An Update on Massachusetts Health Care Reform

Joel S. Weissman, PhD
Assoc Prof of Health Policy, Harvard Medical School
Former Senior Health Policy Advisor to the Secretary

Hofstra University, New Directions in America Healthcare Conference
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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 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 (≥ 11 employees)
How Uninsured Are Covered Under the Massachusetts Health Care Reform Plan

- Medicaid Expansion: 92,500 residents
- Subsidized coverage: 207,500 residents
- Remain Uninsured: 35,000 residents
- Private Insurance: 215,000 residents

Total Uninsured: 550,000

Source: Massachusetts Senate
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:

<table>
<thead>
<tr>
<th>Income (% of FPL)</th>
<th>Income ($)</th>
<th>Min. monthly premium</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 - 150%</td>
<td>$0 - $16,248</td>
<td>$0</td>
</tr>
<tr>
<td>150.1% - 200%</td>
<td>$16,249 - $21,660</td>
<td>$39</td>
</tr>
<tr>
<td>200.1% - 250%</td>
<td>$21,661 - $27,084</td>
<td>$77</td>
</tr>
<tr>
<td>250.1% - 300%</td>
<td>$27,085 - $32,496</td>
<td>$116</td>
</tr>
</tbody>
</table>
Commonwealth Care: 170,000

Enrollment (thousands) as of the first of the month

- Premium-paying
- No premium
Commonwealth Choice: 22,000 mbrs
Connects Mass residents and businesses to commercial health insurance products

- Non-Group
- Small-Group
- Vol. Plan Employers

Logos of various health plans:
- CELTICARE
- Harvard Pilgrim Health Care
- Neighborhood Health Plan
- Fallon Community
- TUFTS Health Plan
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 coverage

• 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
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”

<table>
<thead>
<tr>
<th></th>
<th>Pre-reform</th>
<th>Post-reform*</th>
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</thead>
<tbody>
<tr>
<td><strong>Monthly Premium</strong></td>
<td>$335</td>
<td>$184</td>
</tr>
<tr>
<td><strong>Rx coverage</strong></td>
<td>None</td>
<td>$100 deductible</td>
</tr>
<tr>
<td><strong>Deductible</strong></td>
<td>$5,000</td>
<td>$2,000</td>
</tr>
</tbody>
</table>

*Commonwealth Choice for the non-group (ind’l) market
Strong Voter Support

Public Support for Individual Mandate and Health Care Reform in Mass, 2006-2008

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

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

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
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