

Testimony of
Massachusetts Governor Deval L. Patrick
as prepared for delivery
before the
House Committee on Energy and Commerce
United States Congress, Washington, DC
Tuesday, March 1, 2011

Chairman Upton, Ranking Member Waxman and the Members
of the Committee:

Thank you for the opportunity to appear before you today to
discuss the impact of the Patient Protection and Affordable Care Act
on states and the next steps in implementing national health care
reform.

Like many successful federal programs, the origins of national
health care reform can be found at the state level. In 2006
Massachusetts enacted a health care reform bill aimed at making
health care universally accessible. Because that measure serves as

a model for national health care reform, it may be helpful for me to offer some insights on the impact of our reform in Massachusetts and the process by which it was devised and implemented.

Today, thanks to effective implementation of our 2006 reform legislation, more than 98 percent of Massachusetts residents have health care coverage, including 99.8 percent of our children. We lead the nation in both categories. More people are getting preventive care instead of waiting until they have to go to the emergency room. Workers and their families no longer have to worry about a catastrophic illness forcing them into bankruptcy, or being denied coverage because they're already sick. The percent of private companies offering health insurance to their employees is up to 76% from 70% before the bill was passed. Health care reform is doing exactly what it was designed to do: expanding access to quality health care to all our residents.

We paid for expanded coverage as we said we would, by delivering more care in primary care settings than in emergency rooms. In 2005, Massachusetts paid over \$700 million for health care

for the uninsured and underinsured. In 2011, we spent \$405 million – nearly \$300 million less. With 98% of our residents covered, universal coverage has required about 1% more of our state budget in state spending. Overall, Medicaid represents 32% of annual state spending today and has grown about 2% per capita since our reforms were enacted.

The process of developing our reform measures is something I am proud of, too. Then-Governor Mitt Romney, a Republican, working together with a Democratic state legislature, a Democratic United States Senator, and a broad coalition of business, labor and health care leaders came together to invent our reform bill and then stuck together to adjust it as we implemented and refined it. That bill was an expression of shared values, our belief that health care is a public good and that everyone in Massachusetts deserves access to it.

Ours is a hybrid solution. Like the Affordable Care Act, it emphasizes private insurance purchased in the open market at competitive prices, and service delivered by private clinicians.

People choose their own doctors, and there remains a lot of choice. We still have challenges, of course. For example, we don't have enough primary care physicians. The wide variance in the reimbursement rates of provider hospitals is another challenge. But these are challenges across the country that are not caused by our universal care law. The point is that in Massachusetts we stopped limiting ourselves to the same old two competing choices: a perfect solution or no solution at all. We chose to try something and we moved. And it worked.

So, for Massachusetts, the Affordable Care Act is familiar. Like our law, it improves health security for all citizens. It takes a hybrid approach that leverages the best of government, non-profits and private industry. And with President Obama's leadership, it was developed and supported by a broad coalition of stakeholders and advocates who understood that our public health and economic competitiveness demanded action.

Getting people insured, having them receive their care in primary care settings as opposed to emergency rooms, is good. It's

also cost effective. According to the Congressional Budget Office, the Affordable Care Act will reduce the deficit by \$124 billion through 2019 and by more than \$1 trillion in the subsequent decade. National health reform is a critical piece of a responsible plan to control our national budget deficit and improve our fiscal outlook for the long term.

Based on our experience at home, national health reform is also good for our economic competitiveness. Matt McGinity, the CEO of a small technology company in Natick, outside of Boston, bought health insurance through a program created by the Commonwealth Connector, our version of the Health Exchange. The program, called Business Express, is an online service to help small businesses easily shop for private health care and find the best possible value. Using Business Express, Matt was able to compare health plans side-by-side and avoid a 23% premium increase his current insurer was proposing. He and his employees saved \$9,300.

I met a young entrepreneur recently who moved his business up to Massachusetts from Florida because, with a young family, he

wanted to be able to start his venture without worrying that his children would not have health insurance. Universal coverage helps our competitiveness.

Federal reform is good for Massachusetts. It has given us an affordable way to extend the promise of coverage to Massachusetts residents who make between \$33,000 and \$44,000 a year, or families of four making \$67,000 to \$89,000 a year, by making those families newly eligible for tax credits that help them afford their premiums. And through the retooled Medicaid and Children's Health Insurance Program, Massachusetts taxpayers will save about \$450 million a year while allowing us to provide better care to our youngest and more vulnerable residents.

The next frontier for Massachusetts and for America is cost control. The framers of our Massachusetts reform purposefully addressed access first and put cost control off. We can wait no longer. Spending on health care makes up 17.6% of all spending in the United States – one of the largest single sectors of our economy. In recent years growth in health care costs has outstripped growth in

GDP even as the share of Americans with health insurance has fallen. As spending on health care programs and emergency care grows, it weakens our ability to compete and slows job growth. Left unchecked, health care costs threaten our fiscal integrity and our ability to provide future generations with the same support that we have enjoyed. The generations before us made choices that preserved the critical services that we rely on. We need to follow their example and make responsible decisions on behalf of future generations.

So, while health insurance is universally accessible in Massachusetts, it is not yet universally affordable. My state is home to some of the world's best hospitals and health care providers, but our costs are far too high and they are growing at an unsustainable rate. The challenge of high health care costs is not unique to Massachusetts and has nothing to do with our health care reform. Escalating premiums, rising over 130% in America in the last decade, far outpacing the rate of economic growth or general inflation, are a challenge for businesses, governments and working families all over

the country. With due respect to the Committee, this is where the Congress needs to turn its attention now.

And just as we in Massachusetts have provided the national model for universal access, I believe we can crack the code on cost control.

As a near term solution to rising premium costs for small businesses, last April I directed the Division of Insurance to reject excessive increases in health care premiums. This led to agreements with insurers to limit their rate increases and put pressure on providers to hold down their rates. That move was not without its critics. But it had to be done. Not because health insurance companies are bad – they're not. Not because it was a permanent solution – it isn't. It had to be done because for all the good intentions and the broad consensus on the critical need to lower costs, the market wasn't doing it on its own. We needed something to prod the market forward. And it worked.

Last week, the Massachusetts Division of Insurance approved health insurance rates for this year. Now we are looking at single digit base rate increases – down from the twenty five to thirty percent increases that had become the norm and precisely the relief we sought by intervening last year.

Last summer, I signed legislation that made it possible for small businesses to form associations to pool their buying power when negotiating insurance rates with carriers, and mandated that insurers offer at least one select network product with premiums that are 12% lower than those without select networks. The legislation also required greater transparency in understanding the drivers of health care costs. These initiatives are being implemented right now.

Two weeks ago we launched the second phase of health care reform in Massachusetts, aimed at finally controlling costs and making health care as universally affordable as it is accessible. Right now, the current system rewards providers for the quantity of care they deliver, not the quality. For costs to come down, this has to change. We are working with the health care community in our state

to accelerate their transition to innovative, improved models for delivering health care. In these new models incentives will be realigned to reward integrated care under a more rational price structure that emphasizes wellness and lowers costs for everyone. Our goal is for integrated, cost-efficient caregivers to predominate in Massachusetts by 2015.

The Affordable Care Act actually supports our efforts to bring down costs. We are using the authority of the national reform to develop guidelines and incentives for more integrated systems of care. The Act is helping us coordinate care for individuals who are eligible for both Medicaid and Medicare and thereby bring cost savings to the Medicare program. And it builds on the movement toward patient-centered medical homes where primary care providers are paid to care for people and not just for 15-minute appointments.

The Affordable Care Act has helped bring health insurance within reach of thousands of Massachusetts small businesses through tax credits. It will supplement some things we are already doing to allow small businesses to buy their health insurance in

groups to increase their purchasing power. Just as our Massachusetts reform gives people freedom to move between jobs within the state without fear of losing health care, the Affordable Care Act permits that freedom across the Nation. It makes investments in the health care infrastructure that supports everything we do. And it reduces the deficit in the short run and over time. Just as our businesses rely on good roads, a modern electricity grid and access to broadband to thrive, having a strong health support system is another piece of the puzzle, making us an attractive destination for new businesses. The Affordable Care Act is good for America and deserves a chance to be implemented.

This is, above all, about people and what kind of country we want to live in. I remember meeting a young woman named Jaclyn Michalos, a cancer survivor who got the affordable care she needed to save her life through our Commonwealth Connector. She had no other way before Massachusetts health care reform. This is about people, not abstract policy or politics. I urge you to remember that.

The remaining challenge before us all is cost control and again I urge you to turn your attention to that. In my state, businesspeople from companies large and small, new and old, often tell me that health care costs are the single greatest obstacle to job growth. Massachusetts ranks 4th in total jobs created since December 2009 and we rank 6th in private sector jobs created since December 2009. Our unemployment rate is well below the national average. Hiring at the national level has already started to come around. But neither at home nor nationally can anyone be satisfied with where we are. The Affordable Care Act has some useful tools to help businesses and governments control costs. But on this front there is much more to be done. I hope you will support what we are trying to do in this area in Massachusetts and in other states, and that we can provide some useful models for further national reform.

Again, thank you for inviting me today. I look forward to extending the progress we've already made expanding access to health care and to working with you on making that care more affordable. I am happy to take any questions you might have.