

Massachusetts Health Reform: What's the Real Story?

Massachusetts's landmark health reform law, Chapter 58, passed in April 2006. Implementation is still underway, but after two years it is clear that remarkable progress has been made in reducing the number of uninsured and improving the private insurance market. The uninsurance rate has been cut in half; **439,000 people are newly insured** through Medicaid, subsidized health plans, and private health coverage.

The law builds upon the existing health care system, with expansions to Medicaid, subsidized coverage for people with low incomes, and reform of private insurance markets. Although some hailed the law as "universal" coverage, advocates and other stakeholders intended health reform to be a significant **step** towards quality, affordable health care for all.

While challenges remain, **continued public support** for the reforms (71% of residents) and ongoing engagement by public officials, advocates, health providers, insurers and business groups indicate a promising future for progress on reform.

Main components of Massachusetts health reform:

- **Medicaid expansions:** The law expanded children's eligibility to 300% Federal Poverty Level (FPL) and raised enrollment caps for a number of Medicaid programs. Since April 2006, Medicaid has grown by about 72,000, including 27,000 additional children. Medicaid provider rate increases are tied to quality improvements, including reduction of disparities.
- **Commonwealth Care:** This new program provides subsidized coverage to low-income adults below 300% FPL (\$31,212/yr for an individual). People with incomes below 150% of poverty pay no premiums; those above pay on a sliding scale. There are no deductibles. Enrollment is currently around 176,000.
- **Private insurance reforms:** By merging the individual and small group markets, individuals can now take advantage of small group premium rates. Enrollment in Massachusetts's individual market has climbed by 50%. Before reform, a 37-year-old would pay about \$335 in monthly premiums. Post-reform, the same 37-year-old has a broader range of options, including at least one plan for about half of the previous price, with more comprehensive benefits.
- **Individual mandate:** All adults are required to have insurance if affordable coverage is available or pay tax penalties. For the 2007 tax year, preliminary data indicates 95% of tax filers had coverage. Of the 5% (168,000) uninsured tax filers, 69,000 are exempt from penalties; 6,000 of the 86,000 subject to penalties have appealed.
- **Employer requirements:** Employers with 11 or more workers are required to make a "fair and reasonable contribution to coverage" or pay a \$295 assessment per worker each year. As of March 2008, 650 firms have been assessed for about \$7 million. Employers must also set up pre-tax payroll deductions for insurance for all employees. While the employer assessment is limited, the law has produced greater employer responsibility for covering the uninsured.

- **Connector:** Health reform created the Commonwealth Health Insurance Connector to enable people with moderate and higher incomes (above 300% FPL) to purchase standardized private insurance plans with greater ease. The Connector’s website is the first public site that allows individuals to make a fair comparison of health plans.

In implementing reforms, a number of challenges have arisen:

- Enrollment in Commonwealth Care subsidized insurance has been greater and faster than originally anticipated, creating more pressure on funding streams. Also, the state has not raised as much revenue as anticipated through employer assessments.
- Financing challenges are contingent on a favorable renewal of the state’s federal Medicaid waiver that is slated for approval later this summer. If federal funds and rules for program expansion are not sufficient, Massachusetts will have difficulty sustaining these reforms.
- People who are not eligible for subsidized insurance may not have affordable coverage options. Although they are exempt from the individual mandate penalties, this group is likely to remain uninsured.
- The state’s affordability scale determines whether “affordable” insurance is available to people under the individual mandate. However, this price points on this scale may not be truly affordable for individuals or families at certain income levels.

Massachusetts health reform was not a one-shot deal. Advocates, stakeholders and policymakers are working on the next phases:

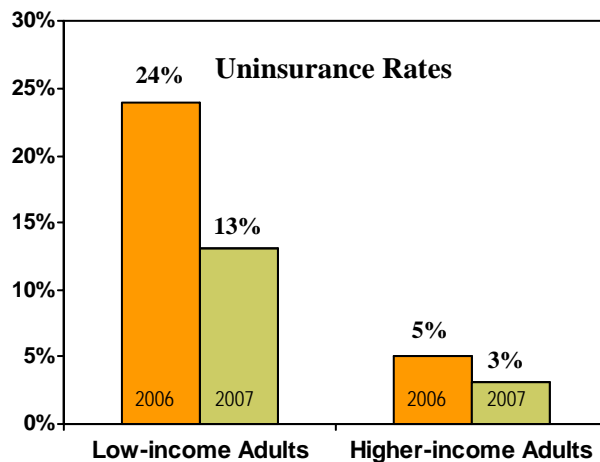
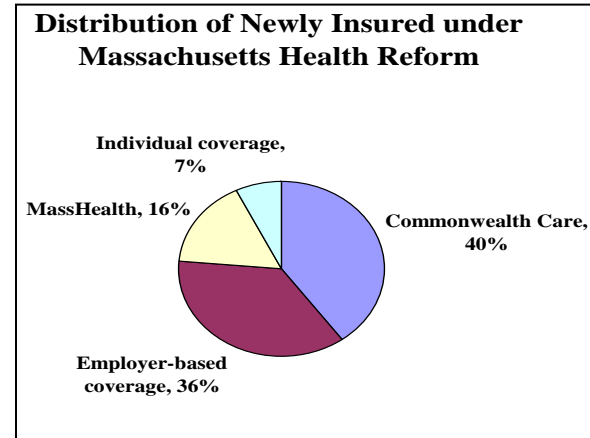
- **Expanding coverage:** Advocates and other stakeholders are continually working to strengthen health reform. A major step was the Affordable Care Today (ACT!!) Coalition’s recent bill that would add dental coverage for all enrollees in subsidized plans, lower premiums for subsidized insurance, and increase the level of employer responsibility. This bill was not enacted in this legislative session, but advocates are continuing their work in improving access to coverage.
- **Addressing cost containment:** Massachusetts recently approved a bill, hailed as the “next step” in health care reform, to implement methods to control rising health care costs. This bill largely pulls from earlier legislation filed by Health Care for All and includes: approaches to increase access to primary care; transparency in health insurance rates and hospital costs; statewide e-health practices; and rules to reduce pharmaceutical industry influence over prescribing practices.
- **Sustainable financing:** While the costs of expanding coverage are significant, advocates and stakeholders continue to build upon the principle of shared responsibility that helped forge health reform. To that end, the state recently increased its tobacco tax by \$1 to fund health reform. In addition, state leaders just created some new financing requirements for insurers, providers and employers to fill funding gaps in health reform.

The Impact of Massachusetts Health Reform on:

Access to care

Over 439,000 more people now have health coverage through public and private insurance. Surveys conducted by the Urban Institute in fall 2006 and 2007 provide a preliminary report card of the impact of health reform implementation. The survey found:

- Between 2006 and 2007, the overall uninsurance rate for adults in Massachusetts decreased from 13% to 7%.
- Low-income adults are more likely to have access to medical care. Those who said they had not received care due to cost decreased from 27% in 2006 to 17% in 2007.



- For low-income adults, dental visits increased 9% and preventive care visits increased 6%.
- All other indicators of access also improved, except one: the proportion of low-income adults who had unmet needs due to difficulty seeing a provider increased from 4% to 7%

Employer-sponsored health insurance

- So far, concerns about public coverage replacing employer coverage or “crowd out” have not materialized. The percent of low-income adults with employer coverage increased from 38% to 42%.

Health care costs and the health care system

- The number of low-income adults having problems paying medical bills dropped from 32% in 2006 to 24% in 2007.
- As health coverage increases, fewer residents are using hospitals and community health centers for free care. Payments for the Free Care Pool declined 41% from 2007 to 2008.

Sources: Sharon K. Long, *On the Road to Universal Coverage: Impacts of Reform in Massachusetts at One Year*, Health Affairs 27 No. 4, June 2008 and Massachusetts Division of Health Care Finance and Policy, *Health Care in Massachusetts: Key Indicators, August 2008*.