

Health Reform in the US

Summaries of Legislation and Proposals

Massachusetts's Health Care Reform Plan¹

What is it?

- A major expansion of the state's public insurance programs.
- Insurance market reform that merges the individual and small group market, and creates a new authority to certify and offer products.
- An individual mandate requiring everyone in the state to purchase health insurance by July 1, 2007 with subsidized coverage for lower-income families.
- A yearly surcharge of \$295 per employee for employers that do not provide insurance.

What it's not:

- Universal coverage.
- A mandate for employers to pay for health coverage.
- A cost reduction measure.

Year of enactment: 2006

California comparison:

- Massachusetts is starting with a much smaller percentage of the population without health insurance than California (13.1% versus 20.7% in California).
- In Massachusetts, 69.2% of the under-65 population has employer-based coverage; only 61.2% of non-elderly Californians get their coverage through an employer.
- Forty-three percent of California residents have low or modest incomes compared to 28.7% of Massachusetts residents.

MASSACHUSETTS HEALTH CARE FACTS*

TOTAL POPULATION:	1,301,460
NUMBER OF UNINSURED:	136,860
PERCENT OF POPULATION THAT IS UNINSURED:	11%
PERCENT OF ADULT, NON-ELDERLY POPULATION WITH EMPLOYER-SPONSORED INSURANCE:	67%
AVERAGE EMPLOYER CONTRIBUTION TO FAMILY PREMIUM COST:	\$7,775
AVERAGE EMPLOYEE CONTRIBUTION TO FAMILY PREMIUM FOR EMPLOYER-BASED INSURANCE:	\$2,784
AVERAGE PERCENT OF PREMIUM COST PAID BY EMPLOYEE FOR FAMILY COVERAGE:	26%
FAMILY INCOME ELIGIBILITY FOR CHILDREN IN MEDICAID/SCHIP, AS PERCENTAGE OF FEDERAL POVERTY LEVEL:	150–200%
MEDICAID INCOME ELIGIBILITY FOR NON-ELDERLY, NON-DISABLED ADULTS, AS % OF FPL:	133%

*2004, Kaiser Family Foundation

- The California Healthcare Foundation estimates that a similar plan in California would require as much as \$9.4 billion in new revenue.²
- Health Access California estimates that an additional \$30 billion in Medi-Cal spending would be required in California for public programs to be funded at a level comparable to those in Massachusetts.
- Massachusetts had more extensive regulation of insurers and insurance products than California, so they could simply extend an existing structure of regulation. In California, an entire structure of regulation would need to be created to assure

that coverage was available even for those individuals who can afford it.

- California does not have an uncompensated care pool to pay for care for the uninsured using a surcharge on health insurance purchased by employers and individuals.

Details:

Commonwealth Health Insurance Connector:

Created by the plan to connect individuals to insurance by offering affordable, high-quality insurance products. Individuals and small businesses with fewer than 50 employees can purchase insurance through the Connector. Employers with more than 10 workers will be required to offer a “cafeteria plan,” allowing employees to purchase health care with pre-tax dollars. Workers not offered employer sponsored insurance can use these pre-tax dollars to purchase insurance through the Connector. The Connector allows multiple employers to contribute to an employee’s premium. The Connector will also offer a low-premium plan to young adults age 19–25.

Commonwealth Care Health Insurance Program:

- Offers subsidies for purchasing health insurance.
- Plans offered through Commonwealth Care will have no deductibles.
- Plans will be offered by managed care organizations that participate in Medicaid.

Eligibility for subsidies: Individuals earning up to 300% of the Federal Poverty Level (FPL).

Cost to individuals: The program provides subsidies on a sliding scale to individuals earning up to 300% of FPL to purchase health insurance. Individuals earning less than 100% of FPL will not be required to pay any premiums.

Cost to employers: Those employers with more than 10 employees who do not offer health insurance will be required to pay \$295 per worker per year to the State.

Funding: The plan is expected to cost \$1.2 billion over three years and is expected to require no additional funding after three years. The first three years will be funded through:

- Redistribution of existing funding, including Medicaid.
- New funding from employer contributions.
- \$308 million in General Fund revenues over three years.

ANALYSIS

Good Points:

This act makes Massachusetts the first state to offer near-universal health care coverage. It utilizes a mixture of public and private solutions to expand affordable coverage.

Massachusetts’s Health Care Reform Act is built on a foundation of health policy that is very different from California’s. Even before passage of this act, Massachusetts had insurance market regulations in place including community rating for individual coverage, which prohibits non-group insurance providers from turning down or charging more to individuals due to pre-existing conditions. In addition, Massachusetts has a large pool of resources to fund for care for the uninsured at hospitals and community clinics, giving the state access to substantial funds that can be redirected towards programs aimed at expanding coverage.

Critiques:

Framework:

It is important to note that while the legislation provides a framework for reform, it leaves many central elements to the regulations.

Affordability:

The plan specifies that the individual mandate is only enforceable if affordable health plans are available, but does not define affordable nor does it require insurance companies to offer affordable plans.

Employer obligation:

The \$295 per worker per year assessment on employers who do not offer coverage is not a mandate for employers to pay for coverage. Under existing Massachusetts law, employers who purchase health insurance pay a surcharge into an

uncompensated care pool; the new employer obligation will create a similar surcharge for employers who do not purchase insurance coverage. It will serve to generate revenue for the care pool, but is unlikely to provide an incentive for employers who do not already do so to provide coverage. What counts as providing coverage has not been defined.

Individual Mandate:

The largest financial impact would be on middle-income families (above \$60,000 annual income for a family of four) that do not have employer-sponsored coverage and do not qualify for subsidized coverage.

Funding:

It is not clear that the program is adequately funded, especially beyond its first three years of implementation, after which no state funds are committed to the program.

¹Information about Massachusetts's Health Care Reform Act obtained from:

- Kaiser Family Foundation,
<http://www.kff.org/uninsured/upload/7494.pdf>
- National Conference of State Legislatures,
<http://www.ncsl.org/programs/health/massoverview.htm>
- ACT, Affordable Care Today,
<http://www.hcfama.org/act/mahealthreformlaw.asp>

²Massachusetts-Style Coverage Expansion: What Would it Cost in California?, California Healthcare Foundation, April 2006,
<http://www.chcf.org/press/view.cfm?itemID=120743>.