



Testimony of the Massachusetts Business Roundtable
Joint Committee on Health Care Financing
MAY 16, 2011

H.1849: An Act Improving the Quality of Health Care and Controlling Costs
by Reforming Health Systems and Payments

Chairman Moore, Chairman Walsh, and Members of the Committee, thank you for this opportunity to provide comments on H.1849, “An Act Improving the Quality of Health Care and Controlling Costs by Reforming Health Systems and Payments,” filed by Governor Deval Patrick.

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. Massachusetts has many competitive advantages to build upon, such as our human and intellectual capital, the health of our population and their access to health care coverage, and a quality-of-life ranked first in the nation by Forbes Magazine. The state also has its challenges. Chief among these is a high cost structure that is a competitive disadvantage as the state attempts to lure jobs and investment. When MBR surveys its members, the high cost of health care premiums, and their rate of increase, is cited as the most important issue to address.

Toward that end, the Legislature, Governor, and the Administration deserve tremendous credit for making significant progress to address the health care cost issue. Chapter 288 of the Acts of 2010 provided meaningful tools to contain costs, and the bill being heard today, H.1849, puts important, thoughtful proposals on the table to continue this effort. MBR is grateful to the Governor for his continued expression of urgency to address the health care cost issue.

As the Committee reviews the Governor’s proposal and begins to develop its own, MBR respectfully suggests the following for your consideration:

1. **Premium Relief for Purchasers Must Be a Primary Measure of Success.** MBR supports a change in the payment model from fee-for-service to global payments to influence cost reduction in health care that will result in a reduction in premiums paid by public and private purchasers. Governor Patrick has been very clear that premium relief must be a metric by which payment reform’s success is measured. MBR supports the Governor’s position. While we recognize that quality is an important outcome measure, which will be monitored closely by employers, MBR respectfully urges the Committee to be very clear in its legislation about a cost reduction goal and metric for measuring success.
2. **Consequence for Not Meeting Clearly Defined Goals, Benchmarks and Outcome Measures.** H.1849 contains a process for reviewing, and potentially rejecting, increases in health care costs that are inconsistent with a stated set of measurements. MBR is supportive of the principle underlying this mechanism. Clear goals with strategies to achieve them, measured by a series of outcome metrics, are important management principles incorporated in H.1849. MBR respectfully suggests, however, that legislation not overly predetermine the intervention should the goals not be achieved. The consequence for missing cost containment targets should depend upon why the target was missed. An appropriate intervention would: avoid a situation where the intervention and the cause of the problem are not aligned; have enough “teeth” to change behavior and be meaningful; and not be so disruptive to changes currently underway in the market so as to discourage innovation.



MBR is part of coalition with a broad array of stakeholders who have come together for the purpose of helping to enact meaningful payment reform. That group has been working with economists and others to address this issue: what are proper goals, benchmarks, and outcome measures for success in payment reform, and what are the appropriate interventions should they not be reached? The coalition intends to share its findings with the Committee to help inform your deliberations.

- 3. Focus on Wellness and Health Management.** The national Business Roundtable conducted a survey of wellness programs at more than 70 of its member companies. The subsequent report, entitled “Doing Well Through Wellness,” finds that “wellness is becoming fully integrated within companies: with other corporate health and safety initiatives, with health benefit plan designs, and with the corporate culture.” The private sector has used wellness programs and health management as a successful tool to control growth in health care costs. Three broad categories of strategies emerged from the survey, which MBR respectfully suggests be included in health care cost containment deliberations:

- **Create a culture of wellness.** Companies are exploring ways to communicate health care consumerism; they are making wellness opportunities available and accessible across the employee population; they are increasing employee participation and ownership; and they are building management accountability for the health goals of the organization.
- **Focus on the health of each employee.** Companies are developing tools and approaches to target health risks, offer customized interventions, and empower employees to manage their own health and wellness.
- **Build the business case for wellness.** Companies are tracking costs and ROI, working with vendors to measure ROI, and developing other measures of wellness program effectiveness.

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. We would be happy to share the survey with you, which includes case studies of specific company’s success, as well as specific policy initiatives to see if there is a public sector application to this private sector experience.

- 4. Underpayment of Public Payers Must Be Addressed.** H.1849 does not address one of the most significant drivers of health care cost and premium increases: the chronic underpayment by public payers. MBR released reports in both 2002 and 2006 recommending “appropriate resources for public provider payments.” As we know, when payments from Medicaid or Medicare are insufficient to cover the cost of services, providers attempt to negotiate higher rates with private health plans—which results in a “cost shift” to private employers. From a state economic perspective, setting adequate MassHealth payment rates is more efficient for Massachusetts payers than cost shifting because of the federal funds generated by Medicaid spending.

When MBR participates in health care conversations with our colleagues from around the country, it is clear that our state continues to be at the forefront in both addressing health care access and now health care costs. This is primarily due to the tremendous leadership from our public leaders. It is also due to the unique collaboration that has emerged among our public leaders, health care stakeholders, and business community. It is in this continue spirit of shared responsibility that we offer these comments, as well as the expertise and resources of the Massachusetts Business Roundtable and its members, to the deliberations on health care cost containment. We look forward to continuing to work with you toward successful and meaningful legislation in this critical area for Massachusetts’ future.