

Health Care Reform: *Taking the Massachusetts Plan to the Nation*



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The first in a series on national health care reform

As president-elect Barack Obama looks toward the Oval Office, questions regarding national health care reform are plentiful. The newly-appointed Obama administration is eagerly examining the Massachusetts Health Care Reform Act (MHCRA) and its feasibility for a national rollout. Obama's "Plan for a Healthy America" possesses many similarities to the law passed in Massachusetts. Can this model succeed on a national level? Is there sufficient desire for reform by Congress, corporations and tax payers? An estimated 45 million uninsured residents [1] hope that Obama will find success where others have failed. Perhaps exploring the strengths

(and weaknesses) of the Massachusetts Health Care Reform effort can help the Obama administration craft an effective and practical healthcare solution for the entire nation.

America watched closely in 2006 as Massachusetts enacted a progressive Health Care Reform law. With the exceptions of Vermont and Hawaii, no state had successfully implemented a large scale health care reform plan before. Deemed a "laboratory of democracy", Massachusetts developed a reform that would encompass a shared responsibility through employer requirements, insurance carrier regulations and individual mandates. Two years after implementation, the efficacy of the reform efforts are now able to be measured.

MHCRA called for the establishment of an appointed board to oversee the implementation and administrative functions required under the reform law. The Massachusetts Health Care Connector Board included a diverse group made up of insurance experts, political insiders, academics, union and business leaders. The reform law also established The Commonwealth Connector, a quasi-governmental agency charged with handling the administrative and procedural responsibilities associated with the new law.

The Connector recently issued a series of reports outlining the triumphs of the reform effort. The latest study shows an increase of almost 440,000 new enrollees in health care plans since 2006. Thirty six percent (159,000) of those joined employer-sponsored insurance (ESI) that was offered to them on a group basis. The Health Affairs journal recently published a study, showing that the number of Massachusetts employers sponsoring health care coverage increased from 72% to 79% between the years 2007 and 2008. This information put to rest any fears that employers would actually drop group health insurance coverage and place an undue burden on The Connector, which was designed to provide coverage to those without access to a group plan.

Though employer-sponsored healthcare remains in tact and growing, the largest group of enrollees came through the Commonwealth Connector Program at 176,000. This enrollment is the result of an extensive advertising campaign targeted at uninsured individuals and employers in the days leading up to the effective date of the individual mandate. Current reports from the MA Department of Revenue show only 5% of the 3.2 million taxpayers remain uninsured. This

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is not a wholly accurate number, as many residents, including low income individuals and illegal aliens are not captured in these statistics.

Another factor contributing to MHCR success is the redirection of Medicaid funds received by the state. Under the traditional model, Medicaid dollars were used to pay hospitals for uncompensated care. With the MHCR model, these monies were shifted to assist low income residents to purchase health care insurance. This lessened the burden on the free care system. Those newly insured citizens would more appropriately utilize general practice physicians rather than more costly emergency rooms for everyday health care needs. Another benefit of insuring this segment of the population is that chronic illnesses will be identified sooner and measures taken to mitigate the potential severity of the illness will reduce overall costs. The latest approval of the \$21.2 billion Federal Medicaid waiver allows Massachusetts to continue meeting its financial promise to its low income residents.

Indeed, due in part to the shift in these funds, there is the decrease in both volume of claims and dollars spent out of the Uncompensated Care Pool (now known as the Health Care Safety Net). The volume of claim activity between First Quarter (FQ) 2007 and First Quarter (FQ) 2008 dropped 37%. Actual dollars spent during this same time period decreased by 41% [2] . These statistics show that the new enrollees are utilizing the coverage provided by their insurance and accessing healthcare in a more efficient manner, thereby decreasing the number of participants tapping into the free care pool.

Obama's outline is similar to the Massachusetts' model in several ways. As a start, both acknowledge that serious issues exist within the current health care delivery system. Racial and income discrepancies and a lack of transparency in services and quality measures are concerns both in the Commonwealth and across the nation. Obama's plan, like the MA reform effort, hopes to shrink racial and income-driven biases by providing affordable, accessible health care to the entire population. The Massachusetts' design and Obama's plan address the need for simple, readily available resources that focus on delivering quality insurance coverage for those that need it at an affordable price.

Both MHCR and Obama's plan target the demographic of 'young adults'. Lack of access due to unemployment, inability or unwillingness to pay for coverage and ineligibility from employer plans all contribute to the lack of insurance for this age segment. Also, from an insurance company's perspective, this is a very desirable and necessary risk demographic in order to offer competitive pricing since insurance plans operate on the assumption that the young healthy population offsets the older, sicker population. Without this balance, pricing for health insurance would be even higher than it is now. The measures taken by MHCR did two things. First, it lengthened a dependents access to their parent's group health plan by requiring all fully insured plans in the Commonwealth to extend coverage to age 26 or 2 years following the last year in which the dependent was claimed on the parent's taxes, whichever is less. Second, it gave the insurance companies an influx of desirable risk enabling them to offer more comprehensive insurance coverage at affordable prices. As a result of this mandate, there has been a 10.4% decrease in the uninsured level of those ages 18-34 in Massachusetts.

Providing access to comprehensive, cost effective coverage is a cornerstone of both reform plans. In Massachusetts, insurance companies are given minimum guidelines for comprehensive "creditable" medical coverage to protect citizens from financial hardship. According to Elizabeth

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Warren, a professor of law at Harvard University, “Every 30 seconds in the United States, someone files bankruptcy in the aftermath of a serious health problem”. The second leg of this approach, and perhaps the most challenging, is providing this care at an affordable premium so residents can enroll and maintain the coverage. Creation of the Commonwealth Connector in Massachusetts provided residents access to six of the area’s largest insurance carriers. The Connector acts as a clearing house and pairs MA residents with an insurance product that is appropriate for them. Individuals may choose from several approved plans, with different coverage and price levels. In the near future, small businesses (fewer than 50 employees) will be able to purchase group plans through this system. A vehicle similar to the Massachusetts Connector is mentioned in Obama’s reform plan. Citizens unable to secure employer sponsored coverage and small employers could purchase coverage through the National Health Care Exchange.

A core belief in both plans is a continued level of employer responsibility. In 2008, 75% of Massachusetts’ constituency supported the ‘employer responsibility’ aspect of the plan [3] . MHCR encourages employers to maintain a certain level of health care insurance and a respectable subsidy for employees. In fact, employers will face financial penalties if the insurance offered does not meet certain levels of participation and contribution requirements. The surcharge, estimated to create \$30 million in revenue for MA in 2009, focuses on those employers that do not provide a fair and reasonable contribution toward employees’ health insurance. Similarly, Obama’s “Plan for a Healthy America” also assesses a ‘pay or play’ fee on employers. This means that employers who do not provide “meaningful” health coverage are required to pay a percentage of payroll into the national health plan. The actual specifications under Obama’s plan have yet to be released. Certain ‘pay or play’ conditions are unavailable in Massachusetts due to possible ERISA violations. This would not be an obstacle under new federal legislation which could amend current ERISA regulations. Employer penalties are limited, in part, by a business community’s threat to attack MHCR with an ERISA challenge in court.

Massachusetts Health Care Reform is not without its faults. Original estimates estimated the cost to the Commonwealth at \$472 million. A supplemental budget request of \$150 million was later granted. For Fiscal Year 2009, costs are increasing to \$869 million, an increase of \$144 million. While the Medicaid waiver is allowing the Commonwealth to meet its 2008 and 2009 fiscal needs, health care cost containment will be an imperative part of any successful reform model. Double digit healthcare inflation is sure to negate any strides made by healthcare reform measures in Massachusetts or across the nation.

Since 2006, public support for Massachusetts healthcare reform among residents grew from 61% to 69% [4] . In fact, support for the individual mandate, the most controversial piece of the legislation, increased from 52% to 58% [5] . Massachusetts has proved that the ‘experiment’ in healthcare reform is working, though much work must still be done.

The reform measures enacted in Massachusetts will be used as a model for health care reform on Capitol Hill. Lawmakers should proceed with caution, however, as the state of Massachusetts’ has unique features that cannot be attributed to the country as a whole. For example, Massachusetts has a liberal political climate and a low rate of uninsured residents relative to some other states. In other words, in the state of Massachusetts, the healthcare crisis could be seen as more ‘manageable’. Also, the time was simply right for Massachusetts as the idea of

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health care reform had been discussed in the Commonwealth for many years with several versions going before state legislators.

The healthcare crisis has reached epic proportions and there are solutions out there for those brave enough to implement them. The Obama administration will have much work to do in order to pass a law for national healthcare reform. Not many American citizens will argue, however, that something has to be done.



[1] US Census Bureau, August 2008

[2] Health Connector Facts and Figures, August 2008

[3] Health Affairs, Massachusetts Health Care Reform, Robert Blendon, October 2008

[4] Health Affairs, October 28, 2008

[5] Health Affairs, October 28, 2008