

# The Boston Globe

OP-ED

## **Don't overreach on health cuts**

July 23, 2011 | By Michael J. Widmer

IN THEIR zeal to control health care costs, state lawmakers run the risk of causing serious damage to the health care sector, arguably the most important segment of the Massachusetts economy and certainly the most notable exception to the state's dreadful job record over the past decade.

As Massachusetts led the nation five years ago in providing access to health care, elected leaders seek now to lead on health care cost control. The political will to tackle this thorny issue should be applauded, but leaders must be careful to recognize that a combination of market pressures and their own recent legislative accomplishments have begun to bear fruit.

The rate of growth of health care costs in Massachusetts has begun to slow. The year-end reports of the state's Division of Health Care Finance and Policy show that the annual growth in hospital expenses declined from over 8 percent in 2007 and 2008 to 3.5 percent in 2010, and that the growth in insurance premiums has declined from 6.7 percent in 2006 and 2007, to 4.0 percent for 2008 and 2009.

Private-sector reforms are taking hold. The Blue Cross Alternative Quality Contract, a payment method that rewards physicians for maintaining patient health, now covers nearly 450,000 people. Most of the major health insurance companies now offer limited and tiered network products, where people can save money on premiums by agreeing in advance to use lower-cost providers. The conversion of the Caritas system to the Steward network has put a powerful lower-cost provider into a viable position in much of the state. And Mass. General has shown that the toughest medical cases can be managed more cost effectively, with better health outcomes, through deeper engagement with patients.

Last summer, the Legislature enacted a law that embraced several cost reforms, but they have yet to be fully implemented. The law requires the creation of up to six health care purchasing cooperatives, which would give small businesses the bargaining power that comes with numbers. This reform has progressed to the regulation stage, but no co-ops yet exist. More recently, the governor signed a municipal health care reform bill

that will have a significant impact on costs for workers who make up 10 percent of the privately insured population in Massachusetts.

With so many encouraging changes in the market, and the verdict still out on recent reforms, government intervention needs to be carefully thought through and should build on the successes already achieved. Ironically, in one respect government action is making the situation worse - the underpayment of providers by Medicaid and Medicare accounts for at least 15 percent of what commercial payers spend on hospitals and physicians. Providers have to recover their costs and shift public-sector losses to private payers; essentially, it's a hidden tax.

One in six Massachusetts workers is employed in health care; the health and education sector added 109,000 jobs over the past decade, while Massachusetts lost a total of 160,000 jobs. Massachusetts is home to many world-class health care institutions, and the quality of our institutions makes us by far the biggest per capita recipient of research funds. Federal funding cutbacks already threaten hundreds of millions in research dollars to Massachusetts.

Political leaders should resist the temptation to embrace heavy-handed price and rate regulation. If state government overreaches, it is easy to imagine a scenario several years from now when political leaders bemoan the fact that we have squandered one of our greatest assets.

*Michael J. Widmer is president of the Massachusetts Taxpayers Foundation.*