

Massachusetts Health Reform: Three Years In

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Agenda

- Overview of Massachusetts Health Reform
- Progress to Date
- Health Reform 2.0
- Key Challenges Ahead
- Massachusetts -- a Model for the Nation?

Background -- The Origins of Health Reform

- 500,000+ uninsured adults (roughly 8% of MA residents)
- \$385M in federal \$\$, per year, at stake
- History of creative approaches to health coverage expansions
- “Universal coverage” ballot initiative narrowly defeated in 2000 and another ballot initiative looming in fall 2006
- Bi-partisan, multi-year effort
- Broad coalition of business, labor, low-income advocates, insurers & providers

Health Reform's Building Blocks

- Generous Medicaid program
- Tax-Funded Uncompensated Care Pool
- Highly regulated small group and non-group (individual) health insurance markets
- Solid base of employer-sponsored insurance
- Relatively low rate of uninsured

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 and state governments, and among disparate interests
- Novel, multi-faceted approach

Shared Responsibility

- Individual mandate and creditable coverage
- New employer requirements
- Expansion of public programs
- Changes to commercial insurance regulations

Individual Mandate

- All adult residents of the Commonwealth required to maintain health coverage, with certain exceptions
- Connector Board establishes what constitutes “minimum creditable coverage” (MCC) for most adults
- Tax penalty for not having insurance:
 - \$219 (loss of personal exemption) in 2007
 - As much as \$912 in 2008 (half the cost of lowest-priced plan)
 - Over \$1,000 in 2009
- Affordability waiver based on age and income

2009 Affordability Schedule

Individuals		Couples		Families	
Annual Gross Income Range	2008 Premium	Annual Gross Income Range	2008 Premium	Annual Gross Income Range	2008 Premium
\$0 - \$16,260 (150%)	\$0	\$0 - \$21,876 (150%)	\$0	\$0 - \$27,468 (150%)	\$0
\$16,261 - \$21,672 (200%)	\$39	\$21,877 - \$29,160 (200%)	\$78	\$27,469 - \$36,624 (200%)	\$78
\$21,673 - \$27,096 (250%)	\$77	\$29,161 - \$36,456 (250%)	\$154	\$36,625 - \$45,780 (250%)	\$154
\$27,097 - \$32,508 (300%)	\$116	\$35,457 - \$43,740 (300%)	\$232	\$45,781 - \$54,936 (300%)	\$232
\$32,509 - \$39,000 (360%)	\$171	\$43,741 - \$54,600 (375%)	\$307	\$54,937 - \$72,800 (398%)	\$364
\$39,001 - \$44,200 (408%)	\$228	\$54,601 - \$65,000 (446%)	\$410	\$72,801 - \$93,600 (511%)	\$569
\$44,201 - \$54,600 (504%)	\$342	\$65,001 - \$85,800 (588%)	\$569	\$93,601 - \$114,400 (625%)	\$820
>\$54,600	n/a	>\$85,800	n/a	>\$114,000	n/a

Employer Responsibilities

- “Fair and reasonable” contribution
- Section 125 (tax sheltering) requirement
- Non-discrimination of offer
- Dependent coverage expanded to age 26
- Health Insurance Responsibility Disclosure forms

Expansion of Public Programs

- Medicaid expansions and program restorations
- Changes in Uncompensated Care Pool rules
- Establishment of Commonwealth Care -- subsidized insurance for lower-income adults without access to subsidized insurance (e.g., Medicare, Medicaid, ESI), and with family income of 300% FPL or less:
 - \$32,490 -- individual
 - \$66,150 -- family of four

Changes to Commercial Health Insurance Market

- Pre-Reform – separate small group and non-group (individual) risk pools and rating

CY 2005	Small Group	Non-Group
Members	~750,000	~50,000
Avg. Claims PMPM	\$262	\$375
MLR	86%	91%

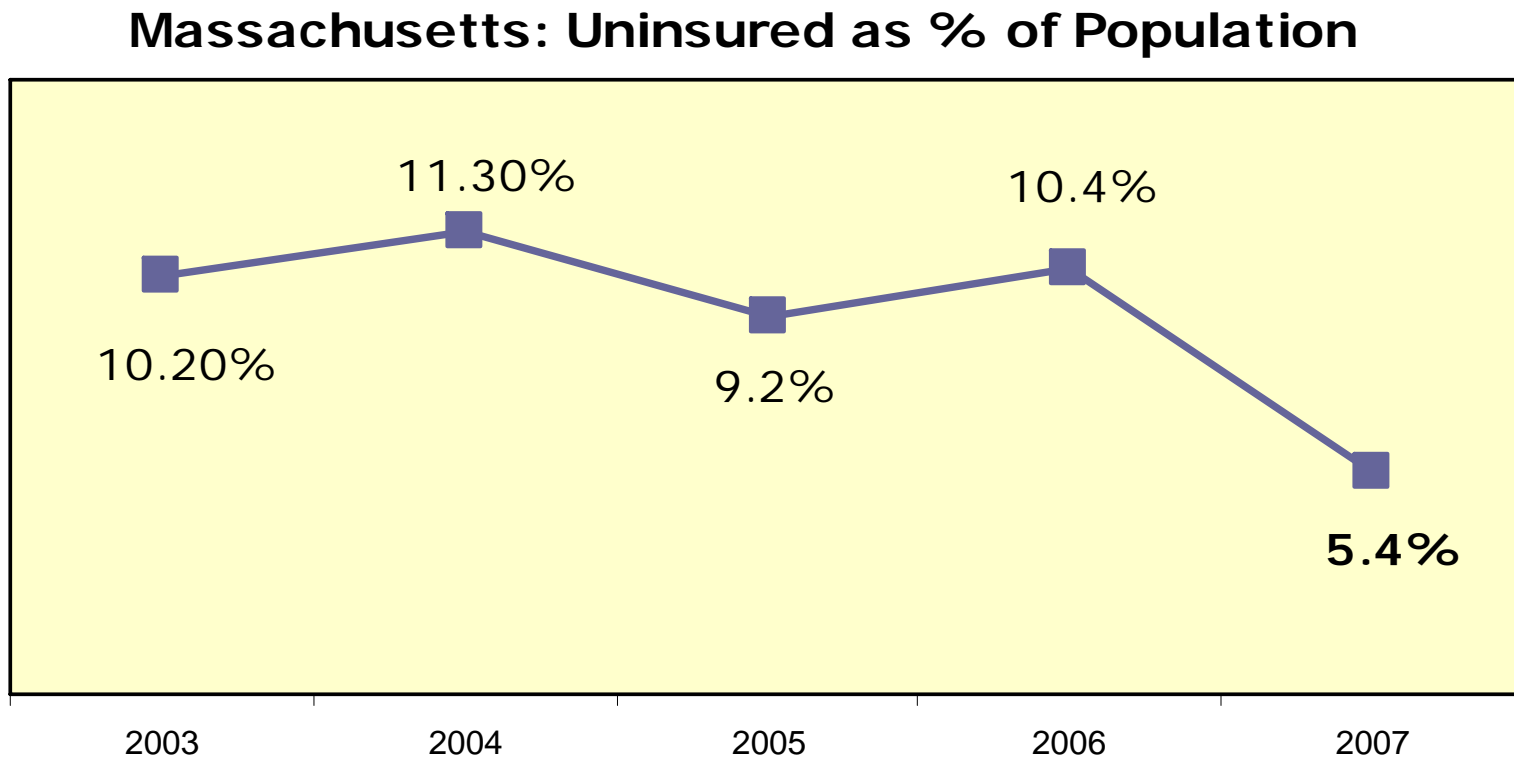
Non-Group Market Options Enhanced

- Highly regulated non-group market with two plan designs:
 - High deductible (\$5,000), or
 - First-dollar coverage
- Since small and non-group markets merged in July 2007
 - 37-year-old Boston resident pre-reform (June 2007)
 - \$5,000 deductible, no Rx
 - Monthly premium = \$335
 - 37-year-old Boston resident post-reform (June 2009)
 - \$2,000 deductible with Rx
 - Monthly premium = \$211

Progress To Date

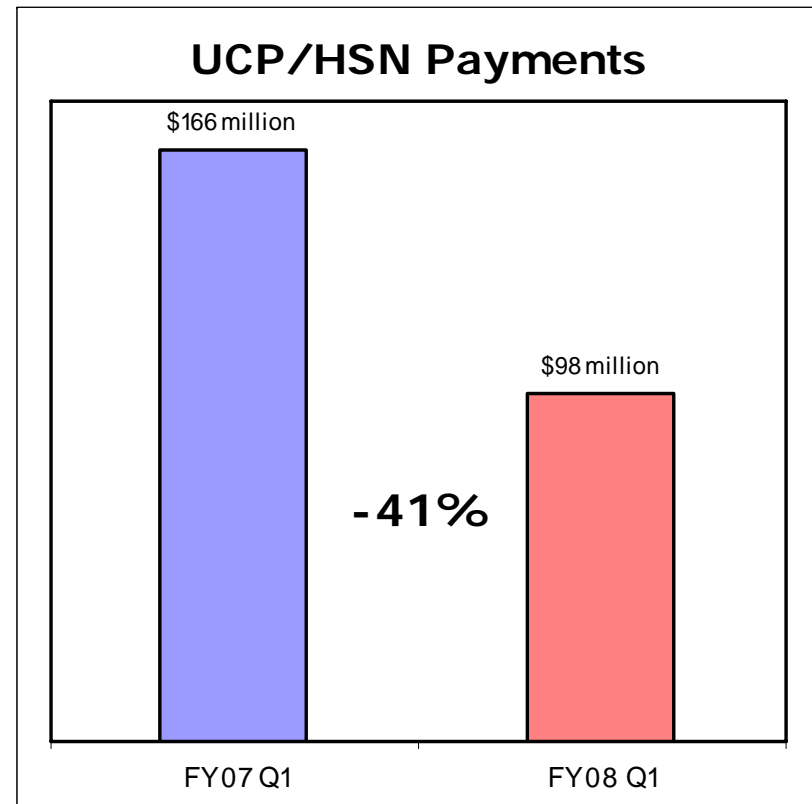
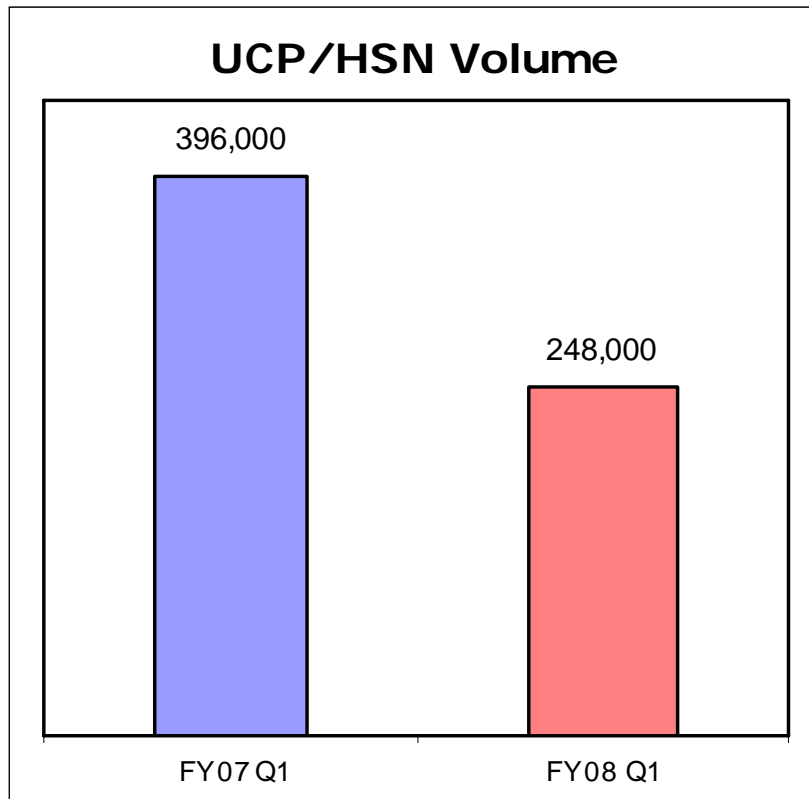
- Sharp decline in rate of uninsured
 - 432,000 newly-insured since July 2006
 - 187,000 more in private coverage (no direct public \$\$)
- Employer-sponsored insurance (ESI) remains predominant means of coverage
 - 81% of non-elderly covered through ESI
 - Nearly three-quarters of employers offer ESI
- Non-group premiums cut by 40% and membership has doubled

Steep Decline in Uninsured



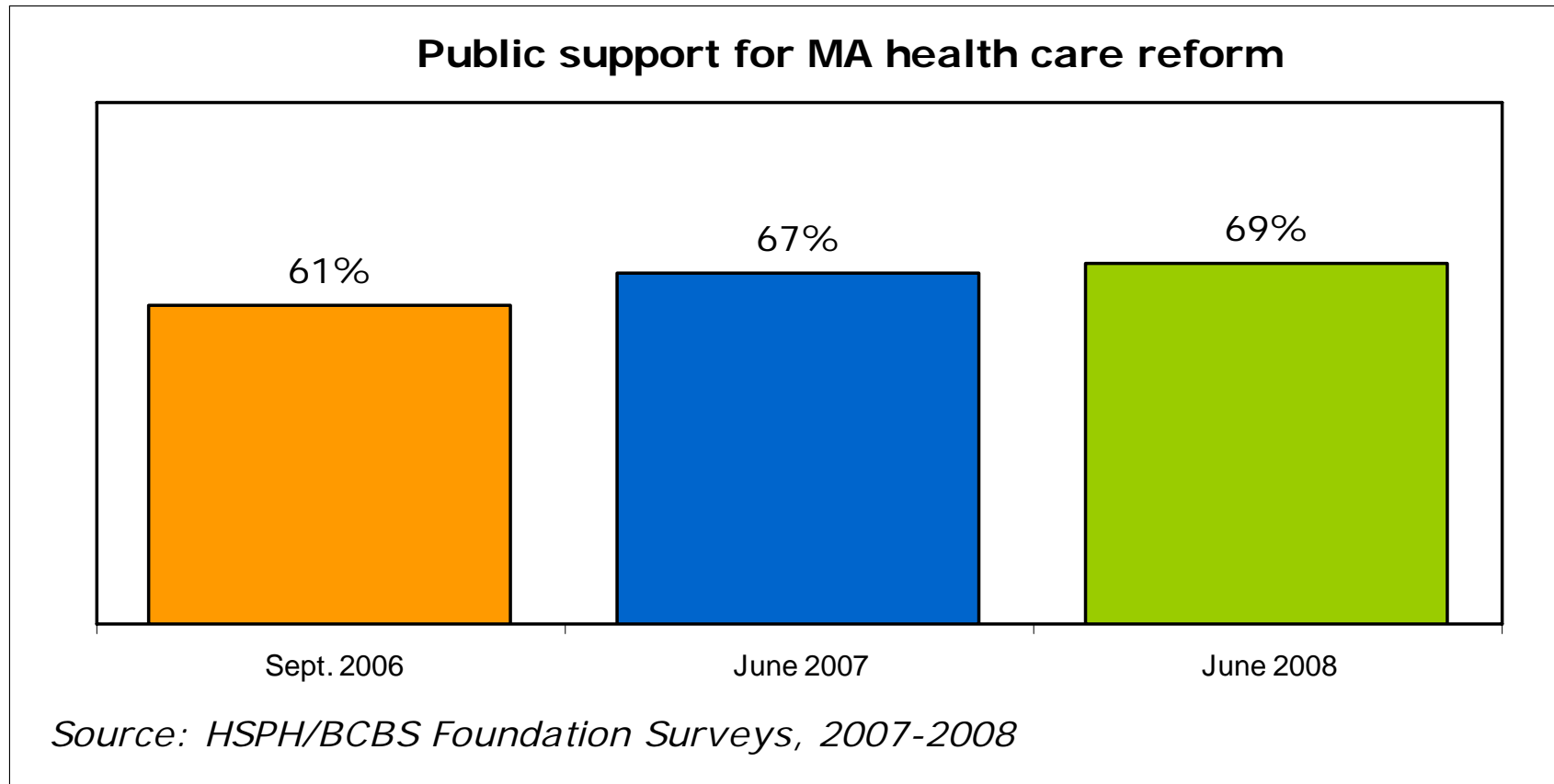
Source: Current Population Survey, 2003-2008, US Census Bureau

Drop in Free Care Pool Use and Costs



- UCP: Uncompensated Care Pool
- HSN: Health Safety Net

Support for Reform Remains Strong



Health Reform 2.0

- Focus has shifted from expanding access to containing costs
 - Massachusetts Special Commission on Health Care Payment System
 - State assessment (i.e., tax) on insurers' reserves
 - Annual public hearings on cost drivers

Health Reform 2.0

- Health Care Quality and Cost Council
- Employers Action Coalition on Healthcare
 - Private sector effort focused on cost control
- Reduction in State revenues not yet affecting public health expansions

Key Challenges Ahead

- Can health cares rate of increase be slowed?
- Will free care pool usage and costs continue to decline?
- Can crowd-out continue to be avoided...or at least minimized?

Key Challenges Ahead

- Will the public accept the reality -- and the consequences -- of the individual mandate and of the tougher Minimum Creditable Coverage standards?
- Will higher tax penalties incent “young invincibles” to purchase insurance?

Key Challenges Ahead

- Will employers stay engaged and comply with new responsibilities?
- Will more individual use Section 125 plans to purchase insurance, helping to reduce net cost of premiums?
- Will higher deductibles and greater cost-sharing be accepted in the Massachusetts market?

Is MA a Model for the Nation?

- How Massachusetts is different from the rest of the nation:
 - Lower rate of uninsured
 - Higher percentage of ESI
 - More generous public coverage programs
 - Highly regulated individual and small group markets
 - No medical underwriting of premiums

Is MA a Model for the Nation?

- How Massachusetts is different from the rest of the nation:
 - Dominant insurers are local and non-profit
 - Hospitals are local and non-profit
 - Health care costs (i.e., insurance premiums) are approximately 25% higher than US average
 - Insurance coverage is more generous

Is MA a Model for the Nation?

- Universal incrementalism
 - Build on existing systems of coverage
 - Keep all stakeholders engage
 - Focus on access and cost