



May 12, 2015

The Honorable Sylvia Matthews Burwell
US Department of Health and Human Services
200 Independence Avenue, S.W.
Washington, DC 20201-0004

re: Massachusetts Business Support for Governor Baker's Request to Maintain State Rating Rules & Small Group Definition

Dear Secretary Burwell:

On behalf of a broad group of business organizations, brokers and health plans, we are writing to ask you to approve Governor Baker's request for flexibility related to the Affordable Care Act (ACA). We urge you and the President to grant Massachusetts the needed relief sought in order to preserve a functioning state merged market and to ensure affordable premiums for Massachusetts employers and individuals purchasing health insurance coverage.

As you are aware, Governor Baker requested an extension, beyond January 1, 2016, of the current application of the Massachusetts small group definition, until the Baker Administration can formally apply for a waiver under Section 1332 of the Affordable Care Act in 2017. Additionally, the Baker Administration has requested that the state be granted an extension of use of its current rating factors as they apply now and requested flexibility to maintain the current small group definition. As you are aware, the Commonwealth received approval for a transition period to phase out the rating factors currently used under our state law. This flexibility was approved to avoid large rate increases that would have ensued had the state been forced to adopt the rating rules set out in the ACA.

Massachusetts is unique among states as we were the first to implement a state based health reform law and had insured most of our residents under the state provisions. We are also unique in that we are the only state to have effectively implemented a merger of our small and individual markets, affording individuals in the marketplace significant premium relief by rating them along with small businesses. Today, much of our state's success is threatened if we are forced to adopt ACA provisions that will increase health care costs in our unique state market. The merger of our market and subsequent health care reforms were done using the very rules that exist in Massachusetts today, including the group size factor and rating factors. Granting flexibility to the state is consistent with stakeholder agreement around the merger and the Commonwealth's 2006 health reform law. Without the needed flexibility, small businesses will suffer and a discussion of demerging the market is likely to ensue in our state legislature, with demerging these markets likely to harm individuals far greater than granting flexibility to the provisions the Governor requested and that we seek.

Unlike other states, Massachusetts merged the individual and small group markets, resulting in small employers subsidizing individuals. Inclusion of the state's rating factors was a critical component to mitigate some of the impact the merger had on small employers. While the elimination of the Commonwealth's rating factors will vary from group to group, it will result in extreme premium increases for a significant number of Massachusetts small employers as the costs associated with these changes will be in addition to increases in trend.

With regard to expanding the small group markets, it is anticipated that including groups with 51 to 100 employees will lead to higher premiums for these employers as they would be subject to more stringent actuarial value, cost sharing and essential health benefit requirements, as well as state rating rules that have not applied to them. Expanding the small group market would reduce choice for these groups, which have historically had greater flexibility in benefit design than groups of 1-50. Employers with 51-100 employees will be unable to keep their coverage when they renew in 2016 and be left with fewer coverage options, leading many of these employers to self-insure. The Governor's waiver request to this provision of the ACA is needed to avoid the significant premium increases and loss of product options it will have on employers.

Controlling rising health care costs is the critical issue facing the Commonwealth, as the rising cost of health care stymies economic growth, taking away funds that the state's employers would otherwise use to add jobs and invest in their companies. We appreciate your attention on health care issues and we know you share our interest in making health care more affordable for employers in the state and ensuring the continued progress of our state's health reform efforts. We would request that you approve the flexibility on the items outlined in Governor Baker's April 27 letter.

Sincerely,



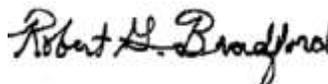
Jon B. Hurst
President
Retailers Association of Massachusetts



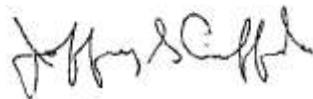
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cc: His Excellency Charlie Baker, Governor, Commonwealth of Massachusetts
Kristen Lepore, Secretary, Executive Office for Administration and Finance
Marylou Sudders, Secretary, Executive Office of Health and Human Services
Jay Ash, Secretary, Executive Office of Housing and Economic Development
John Chapman, Undersecretary, Office of Consumer Affairs & Business Regulation
Daniel Judson, Commissioner, Division of Insurance
Kevin Beagan, Deputy Commissioner, Division of Insurance
Louis Gutierrez, Executive Director, Commonwealth Health Insurance Connector
Massachusetts Congressional Delegation