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Facts on the Mass. health reform

New law puts requirements on employees, employers and the state

By Bill Dedman
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MSNBC
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The 2006 Massachusetts Health Reform Law requires nearly everyone to have health insurance by Dec. 31. Here are the basics of the new plan. (For the main story, click here, and read a conversation with the head of the program.)

The context
Massachusetts might be one of the easiest states in which to adopt mandatory insurance.

Surveys have shown that Massachusetts already had one of the lowest rates of uninsured: about 370,000 to 500,000 people, or about 6 percent to 8 percent of the 6.3 million people in the state. It also had in place consumer protection laws, including a "guaranteed issue" law allowing anyone, whether sick or not, to buy insurance.

The progress so far
About 170,000 of the uninsured have signed up — but most of them are the poor. Just 17,500 have signed up for the unsubsidized health insurance plans, at least through July, but those plans became available just on May 1.

That leaves about 200,000 to 300,000 people uninsured.

Paying the penalty
This year the incentive is weak: Those who can't show proof of insurance by the end of 2007 lose their state tax exemption when they file their income taxes in 2008, about $219.

The penalty increases when tax time comes in 2009. For every month in 2008 that they don't have insurance, residents pay a penalty of half the cost of the lowest-cost plan. That's about $150 a month.

Not just any insurance
The Massachusetts experiment means very little now to the 90 percent of people in the state who already had insurance. But in 2009, their insurance must be good enough to pass a test: It must have prescription drug coverage, and it must have a deductible of no more than $2,000 a year for an individual or $4,000 for a family — low enough for them to avoid big bills for health care. No annual limits or lifetime limits are allowed. An estimated 200,000 people in the state have insurance now that won't meet these tests.

Employer responsibility
Employers who don't either get 25 percent of employees to sign up or else make a one-third contribution to health coverage will pay an annual penalty, called a "fair share contribution," of $295 per worker. This applies only if they have 11 or more employees (or full-time equivalents, counting the hours of part-timers).

Employer groups warn that some employers may reduce the hours of employees so they fall below the law, and some employers offering health insurance now may decide that it's cheaper just to drop it and pay the $295 fee.

Free or cheap insurance for the poor
Free health insurance is available through the new Commonwealth Care program for the uninsured who earn less than 150 percent of the federal poverty line ($15,315 for an individual, $30,975 for a family of four). They pay no premiums, just small co-payments when they receive care, and there's no deductible, so insurance kicks in immediately.

Reduced-cost insurance is available through Commonwealth Care to residents earning up to 300 percent of the poverty level. A couple earning at three times the poverty line, or $41,070, would pay at least $210 a month, or $2,520 a year.

New plans for everyone else
For those who earn too much to get a subsidy, they can shop on their own for insurance or choose from the state's 42 plans offered by six companies. The plans range from $175 to $600 a month, depending on coverage, location and age. Consumers can sign up on the Web site of the Commonwealth Health Insurance Connector Authority. These plans may not seem cheap, but the plans have to cover prescription drugs and have low deductibles. Massachusetts consumers already face relatively high insurance rates, because of the "guaranteed issue" law and other consumer-protection laws. The state says the new plans cost about half of what non-group that covered less were costing before the reform.

Options for young adults
Low-cost plans are available for ages 19-26, starting at about $120 a month, with limits of $50,000 to $100,000 on annual coverage on most plans. Only young adults without employer coverage are eligible. To protect young adults from scams, these plans can be bought only through the state agency. And insurers are required to offer coverage for up to two years after young adults lose their dependent status.

Caught in the middle
Some of the working poor get a pass on the insurance requirement. They don't have to prove they have insurance if their income is too high to qualify for subsidized health insurance and too low to afford the lowest-cost unsubsidized plans. About 160,000 uninsured people in the state earn too much to qualify for the free or subsidized care but can't afford the approved plans. These are mostly people who earn just above three times the poverty level, in addition to some older people who can't pay the high premiums charged to the elderly. Critics have said that the state is backing away from the program already — about 60,000 of these won't be face a penalty for not having insurance by Jan. 1.

Small businesses and self-employed
One of the successes of the program has been getting insurance companies to merge their small-group plans with individual plans. This has opened up affordable insurance to the self-employed and employees of small businesses, lowering their premiums and increasing the amount of care covered by insurance.

New plans extend group coverage to businesses with 50 or fewer employees. Plans can be bought with pre-tax dollars.

More poor children covered
Children in families earning up to three times the poverty level are now covered in the state's Medicaid program.

Who can't sign up?
The new plans aren't available to workers and their families eligible for company health insurance, or for illegal immigrants.

More for hospitals, doctors
The state Medicaid program will pay hospitals and doctors $90 million more per year, for three years, and will increase payment rates to 95 percent of costs, up from 80 percent. Hospitals must meet quality benchmarks to qualify for increased rates.

Who's running the show?
A state agency, the Commonwealth Health Insurance Connector Authority, has been set up with a $472 million budget. The chief executive, former insurance executive Jon Kingsdale, is making $225,000 — a significant pay cut from his previous position with Tufts Health Plan, the state's third-largest insurer.

How is it being paid for?
Much of the cost is supposed to come from expected reductions in payments for charity care. In other words, the state hopes that by paying less to reimburse hospitals and doctors for treating people who are uninsured or underinsured, it will help more people get insurance. The state also has federal funds, but those run out in June 2008, and the state would have to negotiate an extension.

More money will now come from a 4 percent fee taken out of the premiums paid by people who sign up through the state for coverage, from the penalties paid by people without insurance and from penalties paid by employers not offering health insurance.

The state hopes to balance the books without a general tax increase. That may depend on getting more young, healthy people to sign up.

What doesn't the plan do?
It doesn't reduce the role of insurance companies. It's not a single-payer, government-run plan, like the Canadian system.

Neither does it do much to hold down the cost of health care. The state isn't using its leverage as a buyer or as a regulator to hold down costs. It just requires everyone to sign up with the insurance companies.

Who gets the credit or blame?
With former Gov. Mitt Romney seeking the Republican nomination for president in 2008, his supporters are quick to give him credit for the Massachusetts plan.

In 2004, with the costs of covering the uninsured increasing and the federal government threatening to withhold $385 million a year of Medicaid funds unless the state reduced the number of uninsured, proposals came not only from Romney but also from Democrats in the state Legislature and a coalition of health care activists.

While the final plan was based on Romney's proposal, several of its features were approved by legislators over his veto, including the fee on employers who don't offer coverage and the expansion of Medicaid coverage to more children.

The Romney administration also set the employer "fair share" at only 33 percent of the premium, while many employers now pay half or three-fourths of the cost of insurance; some critics say this level will encourage employers to reduce their contributions to insurance coverage. Consumer advocates are pushing for an increase to 50 percent for the minimum employer share.

Where to learn more

- Shop for insurance in Massachusetts: Commonwealth Connector
- The state agency: Commonwealth Health Insurance Connector Authority
- Consumer advocates: Health Care for All
- Cost-control proposals from Health Care for All (PDF file)

URL: http://www.msnbc.msn.com/id/20266957/

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Critics Blow Holes in Mass. ? Universal? Health Plan

by Megan Tady

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for private insurance companies. According to a *Boston Globe* analysis, private insurers paid $7.5 million to lobbyists fighting for the bill.

Although the bill is designed to provide health coverage for Massachusetts?s poorest residents and offers a sliding-scale subsidy for residents who earn up to three times the poverty level, some critics say low-income residents should be prepared for disappointment, because lawmakers have drastically under-funded the bill.

"The bill raises almost no new funds but promises to cover hundreds of thousands of new people," noted Benjamin Day, executive director of Mass-Care, a coalition of organizations working toward a single-payer healthcare system for Massachusetts. Day?s group estimates that the $170 million allotted to subsidize lower-income residents will only cover about 45,000 of them.

That?s less than a tenth of the state?s uninsured residents, according to the most conservative official estimate of 523,000 uninsured people in the state. Lawmakers have based that estimate on data from a 2004 state survey that only counted people who were uninsured at the time of the survey and was conducted only in English or Spanish. When people who lacked coverage at any point in the year prior to the survey were added, the number of uninsured rose by 170,000.

Massachusetts is the first state to devise a healthcare plan that forces people to obtain health insurance.

"We don?t think it was an accurate survey to make accurate policies," said Steffie Woolhandler, a physician at Cambridge Hospital, who also co-founded Physicians for a National Health Program, a nonprofit organization working toward a comprehensive national healthcare program.

What has thrown Massachusetts into the spotlight, however, is not the plan?s pitfalls. Massachusetts is the first state to devise a healthcare plan that forces people to obtain health insurance. Those who exceed the income-eligibility threshold for subsidies are required to purchase their own health insurance or face tax penalties and fines. For example, an individual who makes $29,000 a year and whose employer does not provide health benefits must purchase health insurance through a private company.

Under the bill, uninsured individuals who don?t purchase health insurance by July 1, 2007 will lose their personal income-tax exemption; by 2008, they will have to pay a penalty equal to half the cost of the insurance plan they could have purchased. Individual coverage typically costs a minimum of $4,000 annually in Massachusetts, and family plans cost as much as $11,000 a year.

Proponents of the bill say it will make insurance universally accessible through as-yet-undefined "market reforms" aimed at holding down costs.

Others, however, see the bill as little more than a scheme to enforce payments to private companies.

Many organizations were immediately enthusiastic about the bill. "We were big smiles all around [when the bill passed]," said Brian Rosman, policy director of Health Care for All, a healthcare advocacy organization that pushed for the bill. "It?s certainly not all that we?d hoped for, and there are some things that are not yet worked out or don?t meet what our ideal bill is. But in terms of the legislative process, we?re very pleased."

Others, however, see the bill as little more than a scheme to enforce payments to private companies.

"The poorest people did get some benefits from this bill, but the majority of the uninsured in Massachusetts are going to get precious little help," said Woolhandler. "So we don?t think this plan is going to give us universal health care. But what it will do is force a lot of middle-income people ? who are already struggling to make it in this expensive state ? to pay thousands of dollars to private insurance companies."

According to the Massachusetts Department of Health and Human Services, 56 percent of the uninsured in Massachusetts live in households with incomes above twice the poverty level, or $37,700 per year for a family of four.

Defending the plan, Romney has compared the bill with requiring drivers to buy automobile liability insurance. But critics point out that insuring a car against accidents is not exactly akin to insuring one?s health.

"Romney has this notion that health insurance should work like auto insurance, but people can choose not to buy a car," said Matt Singer, communications director of the Progressive Legislation Action Network, an organization that supports progressive legislation on the state level. "People can?t choose not to have a body."

Equally disturbing is the prospect that some residents who simply can?t afford health insurance will end up paying the tax rather than buy a plan.

The bill would also impose a tax on some businesses that do not provide health insurance. But in contrast to the heavy penalties that individuals could face for not complying with the mandate by 2008, businesses employing more than ten people will only face a tax of up to $295 annually for every employee not covered by a company plan.

Although proponents of the bill say it would encourage employers and employees to share responsibility for providing broad health coverage, others see it as an anti-worker tactic.

"This is a rejection of the fundamental healthcare system in America, which is employer-based," Singer said. Traditionally, she explained, people have relied on the bulk-purchasing power of their employers to provide insurance for workers. "But this bill is taking that away and saying, ?Well, actually, we?re going to put the burden on the individual, to the extent that we?re going to penalize individuals who don?t have health insurance.?"

Equally disturbing, said Singer, is the prospect that some residents who simply can?t afford health insurance will end up paying the tax rather than buy a plan. "That?s not a solution to America?s healthcare crisis," he said.

While the bill states that "affordable" health care will be offered to residents, lawmakers were vague about the details of the cost of plans. In addition, officials have so far not indicated what exact incentives they intend to provide insurers to push them to offer low-cost healthcare plans. Critics expect the sheer cost of even basic health insurance will force many to buy low-cost plans that offer watered-down coverage compounded by high fees.

"Comprehensive, affordable policies don?t exist," Woolhandler said. "Many people will be forced to pay thousands of dollars for a policy that is only a piece of paper. If someone actually does get sick, the policy will be so full of gaps ? like large co-pays ? that they could go bankrupt. They?ll be facing the worst of both worlds: [being] forced to hand over thousands of dollars to the private health-insurance companies, and finding that they?re not actually covered when they get sick."

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State health plan underfunded

Finance secretary seeks proposals on closing gap

The Boston Globe

By Alice Dembner, Globe Staff | March 21, 2008

The state's new subsidized health insurance program will cost "significantly" more than the $869 million Governor Deval Patrick proposed in his 2009 budget just two months ago, the state's top financial official said yesterday, after insurers were granted an increase of about 10 percent.

To close the gap, the Patrick administration has asked insurers, hospitals, healthcare advocates, and business leaders to propose ways to cut costs and raise revenue. During two closed-door meetings in the last two weeks, several dozen proposals have been put forward, including raising assessments on insurers, hospitals, and businesses. The goals are to solve the short-term funding problem for next year and ensure the long-term survival of the state's near-universal health insurance initiative.

Leslie Kirwan, secretary of administration and finance, declined yesterday to discuss specifics of the proposals or the size of the budget gap, but said that without changes, the state doesn't expect "to be able to live within" the proposed budget.

A state panel yesterday approved a contract to pay insurers about 10 percent more for each person enrolled in the subsidized insurance program, starting July 1. The insurers had asked for about a 15 percent increase, but agreed to take less after weeks of negotiations. Still, the state's cost is higher than was included in the governor's budget. Under the contract, the state also would assume more of the financial risk if the enrollees were to use more medical care than expected.

To partly offset the increased costs, the panel yesterday also voted to raise premiums by 10 percent for some of the 176,000 people enrolled in Commonwealth Care, and to increase copayments for many more. Starting July 1, the lowest premiums will range from $39 to $116 per month.

"We have closed some of the fiscal gap here, but we have not closed most of it," Kirwan said during the meeting at which the Commonwealth Health Insurance Connector approved the contract and premium increases.

Kirwan said the gap also is because of increased enrollment, now expected to exceed projections for both the current fiscal year and the next, which will begin July 1. Paradoxically, enrollment dropped slightly last month, because the state has begun disqualifying people who became ineligible because of changes in income or access to other insurance. But that is expected to be a temporary downturn. The budget figure of $869 million already was significantly higher than projected by legislative architects of the plan because of the enrollment boom.

Healthcare advocates vehemently had opposed increased premiums and copayments for enrollees, which were first proposed in February. They argued that the insurance would become unaffordable for many of the low-income people it was designed to serve and that it was unfair to ask enrollees to pay more without also asking more of businesses, hospitals, and insurers.

The administration muted its criticism by negotiating slightly smaller premium and copay increases, and by agreeing to seek similar but unspecified "sacrifices" from other parties.

"We're still disappointed that, at this point, the only ones making the sacrifices are enrollees and taxpayers," said the Rev. Hurmon Hamilton, president of the Greater Boston Interfaith Organization, a group of congregations that advocates for healthcare access. "But the administration is very committed to seeing all the stakeholders do their share. That's where the fight goes now."

Hamilton and other advocates pointed to private health insurers and some hospitals that they said are benefiting greatly from healthcare reform through additional members and insured patients. Some suggested that both insurers and hospitals should contribute more than the $160 million each they now pay annually to the state's free-care pool, which pays for hospital care for the uninsured. Money is being shifted from the pool to help pay for subsidies.

Advocates also said the state needs to get more money from businesses that are not providing insurance for their employees. A penalty on those businesses - of up to $295 per uninsured employee per year - has raised only about $6 million this year, far less than originally expected.

"Healthcare reform is not sustainable financially and it's also not sustainable politically if the best we can do is more taxpayer money and shifting costs to consumers," said Nancy Turnbull, an associate dean at the Harvard School of Public Health and member of the connector board. "We have to find other ways [to raise money and control costs] and we have to find them very quickly."

Kirwan declined to say that the state was targeting any particular sector for help. Most of the groups that helped the state pass healthcare reform two years ago are participating in the administration-led discussions about addressing the cost of Commonwealth Care. Yet, convincing them to cough up more money will not be easy.

Organizations representing insurers, businesses, and hospitals said yesterday they were already doing a lot. "The employer community is picking up its fair share," said Richard Lord, president of Associated Industries of Massachusetts and a member of the connector board. More than 85,000 employees were newly insured by employers last year, according to data released yesterday by the Massachusetts Association of Health Plans.

"This is successful because everyone has done something," said Tim Gens, senior vice president for policy at the Massachusetts Hospital Association. "We're willing to consider doing more," if everyone else is.

For members of Commonwealth Care, the premiums will go up 10 percent on average. For example, people with incomes between $21,000 and $26,000 who are now paying $70 per month, will pay $77. Only those with incomes more than about $15,000 pay any premiums.

Copayments will rise $5 for a primary-care doctor's visit, to $10 for some patients and $15 for others. Copayments for drugs also will rise. For enrollees at the highest income levels covered in the program - individuals making between $26,000 and $31,000 a year - copayments for use of the emergency room and for outpatient surgery also will rise. For the first time, there will be caps on out-of-pocket expenses for all medical care, excluding medicines, of $750 or $1,500, depending on the individual's income. They placed a separate cap on medication expenses.

The copayments and premiums originally proposed would have raised about $30 million in revenue, according to Celia Wcislo, assistant division director of labor union 1199 SEIU and a member of the connector board. She said the revised schedule shaves off nearly $10 million, which she called a substantial concession to the concerns raised by advocates.

Underlying the discussions yesterday was the issue of rising healthcare costs statewide. State Medicaid director Thomas Dehner, also a connector board member, said the healthcare reform law had accelerated the increase by providing care for more people and increasing the rates the state pays hospitals and doctors.

Board member Dolores Mitchell, who manages health insurance for state workers, said the state has to focus on "wringing the excess costs . . . out of the system. Everybody wants an omelet, but nobody wants to break some eggs."

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