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## **Business Solutions to the Health Care Crunch in the Bay State**

*New report presents case studies of companies that have successfully controlled health care spending through proven strategies*

BOSTON, MA – Health insurance costs borne by Massachusetts’s small businesses have risen annually by 15% over the past five years, an unsustainable increase for the firms that historically create two-thirds of all new jobs in the state. Governor Patrick and lawmakers are focused on reducing health care spending through payment reform, but small businesses cannot afford to wait the 5-10 years it may take for savings to materialize.

In a new report issued today, Pioneer Institute urges business leaders and policymakers to work to encourage the private sector’s creative approaches to insurance plan design that feature more consumer engagement and real savings. The study, [\*Business Solutions to the Health Care Crunch: Innovations in Health Care Insurance Plan Design\*](#), reviews a variety of plan options and innovations designed to promote healthy living while controlling spending.

The authors, Amy Lischko, Ph.D., a Senior Fellow at Pioneer Institute and Associate Professor at Tufts University School of Medicine, and Cristi Carman, Masters of Public Health candidate at Tufts University School of Medicine, offer some concrete actions that small businesses can take so that they can avoid having to discontinue employee health coverage.

“Large employers have already implemented many innovative insurance plan designs. Though small businesses often lack some of the larger firms’ advantages, such as human resources expertise and upfront capital, there are cost-saving strategies that can be scaled down for adoption,” said Josh Archambault, Pioneer’s Director of Health Care Policy.

Some of the strategies highlighted in the paper include:

- Moving from a defined benefit to a defined contribution strategy, in which employers offer a fixed dollar amount to purchase health insurance;
- Restructuring cost sharing by adding a deductible, and contributing to a health savings or reimbursement account, so that employees take ownership of their health services decisions;
- Promoting the use of high-value and cost-effective providers and health services with tiered networks or value based insurance design by linking a lower co-payment to cost and efficiency measures; and,
- Sponsoring a wellness program that includes chronic illness prevention to reward healthy living and reduced use of health services, for significant cost savings.

The paper presents case studies of the following four Massachusetts businesses ranging in size from fewer than 50 employees to nearly 50,000. These companies have pursued one or more of the solutions described in the paper:

- **SmallCorp Frames**, a Greenfield-based manufacturer with fewer than 50 employees, saw premiums rise by 30% in 2010 and shifted to a plan that carries a \$500 annual deductible per employee and limits some benefits.
- **EMC Corporation**, a Hopkinton firm with nearly 50,000 employees, adopted a plan, *Driving Partnership in Health*, which uses connected health technologies to help consumers track and manage their health and offers programs targeted to employees' specific health issues. The reduction in health services saved the company over \$100 million in five years.
- **Botanic Gardens Children's Center**, a Cambridge-based nonprofit with fewer than 50 employees, revised its benefits structure so that it features a Health Reimbursement Account and a deductible. Employees can use the same provider network as their previous plan.
- **Anna Jaques Hospital**, a Newburyport-based institution, offers its 1,000 employees a new health benefits package called the HSA Saver Plan, which reduces costs through health incentives. Through the plan, employees can earn increased company contributions to a health savings account based on their ability to meet four health benchmarks during annual screenings. Since 2007, premium growth has declined by 10%.

Small businesses struggling to address rising health care costs have a range of proven strategies at their disposal that will engage consumers in health care decision-making and control spending so that companies can remain viable and attract a competitive workforce.

The plans presented in this paper include features such as worksite wellness initiatives, a defined-contribution model or a high-deductible plan, that give employees a more active role. Policymakers should allow more flexibility for small employers and their employees to design more affordable health plans.

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Through its Health Care Initiative, Pioneer Institute seeks to provide empirical recommendations to improve Massachusetts' 2006 Health Care Reform Act, and promote adoption of proven methods of controlling costs and ensuring high-quality care. Pioneer's recent research, [Fixing the Massachusetts Health Exchange](#), offers seven key recommendations to strengthen the Massachusetts reform effort. To learn more visit: [http://www.pioneerinstitute.org/programs\\_healthcare.php](http://www.pioneerinstitute.org/programs_healthcare.php).

Pioneer's Director of Health Care Policy, Josh Archambault, has written a number of opinion pieces on the Massachusetts reform and its impact on small businesses; examples include: "[Mandates make premium difference](#)," *Boston Business Journal* (June 17, 2011); "[Why MassHealth needs reform](#)," *MetroWest Daily News* (May 29, 2011); "[Massachusetts Model Mismatch](#)," *Washington Times* (April 14, 2011); "[Mass. leads with wrong example](#)," *Boston Herald* (April 13, 2011); and, "[Health reform should protect small business](#)," *Taunton Gazette* (October 23, 2010).

Josh blogs regularly on state and federal health care policy at [pioneerinstitute.org/blog](http://pioneerinstitute.org/blog) and tweets at @josharchambault.

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[Pioneer Institute](#) is an independent, non-partisan, privately funded research organization that seeks to improve the quality of life in Massachusetts through civic discourse and intellectually rigorous, data-driven public policy solutions based on free market principles, individual liberty and responsibility, and the ideal of effective, limited and accountable government.