Framework for Reform

Many larger employers across the country are utilizing a two-pronged approach to manage their health care costs: 1) empowering employees to be consumers by implementing plan designs with tiered or limited networks that give employees more financial and decision-making responsibility for their health care selections; and 2) aggressive health management and wellness policies to keep employees healthy, reducing health care utilization and improving productivity. Applying best practices learned from these strategies, combined with changing the way providers are paid, form the framework for a long-term strategy to inform the public policy debate on taking costs out of the health care system.

1. **Consumerism.** MBR has long supported activating consumers to become more accountable for selecting higher-value health care services by giving them more financial and decision-making responsibility for their health care selections. By introducing the empowered consumer into the health care marketplace, employers are activating a new element of cost control.

- **Plan Design.** Ideally, health plan product designs would encourage consumers and physicians to select the most efficient, high-quality providers, care management, and treatment options. Employers are reluctant to tell employees where they can and cannot go for their health care. However, with tiered and limited network products, incentives are created for employees to select the most appropriate treatment setting. Health plan product designs need to better align incentives for consumers to select cost-effective health care providers, settings and treatments.
 - **Transparency.** A key component of success of implementing plan design changes is communication to employees about the quality outcomes in each of the available care settings, and how to make their decision about which venue to choose, based on quality and cost. Information about provider quality and efficiency, and evidence-based medicine needs to be meaningful and readily available to consumers and providers. This can help them make better decisions about treatment recommendations and selections.
 - **Consumer Engagement/Education.** Massachusetts employers, insurers and state policy makers need to sensitize employees and the general public to the cost of health care and the impact of their health care decisions. There needs to be greater partnership to educate and inform consumers about the efficient use of health care resources and greater personal responsibility for health and well-being.
2. **Wellness.** The private sector has used wellness programs and health management as a successful tool to control growth in health care costs and to improve the health of employees. For employers, it has become a business imperative in reducing costs. Many of these successful private sector health management models can serve as a catalyst for change in public policy by incorporating what they have learned about developing innovative benefits and programs that promote wellness, prevent disease and manage chronic conditions—all important strategies in reducing health care costs and improving health care results. Three broad categories of strategies emerged from work done by the national Business Roundtable are:
- **Culture of wellness.** Companies are exploring ways to communicate health care consumerism; they are making wellness opportunities available and accessible to employees; they are increasing employee participation and ownership of health care results; and they are building management accountability for the health goals of the organization.
 - **Employee Health.** Companies are developing tools and approaches to target health risks, offer customized interventions, and empower employees to be knowledgeable and successful in managing their own health and wellness.
 - **Business Case.** Companies are tracking costs and ROI, working with vendors to measure ROI, and developing other measures to evaluate cost and value as part of employee wellness program effectiveness.
3. **Payment Reform.**
- **Global Payment.** One challenge to managing costs in the health care marketplace is that the care delivery systems are not adequately aligned to serve the patient population. Currently, the system is built to provide acute, high-intensity, episode-based care, but the patient population, particularly aging baby boomers and the chronically ill, requires more focus on coordinated care, ambulatory care management, and chronic, complex care management. Shifting from a fee-for-service payment model to a global payment system, if done thoughtfully, can begin to address this disparity and help create a more patient-focused and cost efficient delivery system.
 - **Public Payers.** Reimbursements by the government (Medicaid and Medicare) do not adequately cover the costs of services. Revenue shortfalls from the government cause providers to recoup their losses from employer/employee health plans via higher reimbursements from private health plans, and ultimately increased health insurance premiums. Government should also be encouraged to use grant payments to drive innovation.