



April 8, 2019

Representative Aaron M. Michlewitz, Chair
Representative Denise C. Garlick, Vice-Chair
House Committee on Ways and Means
State House
Boston, MA 02133

RE: Coalition request regarding 2019 EMAC Supplement tax sunset date

Dear Chair Michlewitz, Vice-Chair Garlick, and Members of the Committee:

We write on behalf of a broad range of the Commonwealth’s employers to urge you, as you craft your budget recommendations for Fiscal Year 2020 (FY20), not to extend the EMAC Supplement tax beyond the current December 31, 2019 sunset date.

The EMAC Supplement tax was proposed by the Baker Administration as a means of addressing an anticipated, two-year \$400 million deficit in the MassHealth program. Both the Legislature and the Administration worked with the employer community to produce a policy that attempted to balance the Commonwealth’s revenue goal with the economic reality of Massachusetts’ already high health-care cost burden on employers.

The specified goal was to generate \$200 million in revenue during each of the two calendar years during which the EMAC Supplement was applied. We appreciate the ongoing collaboration in addressing this extremely challenging policy.

However, two years later, the Baker Administration has carried out several self-generated, internal management efficiencies and program integrity efforts. Recently, the Center for Health Information and Analysis (CHIA) indicated that, in calendar year 2017, total MassHealth spending decreased by 0.2%, driven in part by a 2.4% decrease in enrollment. This trend indicates relief from the pressures of enrollment increases that have plagued the MassHealth program in recent years and produced the fiscal deficit that resulted in the EMAC Supplement policy.

In Fiscal Year 2018 (FY18), the Commonwealth realized approximately \$229 million in revenues from EMAC Supplement payments made by employers. Recent Administration estimates anticipate further Fiscal Year 2019 (FY19) EMAC revenues totaling \$290 million. Over the current two-year course of the tax, employers will be obliged to provide well over \$500 million in funding for the MassHealth program. Yet, Massachusetts' financial outlook for FY18 improved dramatically over 2017 projections, as the state ended the fiscal year with a \$1.4 billion surplus.

Meanwhile, the burden of the EMAC Supplement falls particularly on certain industries, especially small employers with lower wage workers, many of whom are paid via state contracts. This unbudgeted and unanticipated expense is threatening employers' ability to make critically needed investments in our workforce and to maintain vital programs that support vulnerable members of our communities. The EMAC Supplement tax has produced an annual cost of \$16 million for Massachusetts nursing facilities alone, in addition to the ongoing cost of providing the option of commercial insurance coverage to our workers.

As premium and health-care utilization costs continue to grow, Massachusetts employers have fewer options and less flexibility to keep year-over-year increases in check. Health-insurance premiums paid by Massachusetts employers and employees increased 5.8% in 2017, and the average total premium for employer-based coverage remains among the highest in the country at \$21,000 per year for a family plan and \$7,000 for a single employee. Premiums for smaller employers increased 6.9 percent and are now the second highest in the country. Yet 65% of Massachusetts employers still offer health insurance coverage, as opposed to the national rate of only 54%.¹

Even with these challenges, the Commonwealth maintains the lowest rate of uninsurance in the country, with employers providing 93.8% of private commercial health insurance coverage.² Employers' contributions to our health insurance system are an integral part of the Massachusetts economy and we look forward to working with you to bring innovation and sustainability to both health-care coverage and cost.

As a Commonwealth, we face a renewed imperative to lower the cost of health insurance for everyone in Massachusetts via long-term, efficient strategies. Short-term, unpredictable financial

¹ Source: *2016 Massachusetts Employer Survey*, Center for Health Information and Analysis, March, 2017.

² Source: *Performance of the Massachusetts Health Care System: Annual Report*. Center for Health Information and Analysis, September, 2018.

obligations like the EMAC Supplement tax serve only to deter business expansion and employee recruitment, and to reduce our ability to provide vital services.

As such, on behalf of employers across the Commonwealth, we would respectfully request that you not extend the EMAC Supplement tax sunset date beyond December 31, 2019 in your budget recommendations for FY20.

Sincerely,



Katherine E. Holahan
Vice President for Government Affairs
Associated Industries of Massachusetts (AIM)



Anthony Simonelli
CEO
BAMSI (Brockton Area Multi-Services, Inc.)



Thomas J. Gunning
Executive Director
Building Trades Employers' Association



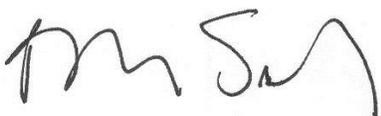
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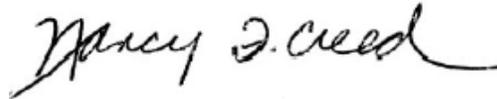
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