



June 3, 2015

Senator James T. Welch, Senate Chair
Joint Committee on Financial Services
State House, Room 309
Boston, MA 02133

Representative Jeffrey Sánchez, House Chair
Joint Committee on Financial Services
State House, Room 236
Boston, MA 02133

RE: Letter in support of House bill 1004

Dear Chairman Welch and Chairman Sánchez,

Associated Industries of Massachusetts (AIM) wishes to be recorded **in favor** of House bill 1004, *An Act Relative to Health Care Cost Control*, filed by Representative Bradley H. Jones, Jr.

The bill will control the cost of health care and health insurance by limiting the growth of medical spending to two percentage points below overall economic growth. The 2012 Massachusetts Health Care Cost-Containment law set the current limit equal to the growth of gross state product (GSP), dropping to GSP minus 0.5 percentage points in 2017.

Massachusetts employers pay some of the highest health insurance premiums in the country. Small businesses, in particular, struggle to manage rising costs with virtually no control over the prices handed to them by insurers.

The good news is that the 2012 law has worked. Spending grew 2.3 percent in 2013, well below the 3.6 percent increase in gross state product (GSP).

The better news is that there remains plenty of room for improvement. The Massachusetts Health Policy Commission reported last year that between 21 and 39 percent of medical expenditures are wasteful. The waste includes care that is:

- delivered in the wrong setting;
- marked by a lack of coordination;
- provided with an inadequate emphasis on prevention;
- harmed by medical errors;
- burdened with rules and fraud; or

- that is just plain excessive.

Massachusetts must set an aggressive target for controlling health-care costs. House bill 1004 would achieve that goal by limiting the growth of total medical expenses throughout Massachusetts to two percentage points below gross state product by 2016.

Reducing the growth of medical spending to two percentage points below the growth in the state's economy is attainable. The commonwealth's role should be to monitor progress in achieving this goal. If the market is making insufficient progress, then it is appropriate for the state to get the market back on track. The threat of government action is the impetus for change in the market.

The Massachusetts health-care market is already moving to restructure itself to relieve some of the financial pressure on consumers and employers. Health providers, insurance companies, and businesses are working together to change the way consumers pay for medical care. Our commonwealth stands at a pivotal moment with the opportunity to establish an environment that will result in sustainable and meaningful changes to the health-care market for consumers.

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 black ink, reading "John R. Regan". The signature is written in a cursive, flowing style with a large initial "J" and "R".

John R. Regan
Executive Vice President - Government Affairs