Massachusetts: Glass Half Empty or Half Full

One of the many memorable scenes from yesterday's hearing was the discussion of the Massachusetts reform's implementation. As I had practiced law there for almost a decade and have followed their reform efforts since then, this was my favorite part of the hearing. John McDonough, the leader of Health Care for All in Massachusetts presented the half-full perspective and Dr. Young of Chicago, a distinguished proponent of single payor, presented the half-empty; unfortunately they were not on a panel at the same time. Later on Jerry Flanagan of the Foundation for Taxpayer and Consumer Rights and Anthony Wright of Health Access reprised the debate.

The very thorough Senate Health Committee analysis is available at www.sen.ca.gov/kuehl and can give you the facts as best as the consultants can ascertain them. The following is our summary of the Senate consultants' summary.

On the glass half-full side, at least half and maybe as many as 75% of the uninsured have enrolled in coverage during the first 18 months. That is more than twice as many enrollees as the state anticipated during that time frame. Costs per enrollees have only risen by 4% since the program's inception in October 2006. The high prices in the individual market have fallen by 50% and benefits doubled. Of the 19,056 employers who filed their compliance report, 18,538 reported they complied and the remaining 518 firms owed the state $5 million.

On the glass half-empty side, enrollment in the unsubsidized coverage offered through the Connector has been low. Health plans are seeking rate increases averaging 14 percent from the Connector. The Connector has asked the plans to return with options and ideas on how to hold the increases to 5%. Half of employers have not yet filled out their compliance forms. The state established guidelines for exemptions from the individual mandate, which the state estimated would allow 60,000 persons (10% of the state's uninsured) to be exempt. Very few requests for individual hardship exemptions have as yet been received and thus processed. Due to the program enrollment occurring much faster than state projected, the state must meet that program budget deficit.[1]

A few things to know about Massachusetts and its differences from California before the passage of their reform package:

- Massachusetts terminated coverage for their version of the MIAs (Medically Indigent Adults) in 1975 under then Governor Mike Dukakis and then restored their coverage in the early 1980s under Governor Dukakis. California terminated coverage for the MIAs, returned them to county responsibility and has never restored their eligibility.
- Massachusetts adopted a "pay or play" tax on employers to pay for health insurance in the late '80s under Governor Dukakis, but never implemented it and subsequently repealed it. California tried but did not pass "pay or play" in the early '90s, enacted it through SB 2 (Burton) and the state's voters narrowly repealed it on the ballot.

[1] Estimated at $400 million, half of which is expected to federal matching funds, in today's Boston Globe

- Massachusetts expanded coverage for their equivalent of our Healthy Families parents. California passed a bill to cover parents, secured a federal waiver but never implemented it.
- Massachusetts adopted in the early '80s and has retained a hospital tax to pay for hospital bad debts and charity care.
- Massachusetts' coverage has been among the most costly in the nation for many years while California has been mid-range in the cost of its coverage.
- Partly due to its coverage expansions, Massachusetts before reform had an uninsured rate about half of California's.

A few things to know about California's reform package and the differences between the two reform packages:

- California's reform is financed by shared responsibility: a payroll tax that employers who do not cover their employees must pay, hospital tax to pay for the state share of the hospital rate increases and hospital component of the coverage expansions, tobacco tax, redirection of existing financing for care to the uninsured, federal matching funds and individual contributions.
- A much larger portion of California's reform package is devoted to increasing provider reimbursement to Medicare levels. This feature could be used to bring down the state's private insurance premiums.
- California would use tax credits (refundable and advanceable) to extend premium subsidies to address affordability – from 250% of FPL up to 400% of FPL and even higher for 50-64 year olds who have particularly high premiums due to their ages.
- California has focused more of its reform package on cost containment, improving population health, quality of care and improved patient outcomes.
- California has not merged its small employer and individual risk pools.
- California's proposed "shared responsibility" financing and thus its whole package will need to be approved by a vote of the people.
- California's financing is devoted exclusively to health coverage and placed in a special Trust Fund that cannot be raided or used for any other purpose.
- California's implementation is required to be constantly monitored by the state Department of Finance. It cannot begin until it has accumulated sufficient revenues to pay for anticipated expenses and it is reassessed semi-annually to verify that revenues and expenditures are in balance. If its program expenses exceed revenues, it must be readjusted on a tight time schedule by the Legislature and the Governor to live within its budget.

Prepared by Lucien Wulsin, ITUP 1/24/07