An Update on Massachusetts Health Care Reform

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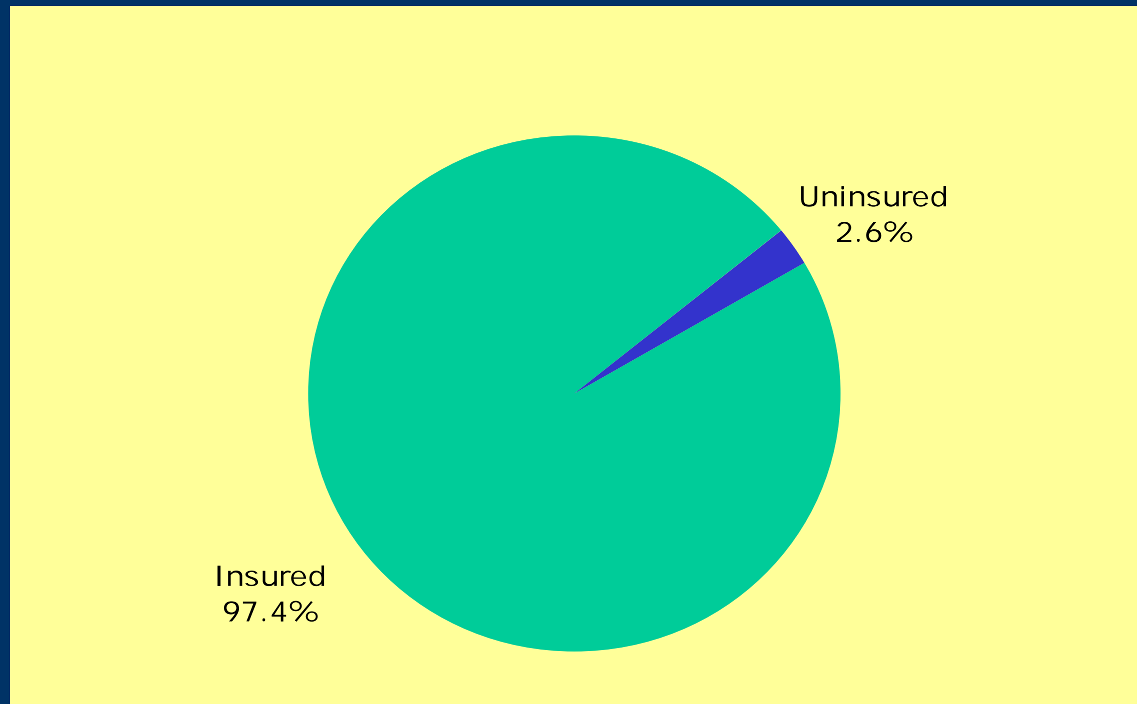
The Massachusetts Law: Why So Much Attention?

- Ambitious goal: Near universal coverage
- Transcends ideology
  - Bipartisan support
  - Combines policy solutions from the right and the left
  - Partnership between federal government and state

- Novel Approaches
  - Individual mandate, employer contribution, insurance market reforms/exchanges

Scott Brown voted for MA HCR

Uninsurance Rate for All Massachusetts Residents, 2008



Uninsurance was low among Massachusetts residents, with less than 3% (167,300 people) uninsured at the time of the survey.

Source: Urban Institute tabulations on the 2008 Massachusetts HIS

Massachusetts Division of Health Care Finance and Policy

The Building Blocks for Reform in Massachusetts

- Low baseline rate of uninsurance (~9-11%)
- High rate of employer sponsored insurance
- Generous Medicaid program
- Uncompensated Care Pool
- Strong consumer advocacy & safety net providers
- Highly regulated small group and individual health insurance markets
- Federal Medicaid 1115 waiver about to expire

Adapted From BCBSMA 2006

Principles of Reform

- Insurance Market Reform
  - Build upon the existing base
  - Fill in gaps
  - Transparency/Efficiency (The Exchange)
- “Shared responsibility”
  - Individuals
  - Employers
  - Government
- Shift financing from “opaque safety net bulk payments” to health insurance for individuals

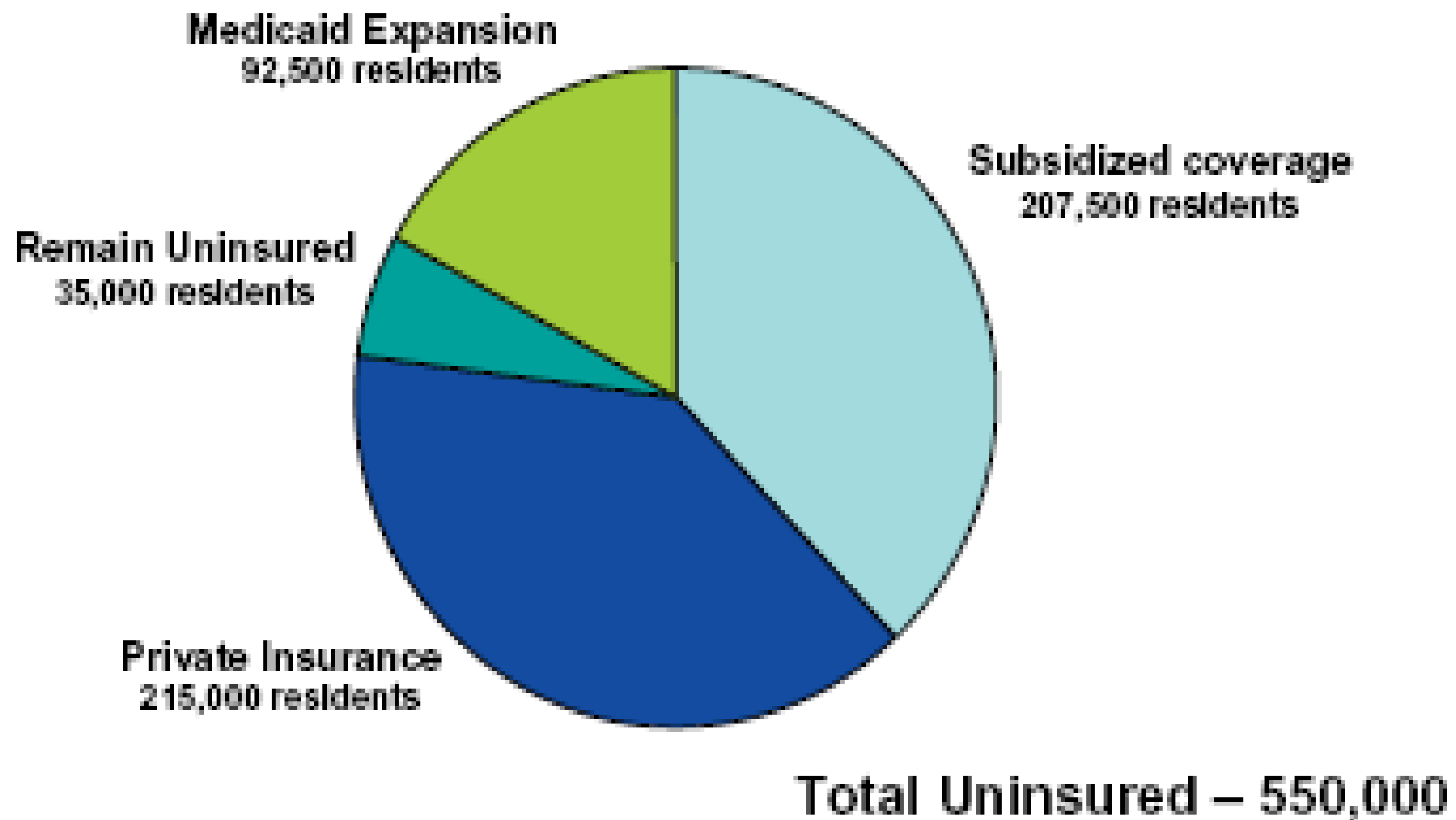
Key Elements – Carrots and Sticks

- Medicaid (expansions, restorations and provider rate increases)
- Individual/small group insurance mkt merger
- The *Connector*
  - Commonwealth Care (Subsidized coverage)
  - Commonwealth Choice (affordable coverage)
- Individual mandate
- Employer responsibilities ($\geq$ 11 employees)

DHCFP

Figure 1

How Uninsured Are Covered Under the Massachusetts Health Care Reform Plan



Source: Massachusetts Senate

KAISER COMMISSION ON
Medicaid and the Uninsured

Individual Mandate

- Applies to all MA adult residents*

  *As long as "affordable" coverage is available
- Standard of affordability set by the Connector
- Minimum acceptable benefit package ("Minimum Creditable Coverage") set by the Connector
  - Rx requirement Jan 1, 2009
- Enforced through state tax system

What’s the Policy Importance of the Individual Mandate?

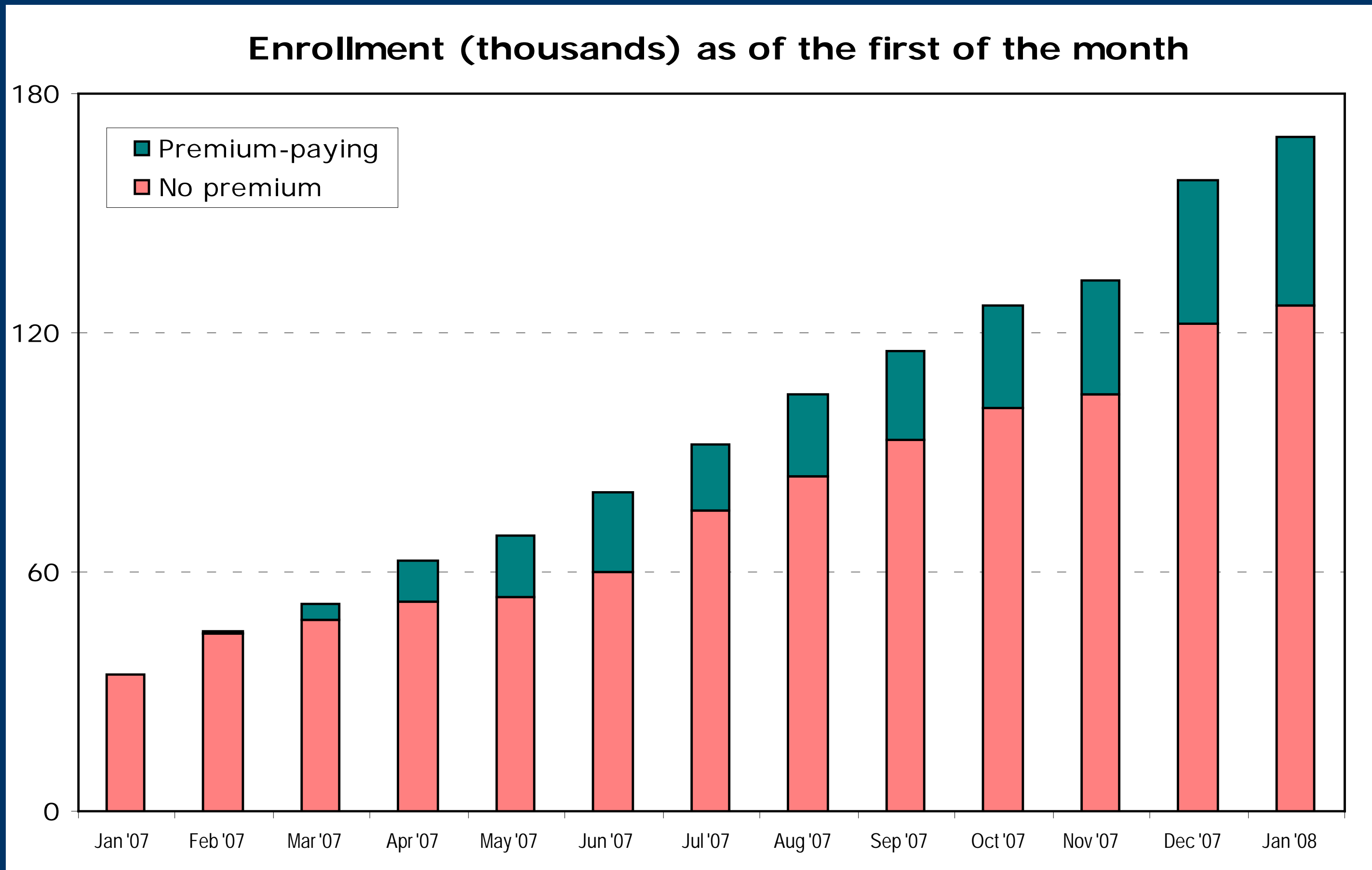
- Gets as close possible to universal coverage
  - Voluntary system, even with employer mandate, would not require workers to take up the offered coverage or affect non-workers – a group with particularly high rates of uninsurance
  - Encourages those eligible for public coverage to enroll
- Helps keep coverage more affordable
  - In voluntary health insurance system, people with low medical expenses more likely to go without coverage
  - Produces less money in overall insurance pool and higher premiums for those with insurance
- Reduces spending on “uncompensated care”

Subsidized Insurance: Launched CommCare for ≤ 100% fpl on 10/06; for premium-payers on 1/07

- Commonwealth Care is a government-subsidized, comprehensive health insurance for uninsured individuals with incomes up to 300 percent of the federal poverty level (FPL)
- Coverage was through a choice of four private health insurance plans – Medicaid Managed Care Organizations (MMCOS)
- A fifth plan (CeltiCare) entered the state thru this program in year-4
- Sliding scale enrollee contributions, ranging from minimum of $0 to $116 pmpm:

Commonwealth Care minimum monthly premiums – effective July 1, 2008		
Income (% of FPL)	**Income ($)**	**Min. monthly premium**
0 - 150%	$0 - $16,248	$0
150.1% - 200%	$16,249 - $21,660	$39
200.1% - 250%	$21,661 - $27,084	$77
250.1% - 300%	$27,085 - $32,496	$116

Commonwealth Care: 170,000



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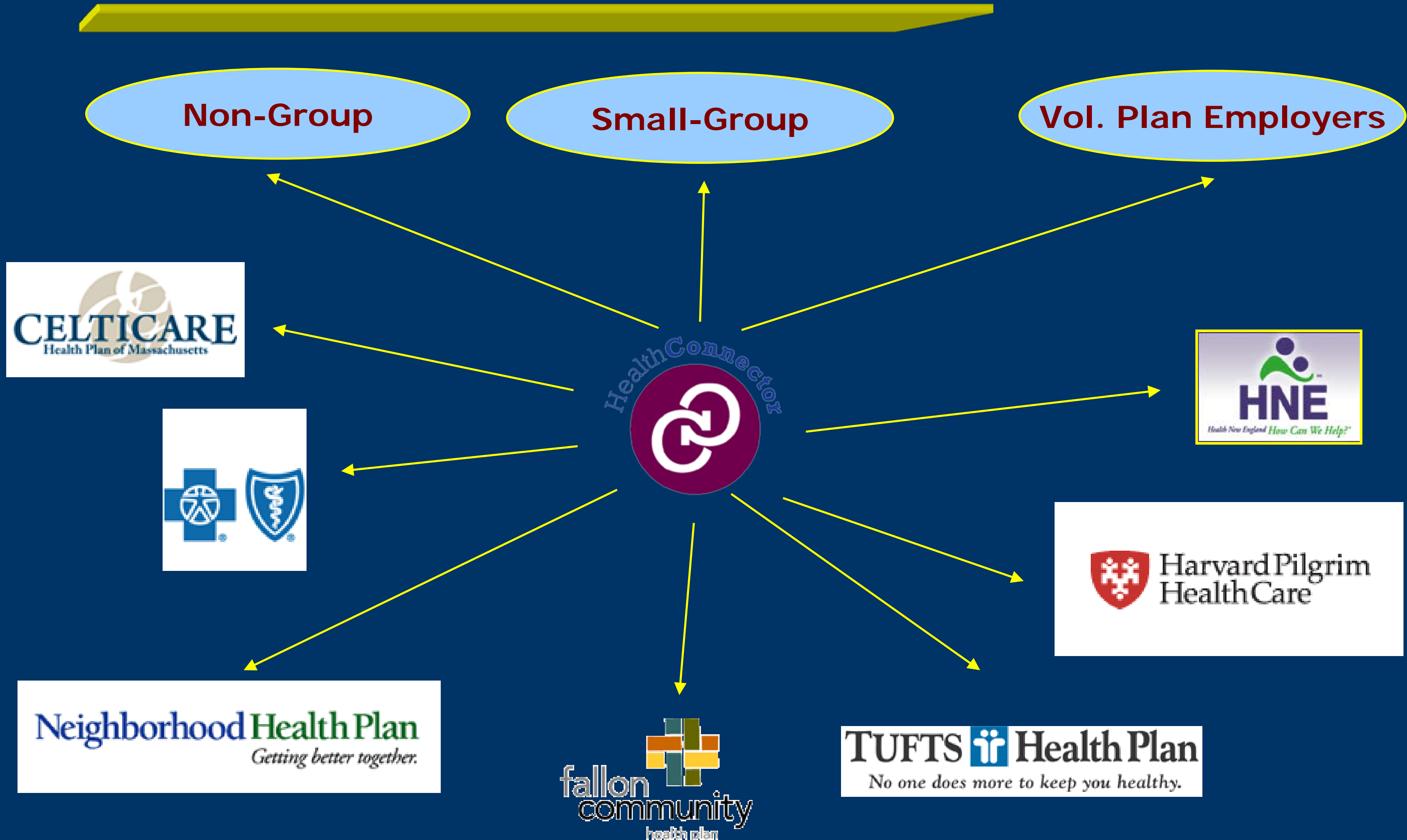
Commonwealth Choice: 22,000 mbrs

Connects Mass residents and businesses to commercial health insurance products



Employer Responsibilities

- Fair Share Contribution
  - Make “fair and reasonable” contribution to health insurance or pay (up to $295 per employee per year)
    - Employee take-up rate of 25% or more -- or *
    - Offer to pay 33% toward cost of coveragex
- Must offer Section 125 plans or could be subject to Free Rider Surcharge
  - Allow employees to make pre-tax contributions to health insurance or employer pays “free rider” surcharge if workers use unc care
- *Only employers with ≥ 11 full-time employees*

* As of 1/1/2009, employers of 50+ must meet both conditions

Not Just Coverage

- Quality and Cost Council
  - Goals adopted for FY 2008
    - Reduce the annual rise in costs to no more than unadjusted growth in GDP by 2012
    - Promote quality improvement through transparency
    - And more…
- Disparities Council
- MassHealth (Medicaid) pay-for-performance
- Public health/prevention restoration
  - Infection control, cancer, diabetes, and more

The New Big Dig

WSJ

May 21, 2008; Page A18

Mitt Romney's presidential run is history, but it looks as if the taxpayers of Massachusetts will be paying for it for years to come.

Progress Report

1. **2.7% uninsured** after 3 years
2. Of newly insured, **35% private pay**
3. **98% compliance** (taxpayer filings)
4. **59% - 75% voter approval** rating

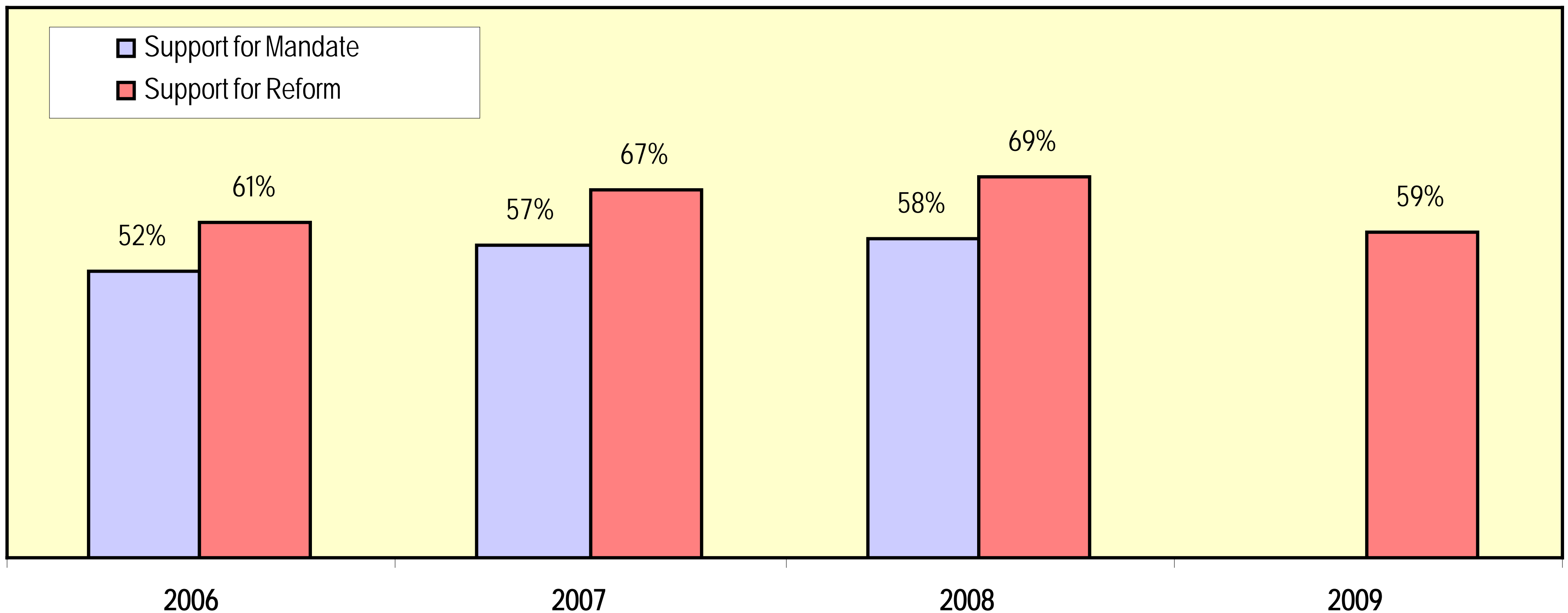
Source: Jon Kingsdale, Ph.D. National Conference, Boston, MA, January 22, 2010

Value Comparison, Pre-/Post-Reform
"Twice the coverage at half the price"

	Pre-reform	Post-reform*
Monthly Premium	$335	$184
Rx coverage	None	$100 deductible
Deductible	$5,000	$2,000

*Commonwealth Choice for the non-group (ind'l) market

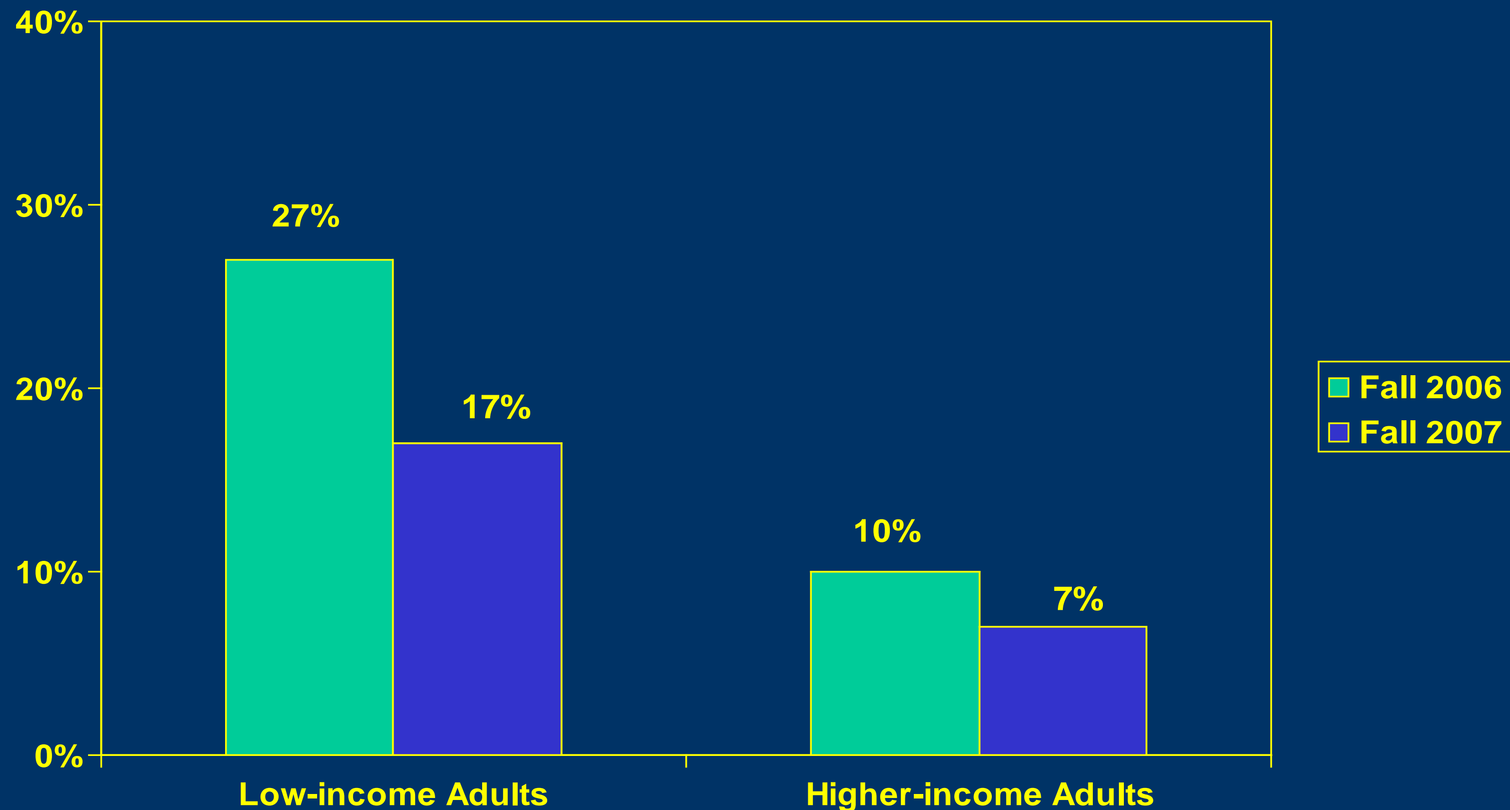
Strong Voter Support



Source: Kaiser Family Foundation/Harvard School of Public Health/BCBS of Mass Foundation Surveys, 2006-2008; Harvard School of Public Health/Boston Globe Massachusetts Health Reform Poll (conducted September 14-16, 2009)

Impact on affordability of care

Both low- and higher-income adults less likely to have unmet need for health care over the prior year because of cost of care



Long, et al, Health Affairs 2008

Massachusetts HCR: Near Universal Coverage at What Cost?*
* NEJM, 2009

TABLE: The Financing of Massachusetts Health Care Reform ($ in Millions)

	FY06 Actuals (Pre-HCR)	FY09 Estimated	Difference **FY06-FY09**
SPENDING			
MassHealth	$770	$795	
Commonwealth Care	$0	$805	
Safety Net/Pool	$656	$417	
Total	$1,426	$2,017	**$591**
REVENUES			
Safety Net/Pool	$320	$320	
Local Contribution to MCOs	$385	$0	
Federal Financial Participation	$688	$1,272	
Dedicated Revenues	$0	$219	
Total Revenue	$1,393	$1,811	**$418**
Diff in Net New Annual Spending			**$172 <1% of State Budget**

Source: Weissman and Bigby, NEJM 2009

Challenges

- The overall cost of care in Massachusetts
  - If insurance becomes less affordable, the number of people who are exempted from the individual mandate could increase.
- Financing – Faster and higher than expected due to underestimate of uninsured
- Employers with 50+ employees using public coverage/subsidies
- Penalties for individual mandate will increase
- Treatment of immigrants
  - Aliens with Special Status (AWSS) not eligible for federal match
  - Undocumented immigrants not eligible for CommCare

NYT June 16, 2008

EDITORIAL

The Massachusetts Model

Massachusetts's pioneering plan to provide universal health coverage is off to a good start and is heartening evidence that national health care reform may be possible if sufficient skill and determination are applied to forge a political consensus.

End of Presentation