AIM LETTER REGARDING S. 2650, AN ACT TO PROMOTE COST CONTAINMENT, TRANSPARENCY AND EFFICIENCY IN THE DELIVERY OF QUALITY HEALTH CARE (4- 17-08)

Members of the Massachusetts Senate
State House
Boston, MA 02133

RE: S. 2650, An Act To Promote Cost Containment, Transparency and Efficiency in the Delivery of Quality Health Care

Dear Senator:

Associated Industries of Massachusetts applauds the state Senate for starting the public conversation on cost containment with debate today on S. 2650, An Act to Promote Cost Containment, Transparency and Efficiency in the Delivery of Quality Health Care.

AIM could not be more pleased to focus on cost containment.

During the health care reform discussion, AIM advocated for addressing the health care cost issue before expanding access because failure to do so would make health care reform unsustainable. As we can see from the challenges confronting the Connector Board on the rising cost of Commonwealth Care, these cost pressures are real and the need to solve them immediate.

Health care cost containment is of great importance to employers in Massachusetts. It continues to top the list of employer concerns by a wide margin in AIM's annual employer survey and has done so for many years. This is not without good reason. According to data from the Massachusetts Association of Health Plans, Massachusetts' total health care spending per person outpaces the nation's by a margin of 33%. This impacts the cost of doing business here, making Massachusetts more expensive relative to other states. The dramatic six-fold rise in health care costs over the past 25 years means that there is less money available for wages - raises or the salaries of new hires.

The Commonwealth is well aware of the impact rising health care costs have had on its bottom line. Health care inflation is cannibalizing the money needed for public safety; transportation, education and the other governmental services that the state provides to its residents.

In order to reduce the cost of health care, and not merely slow down the rate of inflation, Massachusetts will have to engage the stakeholders in a dialogue in much the same way it did for health care reform. All parties will have to come to the table and collaborate in good faith on ways to tackle this cost problem. As a state, we cannot accept the status quo.

In AIM's view, the solution to health care cost containment is not simply to cost shift to employees or consumers. Rather, it is about value-based purchasing - using the same amount of health care dollars to get better health, or fewer dollars to get the same amount of health. Some large private purchasers have employed these principles in their benefit design with great success. Small purchasers, with assistance from AIM, and the Commonwealth should follow suit. AIM supports the four major goals of Senate President Murray's bill, and suggests some more market-based solutions as outlined below.

Improving Access to Primary Care Services - Access to primary care services is the best way to keep people healthy and to prevent people with illnesses or conditions from consuming significantly more health care resources at a later time. We support expanding the role of nurse practitioners and primary care providers and allowing for limited service clinics as a way to make routine services more convenient. Many of the suggested action steps for addressing the shortage of primary care physicians in the state may help recruitment of PCPs in the short term but do not get at the underlying reasons why medical students are not going into primary care - the salaries are less than those for medical specialties. Changing the reimbursement methods for primary care providers by allowing for reimbursement for telephone

consultations or diet and exercise consultations, for instance; rather than for the number of procedures ordered, would make the practice of primary care more fulfilling for physicians and attract more doctors into the field.

Enhancing Transparency of Health Care Costs and Quality - AIM is a strong supporter of increased transparency as the means to an end. We believe that having as much information as possible about health care costs, outcomes and quality measures will serve the dual purposes of helping to inform the general public when making choices about their providers and where to have elective care as well as to spur competition between and among providers to improve care whenever possible. We support hearings with providers and insurers to investigate cost drivers and feel strongly that the Health Care Quality and Cost Council is well-suited for this role. AIM believes requiring hospitals to report on hospital-acquired infections and "never events" furthers this important goal and support nonpayment for such events.

AIM opposes banning pharmaceutical representatives from giving items of very modest value to physicians because the industry is already highly regulated, Massachusetts already requires the substitution of generic drugs unless specified by the doctor and we believe a tote bag would not sway doctors into prescribing a drug they did not otherwise think was beneficial to the patient. We support Senator Baddour's amendment #40 to repeal this section of the bill and are certainly opposed to criminalizing marketing and education efforts of doctors where offering pens, note pads, sandwiches and the like constitutes a "criminal" act.

Encouraging Adoption of Health Information Technology - AIM's President and CEO, Richard C. Lord, serves on the board of the E-Health Collaborative and we believe that adoption of technology by the health care industry is long overdue. Use of electronic medical records will result in records that are more portable for the patient and more readily available to the provider, thereby eliminating the need for duplicative procedures or diagnostics. Computerized physician order entry is more efficient and safer and allows for greater adherence to best practices by building in safeguards to the programming. AIM does not believe that requiring physician competency in health information technology for medical board registration is the optimal way to achieve widespread use of such technology. Our fear is that we could add to the physician shortage by doing so. The state could instead only contract with insurers that require use of health information technology by all providers in its network. This "carrot" approach would move the marketplace for all purchasers and make it less likely that providers would seek money from the state to purchase technology.

Promoting the Efficient Use of Health Care Resources - AIM believes efficient use of health care resources is the best way to save money without sacrificing quality. Strengthening the determination of need process to constrain the supply of health care technology and services, standardizing and simplifying coding and billing to reduce administrative costs, and encouraging appropriate care in appropriate settings should go a long way to rein in health care costs.

Thank you for your work on this very important issue and allow me to restate AIM's willingness to work with state leaders on controlling health care costs. Our interests are closely aligned and we welcome the opportunity to collaborate on this issue.

Sincerely,

John R. Regan
Executive Vice President
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TESTIMONY OF JON KINGSDALE, EXECUTIVE DIRECTOR, COMMONWEALTH HEALTH INSURANCE CONNECTOR AUTHORITY REGARDING S 2526 (3-12-08)

Joint Committee on Health Care Financing
Honorable Richard T. Moore, Senate Chairman
Honorable Patricia A. Walrath, House Chairwoman
March 12, 2008

Dear Madame Chairwoman and Mr. Chairman:

Thank you for the opportunity to offer testimony today on Senate Bill 2526, legislation that addresses the critical issue of health care cost containment.

First I want to congratulate the Senate President, Senator Moore and the Committee members for tackling this tough issue. The sustainability of health reform, as you know, depends upon moderating the annual rate of increase in health care spending. All across this nation, we struggle with this difficult challenge. I thank you for your leadership. Frankly, there is no natural constituency for cost containment. So, you are truly on the cutting edge.

There are many good ideas proposed in this legislation:

o Expansion of training opportunities for primary care doctors and loan forgiveness
o Greater utilization of nurse practitioners and physician assistants for primary care
o Efforts to dramatically improve communication and coordinate care through the E-Health initiative
o Measures to increase patient safety and reduce hospital infection rates
o A study of public and private reform of health care purchasing that will be critically important to any significant cost reduction

One initiative particularly worth underscoring is "transparency." This has value both as a diagnostic tool, so that we better grasp the underlying sources of increasing costs, and to help patients, consumers and others make wiser, more cost effective choices.

As a cost containment intervention, transparency is generally intended to encourage individuals to make better choices based on relevant information. For example, the Connector enables people to comparison shop for their health insurance across a host of options in the market. An individual simply provides his or her age, zip code and household size, picks a tier of benefits-Gold, Silver or Bronze-and up pop three to five plans to compare.

It's efficient and consumers like it. Some 80 percent of our purchases for this program are on-line. This approach has already led to substantial reductions in the cost of individual coverage and has enabled us this year to offer plans with single digit trend increases, a far cry from the double digit increases we experienced for the previous several years.

Information is equally important for purposes of understanding and addressing health care cost trends. For this reason, I would suggest that rather than two, separate sets of reports - insurers to the Division of Insurance and providers to the Health Care Cost and Quality Council - having one entity take the lead role in gathering information from both carriers and providers regarding changes in health care and health insurance expenditures would be more effective. To that end, the Health Care Cost and Quality Council has broad based representation that includes the Commissioner of Insurance and could serve this role.

In addition, if the purpose is to gather information about what is working and what is not working in the health insurance market, asking all major health plans, regardless of their annual rates of premium increase, to break down the components of increasing costs would be helpful. This would enable the public to get a fuller, clearer picture and policy-makers to compare "best practices." Not only would more information be available, but comparisons would be more equitable than focusing only on plans with the highest trend in

any single year. This is because:
o A carrier may have started from a lower base or have incurred losses in the prior year, and may just be catching up
o Some 85 to 90% of underlying costs are in the delivery of care, and in order to get a complete picture of trends, data should be assembled from all payers.
o This will enable the state to determine how much of the premium dollar goes to specific activities and what is the rate of increase in spending on that activity - be it executive compensation, sales and marketing, hospital inpatient and outpatient care, physicians services, drugs, diagnostic, etc.

For this reason, again, it is far better to collect and disseminate comparative information for all the major health plans.

Again, I congratulate Senate President Murray and the members of this Committee for focusing attention on this crucial issue and for proposing real alternatives to the status quo. Once again, you are exercising national leadership.

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STATEMENT OF ASSOCIATED INDUSTRIES OF MASSACHUSETTS BEFORE SENATE CHAIRMAN RICHARD T. MOORE, HOUSE CHAIRWOMAN PATRICIA WALRATH AND MEMBERS OF THE JOINT COMMITTEE ON HEALTH CARE FINANCING WITH RESPECT TO SB 2526, AN ACT TO PROMOTE COST CONTAINMENT, TRANSPARENCY AND EFFICIENCY IN THE DELIVERY OF QUALITY HEALTH CARE AND HB 4587, AN ACT TO REDUCE HEALTH CARE COSTS AND PROMOTE HIGH QUALITY HEALTHCARE. (3-12-08)

Good Afternoon. For the record, I am Eileen McAnneny, Senior Vice President of Government Affairs for Associated Industries of Massachusetts (AIM), the state's largest nonprofit, nonpartisan association of Massachusetts' employers. AIM's mission is to promote the well-being of its members and their employees and the prosperity of the Commonwealth of Massachusetts by improving the economic climate, proactively advocating fair and equitable public policy, and providing relevant, reliable information and excellent services.

Today, AIM applauds the Senate President for starting the public conversation on cost containment with the filing of SB 2526, and Representative Spellane for adding to the dialogue with HB 4587. AIM could not be more pleased to focus on cost containment. During the health care reform discussion, AIM advocated for addressing the health care cost issue before expanding access because failure to do so would make health care reform unsustainable. As we can see from the challenges confronting the Connector Board on the rising cost of Commonwealth Care, these cost pressures are real and the need to solve them immediate.

Health care cost containment is of great importance to employers in Massachusetts. It continues to top the list of employer concerns by a wide margin in AIM's annual employer survey and has done so for many years. This is not without good reason. According to data from the Massachusetts Association of Health Plans, Massachusetts total health care spending per person outpaces the nation's by a margin of 33%. This impacts the cost of doing business here, making Massachusetts more expensive relative to other states. The dramatic six-fold rise in health care costs over the past 25 years means that there is less money available for wages-raises or the salaries of new hires.

The Commonwealth is well aware of the impact rising health care costs have had on its bottom line. Health care inflation is cannibalizing the money needed for public safety, transportation, education and the other governmental services that the state provides to its residents.

In order to reduce the cost of health care, and not merely slow down the rate of inflation, Massachusetts will have to engage the stakeholders in a dialogue in much the same way it did for health care reform. All parties will have to come to the table and collaborate in good faith on ways to tackle this cost problem. As a state, we cannot accept the status quo. The importance of health care as a growing sector of our economy makes getting the solution right all that more important, but also more challenging. Unlike the first phase of health care reform, the cost containment phase will, by definition, mean that there is less money available for this sector.

In AIM's view, the solution to health care cost containment is not simply to cost shift to employees or consumers. Rather, it is about value-based purchasing - using the same amount of health care dollars to get better health, or fewer dollars to get the same amount of health. Some large private purchasers have employed these principles in their benefit design with great success. Small purchasers, with assistance from AIM, and the commonwealth should follow suit. To that end, we encourage the state to use its power as the largest purchaser, rather than as a regulator, to effect change in the health care marketplace. AIM supports the four major goals of Senate President Murray's bill, and suggests some more market-based solutions as outlined below:

1. Improving Access to Primary Care Services. Access to primary care services is the best way to keep people healthy and to prevent people with illnesses or conditions from consuming significantly more health care resources at a later time. We support expanding the role of nurse practitioners and primary care providers and allowing for limited service clinics as a way to make routine services more convenient. Many of the suggested action steps for addressing the shortage of primary care physicians in the state may help

recruitment of PCPs in the short term but do not get at the underlying reasons why medical students are not going into primary care - the salaries are less than those for medical specialties. Changing the reimbursement methods for primary care providers by allowing for reimbursement for telephone consultations or diet and exercise consultations, for instance, rather than for the number of procedures ordered, would make the practice of primary care more fulfilling for physicians and attract more doctors into the field.

2. Enhancing Transparency of Health Care Costs and Quality. AIM is a strong supporter of increased transparency as the means to an end. We believe that having as much information as possible about health care costs, outcomes and quality measures will serve the dual purposes of helping to inform the general public when making choices about their providers and where to have elective care as well as to spur competition between and among providers to improve care whenever possible. We support hearings with providers and insurers to investigate cost drivers and feel strongly that the Health Care Quality and Cost Council is well-suited for this role. AIM believes requiring hospitals to report on hospital-acquired infections and "never events" furthers this important goal and support nonpayment for such events.

AIM does oppose banning pharmaceutical representatives from giving gifts of any value to physicians because the industry is already highly regulated, Massachusetts already requires the substitution of generic drugs unless specified by the doctor and we believe a tote bag would not sway doctors into prescribing a drug they did not otherwise think was beneficial to the patient.

3. Encouraging Adoption of Health Information Technology. AIM's President and CEO, Richard C. Lord, serves on the board of the E-Health Collaborative and we believe that adoption of technology by the health care industry is long overdue. Use of electronic medical records will result in records that are more portable for the patient and more readily available to the provider, thereby eliminating the need for duplicative procedures or diagnostics. Computerized physician order entry is more efficient and safer and allows for greater adherence to best practices by building in safeguards to the programming. AIM does not believe that requiring physician competency in health information technology for medical board registration is the optimal way to achieve widespread use of such technology. Our fear is that we could add to the physician shortage by doing so. The state could instead only contract with insurers that require use of health information technology by all providers in its network. This "carrot" approach would move the marketplace for all purchasers and make it less likely that providers would seek money from the state to purchase technology.

4. Promoting the Efficient Use of Health Care Resources. AIM believes efficient use of health care resources is the best way to save money without sacrificing quality. Strengthening the determination of need process to constrain the supply of health care technology and services, standardizing and simplifying coding and billing to reduce administrative costs, and encouraging appropriate care in appopriate settings should go a long way to rein in health care costs.

In closing, let me reiterate AIM's willingness to work with state leaders on this important issue of controlling health care costs. Our interests are closely aligned and we welcome the opportunity to collaborate on this issue. Thank you for the opportunity to testify and I would be happy to answer any questions of the Committee.

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7,000+ AARP MEMBERS TELL GOV. PATRICK TO SIGN HEALTH CARE COST, QUALITY BILL (8-8-08)

AARP

Contact: Chryste Hall 617-305-0515 617-852-3710 cellular

August 8, 2008

7,000+ AARP MEMBERS TELL GOV. PATRICK TO SIGN HEALTH CARE COST, QUALITY BILL

-- Keep Drug Company Gift Restrictions in Place --

BOSTON - Over the past 48 hours, a total of 7,089 AARP members from Massachusetts have called Gov. Deval Patrick to urge him to sign the omnibus health care cost and quality bill (Senate Bill 2863, An Act to Promote Cost Containment, Transparency and Efficiency in the Delivery of quality Health Care), without amendment; hundreds more have sent email messages.

AARP strongly supports the inclusion of drug company gift restrictions in the legislation - as well as the creation of an evidence-based education program for prescribers - to help bring down the cost of prescriptions.

According to the latest AARP Rx Watchdog Report, released in March, prices of widely used brand-name drugs increased by 50.4 percent between 2002 and 2007, more than two and a half times the rate of inflation. Meanwhile, drug companies spent $29 billion on promoting and marketing prescription drugs in 2005, with $7.2 billion spent on marketing directly to physicians.

"This legislation is a step forward to help control spiraling health care costs that hurt consumers and threaten the state's economic well being," said Deborah Banda, AARP Massachusetts State Director. "It restricts drug company marketing practices that drive up prescription prices and creates a new program to help health providers make prescribing decisions based on unbiased facts, guided by the best interests of the patients."

As a nonprofit, non-partisan membership organization for people age 50 and over, AARP has long advocated for comprehensive reform of the US health care system. AARP believes that all individuals have a right to health care services when they need them; coverage that provides adequate financial protection against health care costs; high quality health care; a reasonable choice of health care providers; and the financing of the system should be equitable, broadly based and affordable to all individuals.

AARP is part of the Massachusetts Prescription Reform Coalition which includes doctors, private insurers, and community groups.

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