

Business Community

Participation in Health Reform:  
The Massachusetts Experience

2012

Associated Industries of Massachusetts (AIM)

Greater Boston Chamber of Commerce

Massachusetts Business Roundtable

Massachusetts Taxpayers Foundation

**Associated Industries of Massachusetts (AIM)** is the largest nonprofit, nonpartisan employer association in the state. Its 5,000 members employ more than 560,000 Bay State residents, and range from Fortune 500 firms to sole proprietorships. AIM's mission is to promote the well-being of its members and their employees by working to improve the economic climate of the Commonwealth, advocating for fair and equitable public policy, and providing relevant, reliable information and excellent services.

**The Greater Boston Chamber of Commerce** is a broad-based association representing 1,500 businesses of all sizes from virtually every industry and profession in the region. The Chamber works to help Greater Boston-area businesses grow and succeed through its strategic networking events, business advocacy, and leadership development initiatives.

**The Massachusetts Business Roundtable** is a public policy organization made up of chief executive officers and senior executives from companies employing more than 225,000 people throughout the Commonwealth. Its mission is to strengthen the state's long-term economic vitality with the goal of making Massachusetts a highly desirable place to do business. To do so, MBR engages with both public and private leaders to provide the strategic thinking of its members to develop and influence public policy that will strengthen the long-term health of the Massachusetts economy.

**The Massachusetts Taxpayers Foundation** is an independent, non-partisan organization dealing with state and local fiscal, tax, and economic policies. The Foundation's extensive track record of high-quality research and analysis has earned it a reputation for objectivity and credibility among legislators, policymakers, the media, and interest groups of all kinds. Its mission is to provide accurate, unbiased research, along with balanced, thoughtful recommendations that strengthen the state's finances and economy.

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## Dear Business Colleagues:

When we are invited to speak to employers and business groups in other states about our involvement in shaping, implementing and sustaining Massachusetts health reform, we are often met with a strong dose of skepticism. At the same time, we have encountered a growing realization that having large numbers of people without health insurance is damaging and costly to a state's economy, its business climate, and, of course, the health and well-being of its residents.

We believe that business leaders should be deeply involved in helping to make high-quality health care more accessible and affordable. Our organizations, along with many individual business leaders, have had a place at the table during all stages of Massachusetts' health policy development since well before the state's health reform law was enacted in 2006. The result has been a balanced, sustainable approach to health reform – one that is built around the principle of shared responsibility – with far better outcomes than if we had stayed on the sidelines. It is our hope and expectation that by applying a similar approach to the current effort to contain health care costs, the business community can once again have a measurable impact.

This brief report explains how and why our state's business leaders became involved in health reform and the difference our engagement has made, provides an overview of results and lessons learned, and presents the perspectives of individual entrepreneurs, business owners and executives on how health reform has affected their companies, their employees and the overall business climate in Massachusetts.

While every state faces different challenges, we are convinced that many aspects of our experience with health reform and what we've learned from it can be applied elsewhere. We welcome your questions and ideas.

Sincerely,

Richard C. Lord, President & CEO  
*Associated Industries of Massachusetts (AIM)*

JD Chesloff, Executive Director  
*Massachusetts Business Roundtable*

Paul Guzzi, President & CEO  
*Greater Boston Chamber of Commerce*

Michael J. Widmer, President  
*Massachusetts Taxpayers Foundation*

## Massachusetts health reform at a glance

The overarching goal of the 2006 Massachusetts health reform law was to achieve nearly universal health insurance coverage for the state's 6.5 million residents.

*The Massachusetts health reform law (Chapter 58 of the Acts of 2006) includes these key provisions<sup>1</sup>:*

- Expands publicly subsidized health insurance programs to make coverage affordable for uninsured, low-income residents.
- Requires adult residents to obtain health insurance if affordable coverage is available to them, or else pay a financial penalty (what is often called the “individual mandate”).
- Requires employers with 11 or more full-time workers to meet a minimum standard of employee health coverage or pay an annual assessment of up to \$295 per employee to help fund the costs of uncompensated care. (Amended to 21 or more full-time workers, effective July 1, 2013.)
- Establishes an insurance exchange – the Health Connector – that makes it easier for individuals and small businesses to find and purchase affordable coverage.

As a result of earlier reforms, health plans in the state were already prohibited from denying, limiting, or rescinding coverage, or charging a higher premium, based on an individual's medical condition.



Nicolas Boillot is the co-founder and CEO of HB, an integrated marketing and advertising firm with 17 full-time employees.

“At HB, we’ve offered good health insurance since the beginning, when there were only two employees, so that’s never been an issue for us. Even so, I think health reform has made a positive difference. As a business owner and CEO, it’s incredibly reassuring to know there’s a safety net for our employees if something goes wrong.

“If, God forbid, we had to downsize or even go out of business, the people I care about, my employees, will still have access to affordable health insurance. The Health Connector offers multiple options for individuals to choose from, including subsidized plans for those who can’t afford to pay the full premium.

“Now that the discussion in Massachusetts has shifted from expanding access to controlling costs, we’ve found that the increases in our premiums are less dramatic than they were in the past.

“I was impressed by how welcoming policymakers were toward business people during health reform. There is a real partnership between business, government, and consumers, and overall, I think we have the right economic and regulatory conditions for businesses to grow and be successful.”

## What health reform has accomplished so far

The results of Massachusetts health reform have been tracked, studied, analyzed, and publicly reported since 2006<sup>2</sup>. Among the most recent findings:

- An estimated 98.1 percent of Massachusetts residents have health insurance coverage, including 99.8 percent of children.
- Expanded coverage has been accompanied by improved access to needed care, especially among middle- and low-income residents, racial and ethnic minorities, and people with chronic diseases.
- The percentage of non-elderly adults who say they have a personal health care provider – a “usual source of care” – has increased since the enactment of health reform. Most say their usual health care provider is either an individual physician or a private clinic.
- Seventy-seven percent of Massachusetts employers with three or more employees offered health insurance coverage to their employees in 2010, up seven percentage points since 2005. This compares with 69 percent of employers offering health coverage to their workers nationwide.

Surveys consistently find that about two-thirds of residents support Massachusetts health reform, the same as when the law passed in 2006. Support among physicians is even higher than among the general public, at 70 percent. And by a wide margin, physicians say the law’s impact on the quality of patient care they provide has been either positive (19 percent) or neutral (66 percent), rather than negative (6 percent).<sup>3</sup>

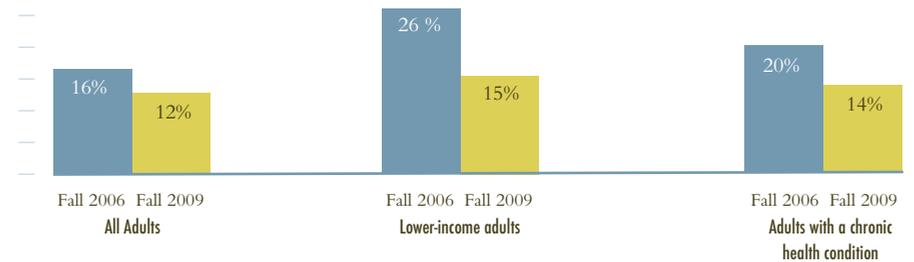
### MASSACHUSETTS HAS THE LOWEST RATE OF UNINSURANCE IN THE COUNTRY<sup>4</sup>

percent uninsured, all ages



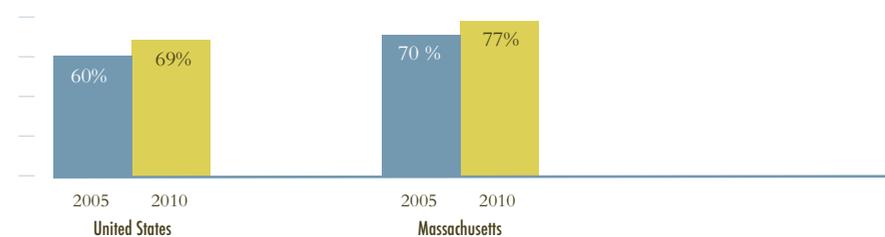
### FEWER MASSACHUSETTS ADULTS HAVE UNMET HEALTH CARE NEEDS DUE TO COST<sup>5</sup>

percent on non-elderly adults reporting unmet need due to cost, selected populations



### EMPLOYER OFFER RATES HAVE GROWN UNDER MASSACHUSETTS HEALTH REFORM<sup>6</sup>

percent offering insurance coverage at time of survey



## The business community's role in Massachusetts health reform

The Massachusetts business community has been intensely involved in shaping health policy for more than a quarter century and played a crucial role in the process that led to enactment of the state's groundbreaking 2006 health reform law. In fact, without business involvement, health reform would likely have gone off the tracks or not happened at all.

In the mid-1980s, representatives of the business community agreed to participate in the funding of care for uninsured residents in order to relieve the pressure on hospitals that were bearing the burden of charity care and bad debt. This commitment led the state to create, with a combination of private-sector and government funds, an "uncompensated care pool" to reimburse hospitals and community health centers for care they provided to low-income, uninsured and under-insured residents. As the cost of uncompensated care grew, a consensus emerged in the state that it would make more sense to use the funds to help low-income, uninsured residents enroll in affordable health plans where they would have access to less costly and better coordinated care, including primary care and preventive services.

The process of getting from a general consensus about health reform to a law that won broad, bipartisan support from virtually all of the state's health care stakeholder groups was long and difficult. Along the way, a number of proposals emerged that the business community strongly opposed, but their representatives stayed at the negotiating table, working through issue after issue. For example, business leaders were able to break a legislative logjam over a proposed payroll tax by helping craft a compromise that requires employers to meet a minimum threshold of employee coverage or else pay an annual, per employee assessment of up to \$295 to help fund uncompensated care. The principle behind the compromise was that all employers should share equal responsibility for the costs of health care provided to uninsured residents. And, importantly, employers agreed to take on the added costs of having more of their workers sign up for employer-sponsored coverage because of the law's individual mandate.

The state's business groups continued their involvement as regulatory decisions were made on issues such as the specifics of the employer requirement and the minimum level of coverage that residents would have to maintain in order to avoid a penalty. Small businesses and other stakeholder groups were given formal roles in the regulatory process through the governing board of the Health Connector, the state's insurance exchange. Thanks to a willingness to seek creative solutions to potentially contentious policy issues, the board's members were able to reach unanimous agreement on all of the major implementation decisions that fell within their jurisdiction.

*"We knew that employers were going to pay for the uninsured one way or another, whether it was through uncompensated care assessments, cost shifting, higher premiums, or a less healthy workforce."*

*Jack Connors, chairman emeritus, Hill, Holliday*

As the law took effect, the business community also played a key role in the state's strategy for informing and educating employers and the general public about the benefits and requirements of health reform. Associated Industries of Massachusetts (AIM), whose members are mostly small and mid-sized businesses, worked closely with several state agencies to prepare employers for compliance with the law. AIM held a series of well-attended workshops across the state, sent their members frequent bulletins and newsletters, conducted webinars, and compiled a comprehensive guidebook that allows benefit managers to translate the law's policy and regulatory language into the nuts and bolts of employer compliance.

With the provisions and programs of the 2006 law largely in place by mid-2007, cost containment began to move to the top of the state's health policy agenda, and the business community was once again fully engaged. Three separate cost containment laws were enacted, in 2008, 2010, and 2012, and in each case, the views of all of the state's health care stakeholders were taken into consideration. The most recent law, signed by Governor Patrick on August 6, 2012, provoked a sometimes heated debate about how far the state should go to regulate the amount hospitals and health plans can raise their rates, but the ultimate product won support from a broad cross-section of health care stakeholders, including the business community.



Anne Bailey Berman is president and CEO of Chadwick Martin Bailey, which provides strategic market research and consulting services to clients in many segments of the economy.

“Health coverage gives you peace of mind and the security that if something adverse happens, your financial exposure is limited. I can say from personal experience that going without can be a financial disaster. When I was young, I had an accident that put me in the hospital, and since I had no health insurance, I was paying the bill for three years.

“Yes, it’s a big expense, and we are competing with companies in other states that don’t offer their employees any coverage, but I see health insurance as one of the reasonable responsibilities of being a business owner and employer.

“Once you pass 50 employees, you have a lot more leverage as a business, so I don’t buy the claim that companies won’t want to grow because of health reform. There may be more requirements, but there’s no economic rationale to stay small.”

## Employers’ perspectives on Massachusetts health reform

**Jack Connors** was one of the first Massachusetts business leaders to be involved in health reform. He is chairman emeritus of both Hill, Holliday and Partners HealthCare.

“Health care is a big piece of the business sector in every state, so I think it’s imperative for business people to try to cut through the complexity and understand what’s going on. Having large numbers of people without health insurance is a part of the problem that’s not going away by itself.”

**Lajos (Lou) Balogh** is the founder and Chief Science Advisor of AA Nanomedicine & Nanotechnology, and his wife, Eva, is the founder and CEO of an internet marketing company, Bridge Cultural Exchange/Giftonline. Health reform was an important consideration in their decision to move to Massachusetts.

“The health care system in Massachusetts is very helpful to start-ups. It makes a huge difference to have health coverage when your gross income is low because of all your initial expenses. The peace of mind it gives us means we can put 110 percent into our business.

“Most people in other states still don’t understand what health reform is about. Our health care is good, we have options to choose from, we pick the doctors and services we need, and if I want more, I can pay for the extra. It’s not perfect, but once you’re in the system, it works well. As long as we’re in Massachusetts, we’ll have access to good health insurance.”

**Stephanie Messina** is Benefits Manager for Demoulas Supermarkets, Inc., which operates 60 Market Basket grocery stores in Massachusetts and New Hampshire. The company employs 4,000 full-time and 17,000 part-time employees.

“States need to have employers directly involved in the details of health reform implementation. For example, AIM pulled together an advisory group of corporate benefit managers to work with the Health Connector, and we had a lot to say about how to improve the HIRD (Health Insurance Responsibility Disclosure) form. We and our employees are required to fill them out each year, and while it’s a cumbersome process, compliance would have been much harder if people with hands-on experience hadn’t been at the table.”

**Glynn Lloyd** is founder and CEO of City Fresh Foods, a community-based small business that provides healthy meals to schools, companies, and individuals throughout Greater Boston.

“Even before health reform, we offered health insurance to employees who could afford it, which is unusual for a food service company. Once the law passed, we worked with a broker and with the state’s Health Connector to help as many people as possible get coverage.

“Universal insurance is great, but it’s unsustainable unless you get costs under control. I consider our company to be in the health business, so I think encouraging prevention is where the system needs to go. So many resources go to people after they are already sick; we need better programs and incentives to keep people out of the hospital.

“I feel like we all need to pay our fair share. We’ve seen what happens when we don’t take on this responsibility as a society – millions of people are uninsured and, one way or another, everyone pays the price.”

**Philip J. Edmundson** is Chairman & CEO of William Gallagher Associates, a leading provider of insurance brokerage, risk management and employee benefit services.

“For some companies, health reform leveled the competitive playing field – for instance, restaurants that offered health benefits would probably have had higher labor costs than those that didn’t. With health reform, everyone is on an equal footing.

“Now that access is largely taken care of, we can have the tough debate over how to get a handle on costs. The large companies, which are mostly self-insured, got a head start on employee wellness and chronic disease management a decade ago, and as they’ve shown good results, it’s percolated down to the mid-sized companies.”

**Laura “@Pistachio” Fitton** is a web entrepreneur and author. She founded oneforty, inc. and is currently Inbound Marketing Evangelist at HubSpot, which makes all-in-one marketing software.

“In the world of recruiting for hot start-ups where the financial incentive is in future stock value, not high salaries, it’s a real advantage to be able to tell someone that if they come to Massachusetts, they won’t have to worry about having access to affordable health insurance.”



Dan Wolf is the founder and CEO of Cape Air, a \$105 million company with 1,000 employees. He is also a member of the Massachusetts State Senate.

“When the Massachusetts health reform law passed, there were dire predictions of how it would affect businesses like Cape Air, but the transition was seamless, with no bureaucracy or heavy lifting in the front office. We already offered health coverage to our employees, and since the law passed, we’ve added 15 percent more Massachusetts-based jobs.

“Like most companies, we’ve struggled with our health care costs for a long time, trying to find the right formula. Before the reform law, Cape Air had premium increases of 15 to 20 percent, year after year, but with

more of a public sector role in health care, we’ve seen downward pressure on premiums for the first time. This year, our premium increase was about 5 percent.

“The first round of health reform was based on a consensus that as many people as possible should have some form of affordable health insurance, which was really a monumental statement. Once that commitment to access was in place, we knew we had to take on the cost and complexity of the health care system, which is what the 2012 reform law is doing.”

## Lessons from Massachusetts health reform

*The gains of Massachusetts health reform have been achieved without putting an unexpected or unmanageable burden on the state’s budget.*

While critics periodically claim that health reform has been a “budget buster,” annual spending increases for health reform have been well within projections made prior to the law’s enactment. Additional state spending attributable to the health reform law accounted for only 1.4 percent of the Commonwealth’s \$32 billion budget in fiscal 2011.<sup>7</sup>

### SPENDING ATTRIBUTABLE TO THE 2006 HEALTH REFORM LAW

*Fiscal 2006-2011, in millions*

Program	2006	2011	Total change 2006-2011	State share of change
Commonwealth Care and Commonwealth Care Bridge	\$0	\$835	\$835	\$442
MassHealth Coverage Expansions, Benefit Restorations, and Rate Increases	\$0	\$391	\$391	\$196
Health Safety Net Trust Fund	\$656	\$420	\$(236)	\$(118)
Supplemental Payments to Medicaid MCOs	\$385	\$0	\$(385)	\$(193)
Supplemental Payments to Safety Net Hospitals	\$0	\$301	\$301	\$125
Total	\$1,041	\$1,947	\$906	\$453

*Enactment of the 2006 Massachusetts health reform law was the catalyst for a series of actions by the private sector and state government aimed at reducing the growth in health care costs.*

Within the private sector, Massachusetts has seen the rapid adoption of “global payment” contracts that reward physicians and hospitals for the quality and efficiency of the care they provide, and health insurance products that allow employers and consumers to save money by using certain lower-cost providers. These changes, in turn, have created stronger incentives for hospital systems and physician groups to reduce costs while improving patient care.

At the State House, Governor Deval Patrick and the legislature have taken a step-by-step approach to health care cost containment. A 2008 law created a process to examine the underlying causes of the state’s high health care costs; a 2010 law was aimed primarily at giving small businesses more options for managing their health insurance bills; and a law enacted in mid-2012 includes ambitious, first-in-the-nation policies and programs intended to bring the growth rate for health care spending down to that of the state’s overall economy.

It is important to note that there is no evidence that the 2006 health reform law accelerated the rate of growth in Massachusetts’ health care premiums. In fact, premiums in the non-group health insurance market fell significantly when reform was implemented, and, in recent years, the rate of growth in premiums for employer-sponsored coverage has been slower in Massachusetts than in the nation as a whole.<sup>8</sup>

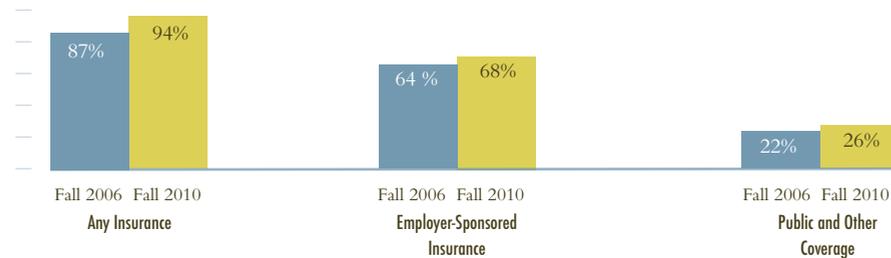
*Massachusetts has been able to avoid having publicly subsidized health insurance “crowd out” private, employer-sponsored insurance.*

“Crowd-out” is the term used to describe what happens when employers or their employees drop employer-sponsored health coverage in favor of publicly subsidized coverage, thereby shifting costs from the private sector to taxpayers. In Massachusetts, the private group market remains by far the principal source of health insurance coverage

for working-age adults. About 4 out of 5 working-age adults with health insurance receive their coverage through a private group insurance plan. Since the enactment of health reform, the proportion of all Massachusetts working-age adults with employer-sponsored coverage has grown from 64 percent to 68 percent. As the recession deepened, enrollment in public programs increased as well, from 22 percent to 26 percent of all working age adults, but there is no evidence that public coverage is “crowding out” employer-sponsored health insurance.<sup>9</sup>

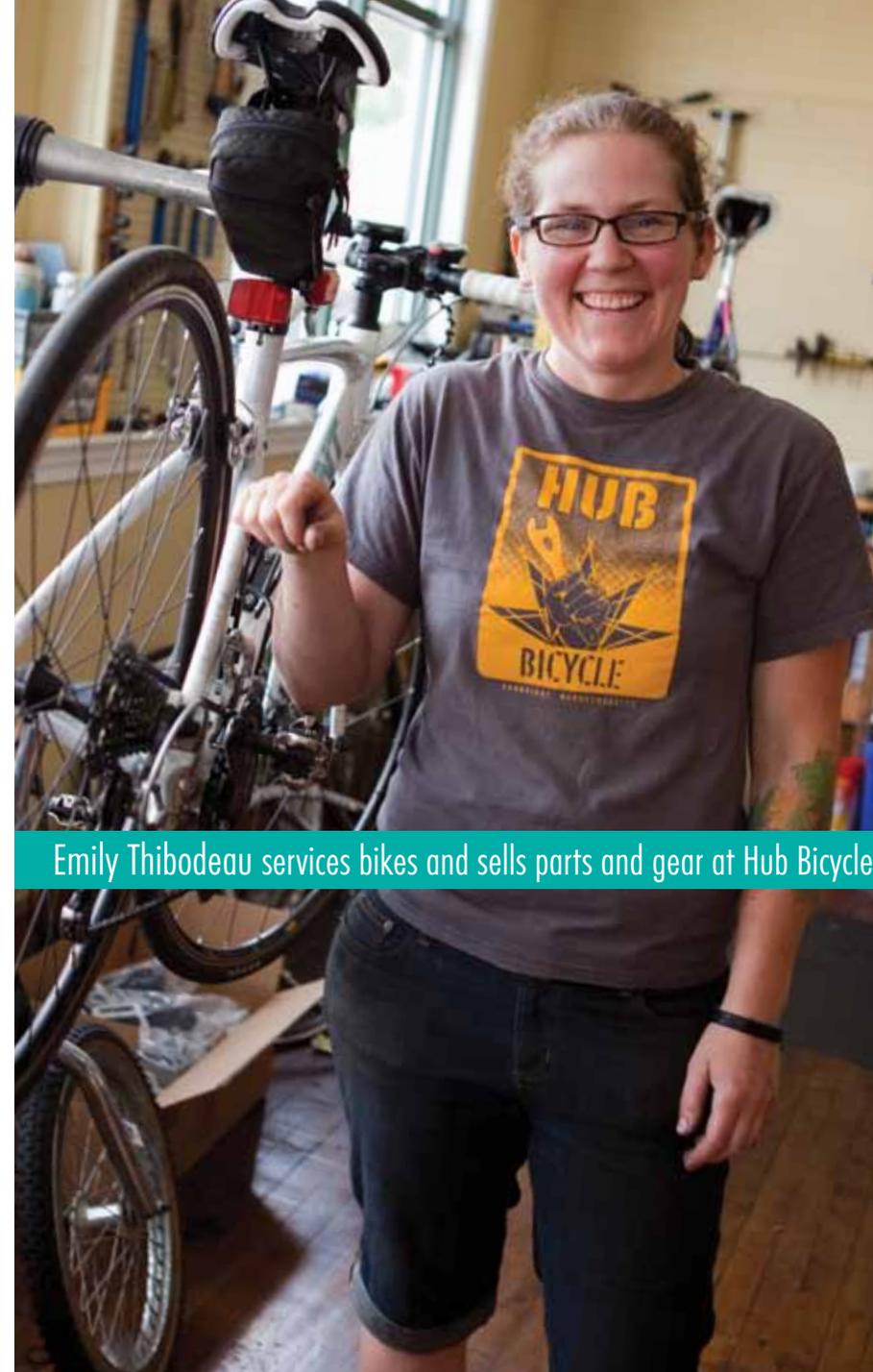
### NO EVIDENCE OF PUBLIC COVERAGE “CROWDING OUT” EMPLOYER-SPONSORED INSURANCE AMONG WORKING-AGE ADULTS

Source of insurance coverage for non-elderly adults in Massachusetts



### Job growth and the overall condition of the Massachusetts economy have not been adversely affected by health reform.

A recent study found no evidence that the Massachusetts economy and job growth have been hit harder than other states as a result of the health reform law.<sup>10</sup> During the first four years of health reform, as the national economy entered a deep recession, private-sector employment fell by 4.4 percentage points in Massachusetts, compared to 4.8 percentage points for the rest of the nation. The Massachusetts unemployment rate was 6.1 percent in July 2012, compared with a national average of 8.3 percent.



Emily Thibodeau services bikes and sells parts and gear at Hub Bicycle, which she founded in 2010.

“My dream was to open my own bike shop, but I needed health insurance because I have Type 1 diabetes. When I graduated from college and left my parents’ plan, I kept insurance but it was a huge burden. There was no real coverage, and no drug benefit, and if prescriptions aren’t covered, why even bother if you’re a Type 1 diabetic?”

“The state where I was living has a high-risk pool for people with preexisting conditions, but it is very expensive. If I started my company there, I couldn’t afford to keep myself healthy. When I came to Massachusetts, I was referred to the state’s Health Connector by two friends who are nurses, and now I get good, affordable coverage through Commonwealth Care.”

“As a business owner, I’m happy and willing to pay a fair price when I can afford it, and I think that if health reform is set up fairly, everyone should kick into the pool.”

## Endnotes

<sup>1</sup> An annotated text of *Chapter 58 of the Acts of 2006* is available on the Blue Cross Blue Shield of Massachusetts Foundation's website, [bluecrossmafoundation.org](http://bluecrossmafoundation.org)

<sup>2</sup> The principal sources for results of Massachusetts health reform are the *Massachusetts Health Reform Survey*, conducted by the Urban Institute, and the Massachusetts Division of Health Care Finance and Policy's *Key Indicators and Massachusetts Health Insurance Survey* reports. The Blue Cross Blue Shield of Massachusetts Foundation periodically publishes an updated overview of published results and sources, *Health Reform in Massachusetts: Assessing the Results*, at [bluecrossmafoundation.org/Health-Reform/Results](http://bluecrossmafoundation.org/Health-Reform/Results).

<sup>3</sup> SteeleFisher GK, et. al.; "Physicians' Views of the Massachusetts Health Care Reform Law – A Poll;" *NEJM*; Oct 21, 2009.

<sup>4</sup> The Massachusetts specific results are from a state-funded survey — *the Massachusetts Health Insurance Survey*. Using a different methodology, researchers at the Urban Institute estimated that 507,000 Massachusetts residents were uninsured in 2005, or approximately 8.1 percent of the total population. Starting in 2008, the MHIS sampling methodology and survey questionnaire were enhanced. These changes may affect comparability of the 2008 and later results to prior years. The national comparison presented here utilizes a different survey methodology, the Current Population Survey (CPS), which is known to undercount Medicaid enrollment in some states. Sources: *Urban Institute, Health Insurance Coverage and the Uninsured in Massachusetts: An Update Based on 2005 Current Population Survey Data In Massachusetts, 2007*; Massachusetts Division of Health Care Finance and Policy, *Massachusetts Health Insurance Survey*; U.S. Census Bureau, Current Population Survey 2010.

<sup>5</sup> Urban Institute; *Massachusetts Health Reform Survey*; 2010.

<sup>6</sup> Massachusetts Division of Health Care Finance and Policy; Massachusetts Employer Survey; 2010 and Kaiser/HRET; *Survey of Employer Sponsored Benefits*.

<sup>7</sup> Massachusetts Taxpayers Foundation; *Massachusetts Health Reform Spending, 2006-2011: An Update on the "Budget Buster" Myth*; April 2012.

<sup>8</sup> C. Schoen, A. Fryer, S. Collins, and D. Radley; *Realizing Health Reform's Potential*; The Commonwealth Fund; November 2011; and Massachusetts Taxpayers Foundation analysis of data from the Agency for Healthcare Research and Quality, Medical Expenditure Panel Survey.

<sup>9</sup> Urban Institute, *Massachusetts Health Reform Survey*; 2012.

<sup>10</sup> Dubay L, Long SK and Lawton E; *Will Health Reform Lead to Job Loss? Evidence from Massachusetts Says No*; Urban Institute; June 2012.

For a comprehensive overview of Massachusetts health reform, including the latest research and data on the impact of the 2006 law and an analysis of the state's recently enacted cost containment law, please visit

[bluecrossmafoundation.org](http://bluecrossmafoundation.org).

