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Legislative Leaders, Business Groups & Health Plans Outline the Affordable Health Plan
New Product Would Provide Significant Premium Relief to Small Businesses & Individuals

Boston, MA – With rising health care costs placing an increasing burden on Massachusetts small businesses and their employees, legislative leaders, employer groups and health plan executives today unveiled a legislative package that would create a new product – the Affordable Health Plan – that could reduce the cost of premiums by as much as 22 percent for the small group/nongroup market.

"Rising health care costs have fallen particularly hard on small businesses and their employees. Controlling the cost of health care is critical to keeping health care affordable for them and maintaining the gains we have made as a result of the state's landmark Health Care Reform Law," said Senator Richard T. Moore (D-Uxbridge), Senate Chair of the Joint Committee on Health Care Financing and one of the key architects of the Health Care Reform Law. "The Affordable Health Plan would help to control health care costs and make more affordable options available to small businesses."

"Small businesses are the backbone of our economy. In these economic times, controlling health care costs matter more than ever, especially for small employers and individuals," said State Representative Harriett L. Stanley (D-West Newbury), House Chair of the Joint Committee on Health Care Financing. "The Affordable Health Plan has the potential to provide significant immediate relief to small employers and consumers while also providing a short-term step for the state to implement as it moves forward with the Payment Reform Commission's recommendations."

"As a small business owner, I understand first-hand the challenges they face with the rising cost of health care. Despite the high cost of health care, employers continue to offer coverage, but the year-over-year increases they face are unsustainable," said State Representative David Torrisi (D-North Andover), House Chair of the Joint Committee on Higher Education. "The Affordable Health Plan will help to address the cost of health care so that it remains affordable for small employers."

"I have spent the last several weeks touring the state and talking with small business owners. Over and over the number one issue they tell me about is the struggle they have with the cost of health care," said State Senator Michael Moore (D-Millbury), Senate Chair of the Joint Committee on Community Development and Small Business. "The continued increase in health care costs takes away resources small employers can use to hire more workers and help grow our economy. The Affordable Health Plan would provide them with a lower-cost option at a time when they are struggling with the high cost of health care."

The Affordable Health Plan, which would establish in statute a new product for businesses with 50 or fewer employees and individuals, would contain the following elements:

- A new product with benefits actuarially equivalent to Commonwealth Choice Bronze Level coverage. The product would be available for purchase through or outside the Health Connector.
- Establishes a statutory rate cap on reimbursements to all providers at no more than 110 percent of Medicare (or a rate actuarially equivalent to 110 percent of Medicare) for all covered services other than outpatient pharmacy benefits.

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- Limits post-tax underwriting surpluses to 2 percent and establishes a minimum medical loss ratio of 85 percent for products offered by carriers in the small group/nongroup market.
- Prohibits providers from billing patients in excess of the reimbursement amount and established co-payments, co-insurance or deductibles.
- Prohibits providers from shifting costs to other products and charges the Division of Health Care Finance and Policy with monitoring provider charges and reporting noncompliance to the Attorney General.
- Sunsets upon implementation of the Special Commission on the Health Care Payment System's recommendations and are deemed to generate comparable reductions in costs.

"More than 90 percent of the companies in Massachusetts are employers with fewer than 50 employees. Yet, many are in jeopardy because profits are being whittled away by the high cost of health care. Some are even forced to reduce their workforce and, in extreme cases, close up shop. The domino effect could be crippling. With the passage of this plan, relief could be felt in less than a year," said Richard B. Kennedy, president and CEO, Worcester Regional Chamber of Commerce.

"Health insurance costs are the number one challenge facing small employers. The high cost of health care is a barrier to purchasing health insurance for many small businesses and creates a competitive disadvantage for Massachusetts businesses," said Jeff Rich, Managing Principal, Massachusetts Business Association, a full service employee benefits firm that provides services to more than 40,000 companies that employ more than 100,000 employees. "Small businesses are the engine of the state's economy. The Affordable Health Plan would give them some much-needed relief in addressing the economic challenges confronting them."

"Immediate steps are needed to provide affordable coverage options to businesses and consumers who are already struggling with the high cost of health care," said Mark Gaunya, President of the Massachusetts Association of Health Underwriters and principal at the Borislow Agency. "The Affordable Health Plan will provide the rate relief that is so desperately needed by many in our state and we urge policymakers to enact this proposal quickly so that it is available when small businesses renew next April."

Currently, the median monthly premium for family coverage through a small business is more than \$1,000. Reducing the premium by 22 percent could save \$220 a month or over \$2,600 a year. Cutting the premium by 22 percent for the lowest-priced Commonwealth Choice Bronze package for a family of four, with two 40-year-old parents and two children living in Boston, could save \$175 per month or \$2,100 a year. If passed quickly, the savings could be achieved by next April when most small businesses renew coverage.

"Every year over 20 percent of SBSB members reduce the level of benefits they offer in an attempt to off-set the financial impact of double digit premium increases. And every year, our members pay more for less," said Lisa Carroll, President of Small Business Service Bureau, a national small business organization with over 50,000 members. "Simply shifting costs by increasing deductibles and copayments is not enough; it is not a solution. This initiative to control costs is a major step forward in achieving the goal of affordable health insurance coverage for the small employers of Massachusetts."

"Like many companies, rising health care costs make it difficult to offer other benefits and take away money that could go to increasing my employees' salaries or hiring more employees. I understand the value and

importance of offering good, comprehensive coverage to my employees, and provide 100% of the premium. When it came time to look at our options this year, I spent a lot of time talking with them about the different options available," said Quinta Andersen, owner of Andersen Travel Service, an 11-employee travel agency located in Holliston. "If costs continue to rise, I'm concerned about what options I'll have next year. The Affordable Health Plan would be one way to help small employers like mine with their health care costs."

"Since the landmark universal healthcare legislation was enacted in 2006, small businesses have been extremely patient in absorbing the premium increases in healthcare through higher co-payments, deductibles, and employee contributions," said Bob Baker, President of The Smaller Business Association of New England (SBANE). "The Affordable Health Plan offers a viable alternative which will mitigate the escalating premium costs. Since 90% of our members are between 10-50 employees, the Affordable Health Plan proposal directly addresses the heart and soul of our market and we would urge it be implemented prior to the establishment of next spring's rates."

"In the face of the current economic crisis and with employers and consumers grappling with rising health care costs, cost control is the critical issue facing the health care system," said James Roosevelt, Jr., president and CEO of Tufts Health Plan and chair of the Massachusetts Association of Health Plans. "Nearly 90 cents of every insurance premium dollar goes to pay for medical services, such as doctor visits, prescription drugs and hospital stays. The proposal seeks to control medical costs and help reverse the trend of annual cost increases."

The Affordable Health Plan would also help to reduce the wide variation in reimbursement rates among providers as the Special Commission on the Health Care Payment System completes its work and its recommendations are implemented over the next several years. The proposal would also improve comparison shopping for consumers, who could focus on quality and service knowing that the cost would be the same, regardless of provider.

"Reforming the payment system is an important component to reigning in the cost of health care and the Affordable Health Plan will complement the Payment Reform Commission's efforts," said Marylou Buyse, MD, a practicing primary care physician and president of the Massachusetts Association of Health Plans. "Between 2002 and 2006, the total cost for medical services increased by 55 percent because of significant annual increases in the cost of physician, hospital and pharmacy services. These costs are unsustainable, making it important that we take steps to make health care affordable for small businesses and their employees."

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The Affordable Health Plan Providing Relief to Small Employers Overview

In these economic times, controlling health care costs matters more than ever, especially to small employers and individuals who must purchase their own insurance. To provide immediate relief to them and to reduce the variation in payments among providers, we are proposing the Affordable Health Plan – a product designed for small businesses and individuals that would **decrease premiums by up to 22%**.

Key Elements

- Creates a new product with benefits actuarially equivalent to Commonwealth Choice Bronze Level coverage. It would be available to all small employers (50 or fewer employees) and individuals, and could be purchased through or outside the Connector.
- Establishes a statutory rate cap on reimbursements to all providers for this product at no more than 110% of Medicare (or a rate actuarially equivalent to 110% of Medicare) for all covered services for this product other than outpatient pharmacy benefits.
- Establishes a minimum medical loss ratio of 85% and limits post-tax underwriting surpluses to 2% for the entire small group/nongroup market.
- Could go into effect and begin achieving savings as early as April 2010 if rate caps were adopted immediately.
- Prohibits providers from billing patients in excess of the reimbursement amount and established co-payments, co-insurance or deductibles.
- Prohibits providers from shifting costs to other products, and charges the Division of Health Care Finance and Policy with monitoring provider charges and reporting noncompliance to the Attorney General.
- Sunsets upon implementation of the Special Commission on Payment Reform's recommendations and generate comparable reductions in costs.

Setting reimbursement at a rate of 110 percent of Medicare would provide immediate and substantial relief to those who really need it, while helping to reduce the wide variation in reimbursement rates among providers as the Special Commission on Payment Reform develops a long-term plan to fix the payment system.

Benefits of The Affordable Health Plan

- Helps to reduce variation in payment among providers
- The product would bring in even more people under the individual mandate, based on the state's Affordability Schedule, and thus support Chapter 58
- Provide significant immediate relief to small employers and consumers. Not only premium savings but also savings to the individual on any co-insurance or co-payments that are based on a percentage of the billed amount.
- The proposal does not change the distribution channels. Individuals and small businesses would be able to purchase it just as they purchase any other product in the small group/nongroup market.
- Limited to 1 product in the small group/nongroup market, which would minimize providers' exposure
- Based on an objective national standard, giving providers more clarity in their budgeting
- Improves comparison shopping for consumers and patients, who can focus on quality and service, knowing that the cost of services are all capped in the same way
- Provides a short-term step for the state to implement as it moves forward with the Payment Reform Commission's recommendations