Written Testimony of Jon Hurst, President & CEO

Before the Division of Insurance

Re: 2026 Merged Market Filed Health Insurance Rates

June 17, 2025

The Retailers Association of Massachusetts (RAM), established in 1918, is a statewide trade association of approximately 4,000 member companies. Our membership ranges from independent, owner-operated stores to larger, national chains operating in the general retail, restaurant, and service sectors of the retail industry. The Commonwealth's retail industry is the backbone of our local Main Streets, supporting over 1.2 million jobs and operating in more than 88,000 brick-and-mortar establishments (https://nrf.com/research-insights/retails-impact/massachusetts.)

Small businesses in the Commonwealth are in a cost crisis. Like their customers—the consumers and taxpayers dealing with escalating costs of living—Main Street employers are facing flat sales, and costs of doing business that are growing far faster than the economy and incomes. We have all seen the dark store fronts. Yet far more are coming if we don't solve this cost crisis, with healthcare costs being the primary driver.

This year RAM and the UMass Donahue Institute conducted a small business survey which found an alarming 51% of small businesses are planning to sell or close their doors within five years. Costs, led by their health insurance premiums, were a primary reason. Similarly, RAM conducted a public opinion poll in May which showed that 83% of voters viewed cost of living as the top issue in Massachusetts, with 72% citing healthcare costs as the second most important issue.

The filed Merged Market rate increases for 2026 average 13.4%. These unaffordable rates are on top of a multi-year pattern of increases which have far exceeded the HPC Benchmark of 3.6%, the inflation rate of 2.3%, family income growth of 1.5%, and flat small business sales. In fact, RAM annual member health insurance surveys over the past 19 years (since the passage of Chapter 58) show an average annual premium increase of 11%, mitigated only by increased cost sharing, or exiting the Merged Market altogether. This pattern of small group increases annually exceeding the HPC Benchmark by nearly three times that state target has caused dark store fronts and a death spiral in the number of small groups exiting the Merged Market which has experienced a 45%

decrease in small group lives since the HPC was created, and 64% decrease since the passage of Chapter 58.

The excessive price increase demands of hospitals and pharma companies continue to negatively impact our Main Street economy—with a combination of dramatically higher health insurance premiums, employee cost sharing, and tax expenditures—all going to the same providers.

Hospitals are reportedly demanding reimbursement increases ranging from 15-70%, while ignoring the effects of their demands upon the premium payers, taxpayers and the rest of the economy. Likewise, the pharma cost trends are also showing double digit growth and are not affordable.

Healthcare is a necessity, both for the needs of our families and under the law. To see these exorbitant price increase demands by healthcare providers while consumers, taxpayers and small employers are in a cost crisis seems like industry price gouging. The HPC Benchmark appears to be routinely ignored, injuring premium payers and taxpayers alike.

And to make matters worse for small employers and their workforces, public policy clearly discriminates against them as it relates to risk pools, unfair cross subsidies from small businesses to individuals, and in the application of costly state mandates.

The ultimate fix for unaffordable and unfair medical inflation could be price controls, such as penalties for exceeding the HPC Benchmark, or capping reimbursements at a clear level, such as 130% of Medicare rates. But until that happens, regulatory action is all we have to control costs and to take action to attempt to shift the market power away from the providers to premium payers.

The DOI should act on all three of these cost drivers: hospitals, pharma companies, and discriminatory public policy. RAM's recommendations are as follows:

1. **Contract Transparency**—There has been a pattern of provider inefficiency, forcing both far higher premiums and higher taxpayer expenditures. The DOI (and/or the AG through the power of subpoenas) should make the insurer contracts with the provider reimbursement demands transparent (at least those over the HPC Benchmark). Having those contracts non-transparent has not worked and arguably has enabled the medical inflation the Commonwealth has experienced. Reportedly, hospitals have demanded reimbursement increases of 15-70%. Premium payers and taxpayers deserve to know the guilty parties, and public disclosure could help hold down this pattern of egregious and costly increases. The DOI should name names of those causing the increases, urge contract renegotiation and changes, and if necessary, reject filed rates based on unreasonable provider/insurer contracts.
2. **Small Employer Relief**— Small businesses are leaving the Merged Market at dramatic rates in attempts to remain competitive for their workforce recruitment and retention. Massachusetts was the first and only state for many years to merge small group and non-group risk pools together. Vermont followed suit, but regretted their anti-small business

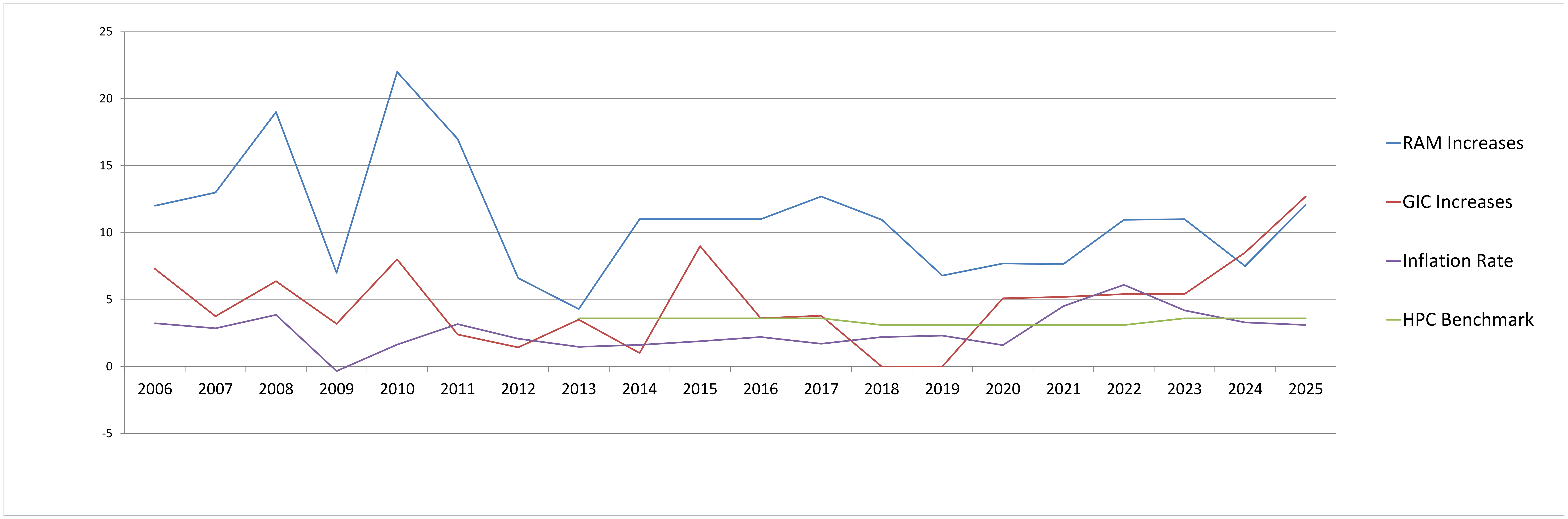
move, and in 2022 temporarily moved to return to separate risk pools. Vermont acted again in January of 2025 to make that demerger permanent. Massachusetts originally mitigated the costly impact on small employers and their workforces by using rating factors—the two most significant being the Size and Small Business Cooperative Rating Factors. After passage of the ACA, the Obama/Patrick administrations, and then the Trump/Baker administrations both granted MA the flexibility to retain limited rating factor usage to support small businesses. The Biden administration pulled that flexibility in 2022. The Healey/Driscoll Administration should immediately petition the Trump Administration (CMS) to reestablish the usage of those two rating factors, given our unique position as being the model of the ACA, and having that Merged Market. Over the long term, the Commonwealth should also rejoin the rest of the country and demerge and return to separate small group and non-group risk pools to end unfair premium cross subsidies to individuals, many of whom now also receive taxpayer subsidies unavailable to small business.

3. **Consumer/Workforce Relief & Choice—**Not only are small businesses leaving the Merged Market, but so are their employees. Many employees of small businesses are leaving employer offered plans to go to a spouse's or parent's plan, or to receive taxpayer subsidies at the Connector. This is making small businesses less attractive and competitive for workforces. To combat this, employees should be granted similar options and choices for premium savings which can occur with employers operating under a self-insured plan under ERISA. State mandates now number over 50, and many of these costly and provider friendly mandates can be ignored or mitigated under a self-insured or stop loss plan. The DOI should mandate insurers to offer *subscribers* in the fully insured market the right to choose to *opt-in* to a mandate-light plan, as well as limited network plans. In order to empower the actual consumer and premium payer (rather than the provider), they must have the option to choose plans which fit their needs and budgets. As long as the plan is ACA Essential Benefits compliant, and actuarily equivalent to what self-insured plans are currently offering to subscribers in the Commonwealth, the DOI should allow such choices in the fully insured markets. Significant premium savings in excess of 20% would be available under this right to choose model. The premium payer should be the decision maker on the level of coverage needed and wanted on included providers, name brand drugs, and state mandates. Leaving that decision to the employer, insurer, provider, or politicians has proven to be extremely inflationary and anti-choice.

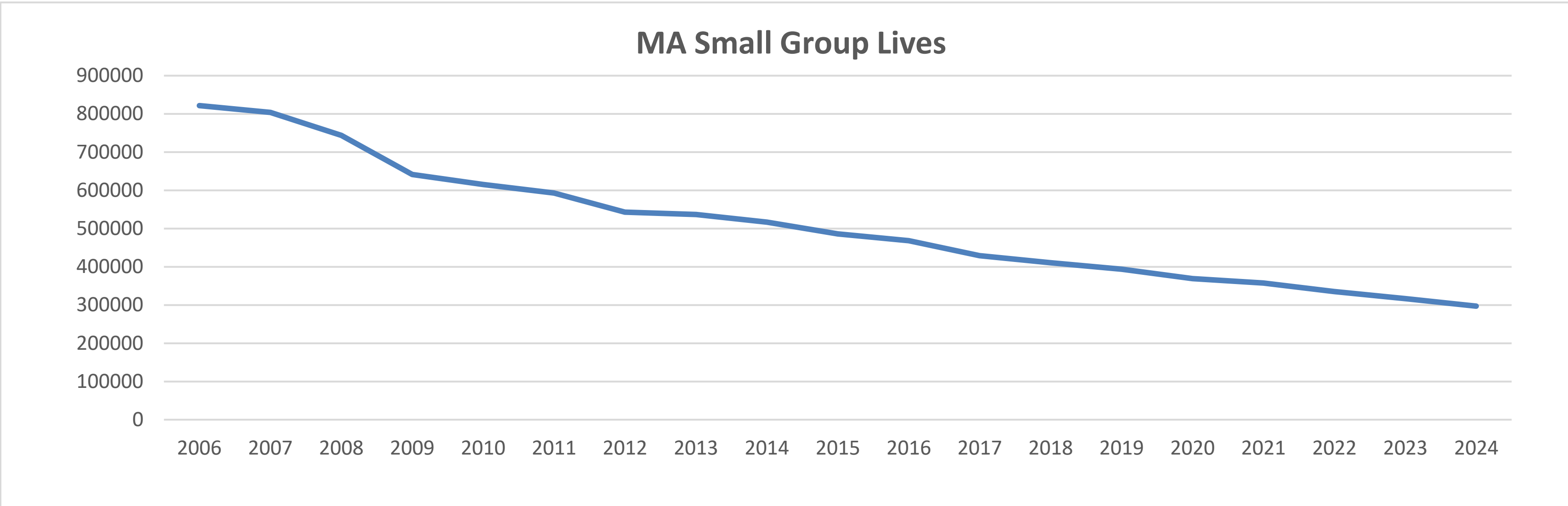
The Commonwealth must decide if they want to keep small businesses and their workforces in the fully insured marketplace with affordable premiums. Provider friendly public policies and unreasonable provider demands have led to unaffordable medical inflation, double digit premium increases, and escalating tax expenditures. It is long past time to make the premium payer and taxpayer the priority.

Thank you for making these unreasonable rates a top priority in the Commonwealth.

Retailers Association of Massachusetts
Annual Health Insurance Increases



	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	AVG
RAM Increases	12	13	19	7	22	17	6.6	4.29	11	11	11	12.7	10.95	6.8	7.7	7.64	10.96	11	7.5	12.06	11.06
GIC Increases	7.3	3.75	6.37	3.19	8	2.4	1.43	3.5	1	9	3.6	3.8	0	0	5.1	5.2	5.4	5.4	8.5	12.7	4.782
Inflation Rate	3.24	2.85	3.85	-0.34	1.64	3.16	2.07	1.47	1.62	1.9	2.2	1.7	2.2	2.3	1.6	4.5	6.1	4.2	3.3	3.1	2.6 BLS - CPI
HPC Benchmark								3.6	3.6	3.6	3.6	3.6	3.1	3.1	3.1	3.1	3.1	3.6	3.6	3.6	3.4



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