

# Boston hospitals now stable but high costs still haunt employers

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Compared with the hospital and health plan contract disputes and financial woes of two years ago, the Boston health care market has stabilized as hospitals and plans regained their financial footing, according to a new Community Report released by the Center for Studying Health System Change (HSC).

Employers, however, have faced annual double-digit health insurance premium increases, prompting many to shift more costs to workers as a stopgap while they seek new strategies to slow health care spending growth. Severe state budget problems also threatened significant cuts to Medicaid and the state uncompensated care pool, but state policy makers forged a compromise that sheltered most health programs from cuts.

"While the Boston health care market has stabilized to some extent, there are clearly challenges ahead as employers wrestle with rising costs and the state struggles to protect health programs from budget shortfalls," said Paul B. Ginsburg, Ph.D., president of HSC, a nonpartisan policy research organization funded exclusively by The Robert Wood Johnson Foundation. Other key findings of the report, *Health Care Market Stabilizes, but Rising Costs and State Budget Woes Loom in Boston*, which is available by clicking [here](#):

- \* Hospitals, especially academic medical centers, continued to struggle with capacity constraints, prompting teaching hospitals to move patients more efficiently through the institutions or in some cases shift patients to affiliated community hospitals.

- \* Difficulties recruiting and retaining physicians, a major change in a market traditionally considered to have an oversupply of physicians. Oft-cited reasons for the problem include Boston's high cost of living, low physician earnings relative to other areas and high malpractice insurance premiums.

- \* A continuing focus on quality improvement by health plans and providers, putting Boston in the vanguard relative to many markets. Increasingly, health plans are developing payment arrangements with hospitals and physicians to reward those meeting certain performance-based indicators of care.

Boston is one of 12 communities across the country tracked intensively by HSC researchers. The new report is based on a May 2003 site visit and interviews with more than 90 health care leaders, representing health plans, employers, hospitals, physicians and policy makers. □