

UNEMPLOYMENT INSURANCE RATE FREEZE

- As of January 2010, Massachusetts Unemployment rate was at 9.4% compared to the National Unemployment Rate at 10%.
- According to the Merrimack Valley Workforce Investment Board, December 2009 unemployment for the Lower Merrimack Valley Region, which includes my entire district – the First Essex District – in addition to other communities, was higher than the state and national average at 10.8%
- The unemployment rate in Lawrence – a community which has been in the headlines recently - is at 17.8%
 - Amesbury 8.9%, Andover 7.0%, Boxford 6.4%, Georgetown 8.3%, Groveland 8.2%, Haverhill 10.5%, Lawrence 17.8%, Merrimac 7.9%, Methuen 11.9%, Newbury 7.2%, Newburyport 7.3%, North Andover 8.0%, Rowley 7.9%, Salisbury 10.8%, West Newbury 7.6%
- Employers initially pay Unemployment Insurance taxes and these costs roll into a company's wage structure over time.
- Freezing the per-employee unemployment insurance rate for employers at Schedule "E" is not simply a cost saving to employers, but will result in a benefit to employees as well.
- This proposal would trim the increase in overall Unemployment Insurance payments facing employers from \$650 million to \$250 million.
- Without action by the Legislature, UI rates will automatically escalate from Schedule E to Schedule G this year in the wake of dwindling assets in the fund used to pay jobless benefits.
- Unfortunately many employers will still end up paying more UI taxes this year. The reason is that actual Unemployment Insurance payments are based upon experience ratings, and those ratings have generally deteriorated during the past 18 months as companies have laid off workers in the face of the recession.
- Unnecessarily high UI tax rates are in no way a benefit to any employee. They do not increase UI benefits or make them more secure.
- They do impose costs on working people by reducing their paychecks, in two ways. Directly, they raise employers' costs and reduce profits, making them less willing and

less able to raise wages. Indirectly, they weaken the local economy and labor market, reducing the number of new (and potentially existing) jobs.

- But freezing unemployment insurance rates is still not enough, Pressures on small business owners and employers have slowly been building for years and given the current economic conditions, many are now at the breaking point.
- Hundreds of small business owners in my district, as well as those in yours, wonder each night as they lock the door if they will be able to afford to open it the next morning.
- The next phase to support small business growth must now focus on fairness in the health care marketplace.
- Back room deals between insurers and providers have accelerated premium increases for small businesses.
- The Legislature must now level the playing field by offering the tools small businesses need to be treated fairly when dealing with the insurers and create opportunities for small businesses and their employees to receive fair and affordable health insurance premiums.
- The facts are that small businesses in Massachusetts have neither true competition nor real regulation in the small group marketplace which has resulted in enormous cost shifts and double digit premium increases.
- Under pressure by the big insurers in the mid-90's, the Legislature repealed the ability for small businesses to group together to negotiate and create the buying clout enjoyed by big business and big government alike.
- Soon after the repeal, competition amongst insurers dwindled - 16 insurers that served small businesses and their employees left the state, leaving only a handful of locally based companies, one of which has over 50% of the small group marketplace. Ironically, special exemption was given to members of the Massachusetts Bankers Association allowing its membership to retain group purchasing of health insurance.
- Small businesses and their employees are on the financial brink due to several years of double-digit health insurance premium increases.
- Renewals in 2010 appear to be the worst ever with reports of small businesses seeing increases ranging between 20% - 40%.

- Small businesses today are paying far more for less coverage than their large counterparts, on average paying \$10,000 per family-policy more than the GIC and big business. In a mandated coverage environment, this health insurance environment is economically and politically wrong.
- To fix this problem, we must return equal rights to small purchasers, allowing them negotiate, group buy, and institute wellness programs that will result in savings for their employees. This change will return real competition to the marketplace and force insurers to stop this discriminatory cost-shifting to the small employer.
- Recently, another legislative proposal was filed, Senate Bill 2170, An Act Relative to an Affordable Health Plan. This proposal would limit provider reimbursements for a new lower quality small business product. This bill, along with Senate Bill 446, will provide a level playing field for small businesses under the health care law.
- The unfortunate reality today is that the non-competitive insurance marketplace in the Commonwealth is not servicing our small businesses. Rather than working for the subscribers, they are working for the providers and disproportionately escalating the premiums of small employers.
- It is time to start listening to our small businesses and their employees instead of the health care special interests that have created the problem and have benefited from skyrocketing costs such as the insurers.