

# Massachusetts Health Reform: Progress To Date and Challenges Ahead

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# The Massachusetts Law: Ch 58: Why So Much Attention?

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- Ambitious goal: Near universal coverage
- Transcends ideology
  - Bipartisan support
  - Combines policy solutions
  - Partnership between federal government and state
- Novel approaches
  - Individual mandate, employer responsibility, insurance market changes



# The Goal: “Near Universal” Coverage

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## Principles of Reform:

- Build upon the existing base: fill in gaps
- “Shared responsibility”
  - Individuals
  - Employers
  - Government
- Shift financing from opaque bulk payments to safety net providers (hospital-based) to health insurance for individuals



# How Will MA Get There?

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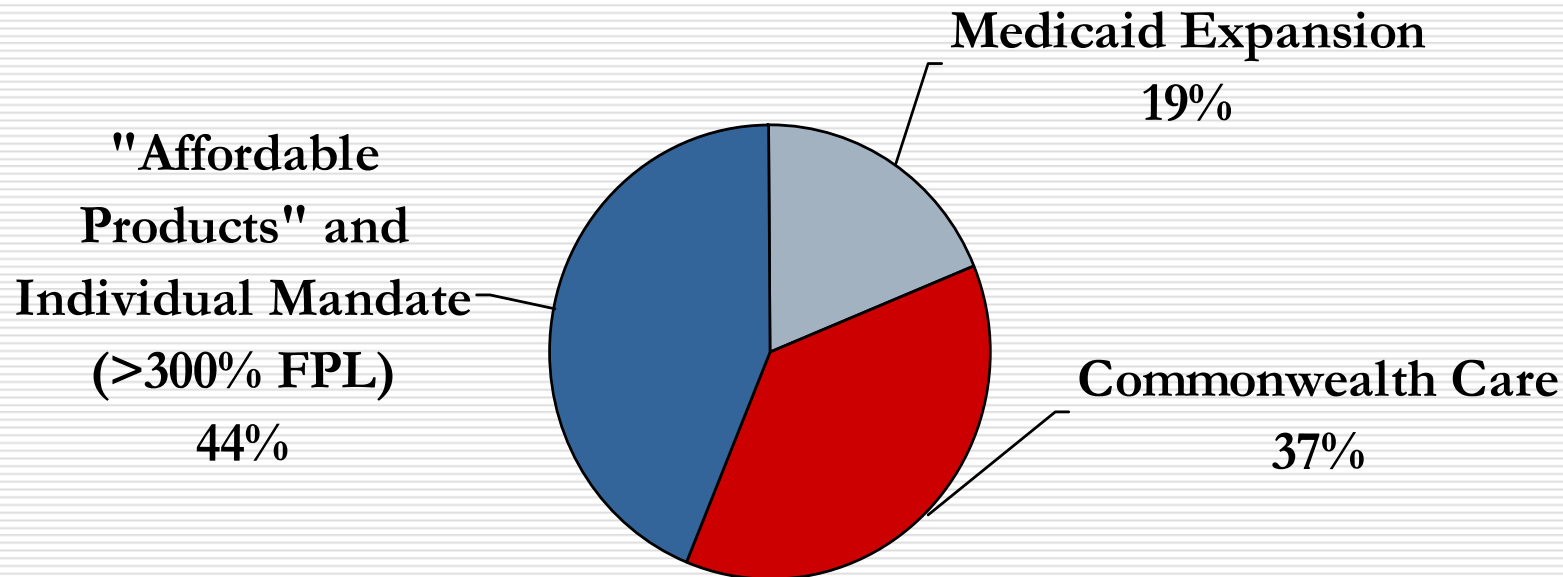
- Expand and Restore Medicaid including SCHIP
- Establish independent health insurance authority, *Connector*
- Subsidize coverage for low-income adults
- Change the insurance market to help individuals and small businesses
- Develop an individual mandate
- Define employer responsibilities (for firms with  $\geq 11$  employees)
- Increase Medicaid provider rates



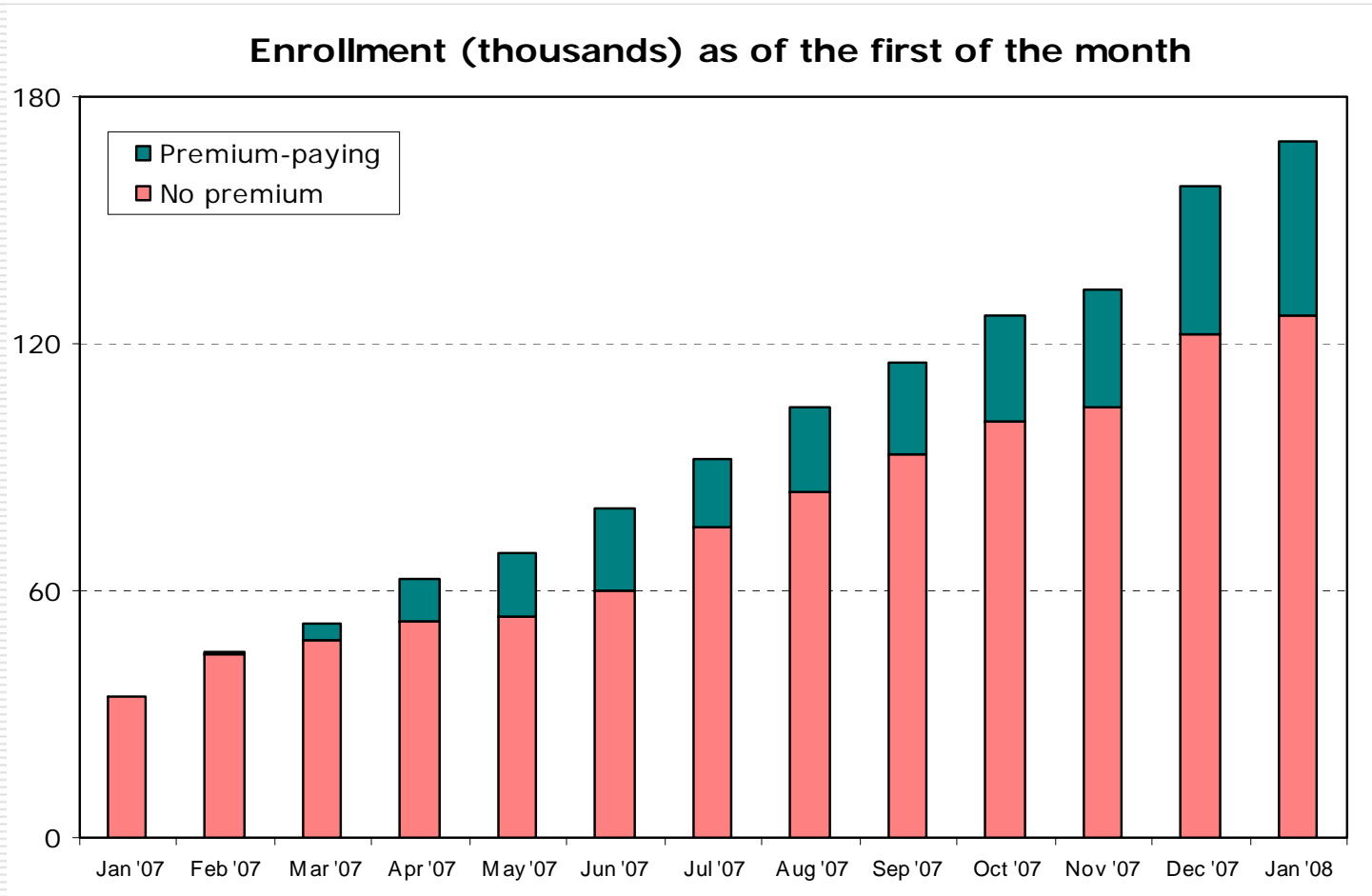
# Massachusetts Health Reform: How Do the Pieces Fit Together?

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## Percent of State's Total Uninsured Targeted by Different Aspects of Law



# Commonwealth Care: 170,000



# Individual Mandate (IM)

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- Applies to all MA adult residents as of July 1, 2007 (must be enrolled by December 31, 2007)
- As long as “affordable” coverage is available
- Standard of affordability set by the *Connector*
- Minimum acceptable benefit package (“Minimum Creditable Coverage”) set by the *Connector*
- Enforced through state tax system



# What's the Policy Role of the IM?

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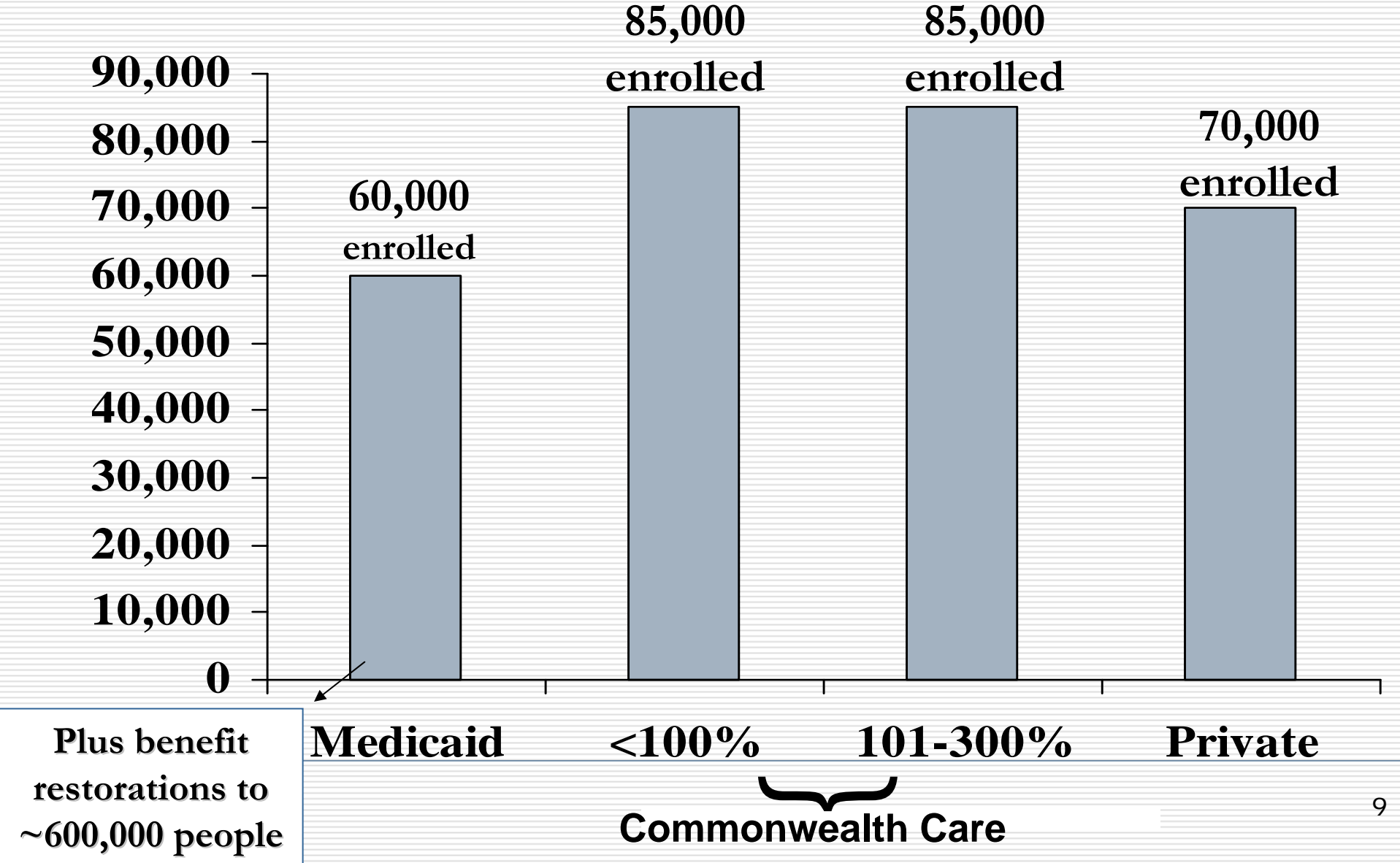
- Getting as close as possible to universal coverage
  - Voluntary system, even with employer mandate would not require workers to take up the offered coverage or affect non-workers, a group with high rates of uninsurance
  - Also encourages those eligible for public coverage to enroll
- Helping keep coverage more affordable
  - In voluntary health insurance system, people with low medical expenses more likely to go without coverage
  - Produces less money in overall insurance pool and higher premiums for those with insurance
- Reducing spending on “uncompensated care”





# How is Enrollment Going?

## 300,000+ Newly Enrolled



# Employer Responsibilities

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- Fair Share Contribution

Make “fair and reasonable” contribution to health insurance or pay assessment (no more than \$295 per employee per year)

- Employee take-up rate of 25% or more, or
- Offer to pay 33% toward cost of coverage

- Offer Section 125 Plans or could be subject to Free Rider Surcharge

Allow employees to make pre-tax contributions to health insurance or pay “fair share” charge

- *Applies only to employers with  $\geq 11$  full-time employees*



# Challenges Ahead

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- Education, outreach and enrollment
- Sustaining public support
- Ensuring access for the newly insured
- Financing – strong state economy
- Continued federal support for waiver renewal
- Maintaining strong safety net for those who will remain uninsured
- Moderating health care cost trends



# Individual Mandate: The Benefits

## (Minimum Creditable Coverage - 1/09)

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### Benefits

- Preventive and primary care (at least 3 visits prior to deductible)
- Emergency services, hospitalization benefits, ambulatory patient services, mental health services and all state mandated benefits
- Prescription drug coverage

### Cost-sharing

- Deductible capped at \$2,000 for individual coverage and \$4,000 for family coverage
- Separate drug deductible may not exceed \$250 for individual and \$500 for family coverage
- Maximum out-of-pocket spending for in-network services capped at \$5,000/\$10,000

Must include the upfront deductible, most co-insurance, and any services that require \$100 or more in co-payments



# Mental Health and Substance Use Benefit Inclusion: Economic Alignment

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- As state mental health authority Department of Mental Health represented MH/SU interests
- Presence of strong MH/SU advocates including legislature
- Previous passage of parity legislation
- Issues considered
  - Broadness of the benefit/ imposition of caps
  - Originally no inclusion of SU conditions
  - If MH/SU not included, costs appear elsewhere (emergency departments for substance use conditions and hospitals for mental health conditions)
  - Uncompensated care pool (UCP) funds support EDs and hospitals
- Mined the data to understand the trends
  - MH and SU conditions are drivers in the UCP
  - With exception of emergency screening programs (ESPs) and Department of Public Health (SU agency) no payer for the uninsured and routine mental health and ambulatory substance use conditions services
- Comprehensive benefit made sense



# Environment: How Comprehensive a Benefit?

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## *Connector* established Commonwealth Care > 19 yo

- It is a Medicaid program under waiver: population <100% FPL (<\$10,000)- mirrors MassHealth
- Many wanted <300% FPL (\$31K) to mirror the MassHealth benefit
- Although population not MassHealth eligible, many hold low paying jobs & instability in job retention; employers may cut jobs
- State did not want people's benefit level changing as they maintain job and/or move on/off MassHealth
- Ch 58 mandated Commonwealth Care contract with Medicaid MCOs (4)
- MMCOs implemented same benefit as MassHealth



# Connector Approach

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- Independent public authority overseen by Board of 10
- Designed to be insurance exchange agency
  - Standardize benefits
  - Assure more affordable coverage options (complement small group /nongroup market merger)
  - Resolve key policy decisions
- Nonprescriptive in benefits (IP/OP)
  - Site of benefits critical as \$ not following person
  - Need broadly based community benefits
- *Connector* subsidized benefits
- Co-pays same as MassHealth



# Policy Issues

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- Should government mandate insurance?
- How to share responsibility/ encourage fair share among individuals/employers/ government?
- Avoid putting employers out of business
- Federal/state negotiations: without reform potential to lose \$350M
- Affordability: <300%FPL subsidized
- No political will for expansion of Medicaid rather than insurance reform
- Link to taxes and tax returns
- Phase in penalties





# Additional Information

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# Individual Mandate: The Affordability Schedule

SINGLES		COUPLES		FAMILIES WITH CHILDREN	
Annual Income	Monthly Premium	Annual Income	Monthly Premium	Annual Income	Monthly Premium
\$0 - \$15,315	\$0	\$0 - \$20,535	\$0	\$0 - \$25,755	\$0
\$15,316 - \$20,420	\$35	\$20,536 - \$27,380	\$70	\$25,756 - \$34,340	\$70
\$20,421 - \$25,525	\$70	\$27,381 - \$34,225	\$140	\$34,341 - \$42,925	\$140
\$25,526 - \$30,630	\$105	\$34,225 - \$41,070	\$210	\$42,926 - \$51,510	\$210
\$30,631 - \$35k	\$150	\$41,071 - \$50k	\$270	\$51,511 - \$70k	\$320
\$35,001 - \$40k	\$200	\$50,001 - \$60k	\$360	\$70,001 - \$90k	\$500
\$40,001 - \$50k	\$300	\$60,001 - \$80k	\$500	\$90,001 - \$110k	\$720
Over \$50k	Affordable	Over \$80k	Affordable	Over \$110 k	Affordable



# Subsidized Insurance: Commonwealth Care



[www.macommonwealthcare.com](http://www.macommonwealthcare.com)

## Monthly Premium Schedule

FPL	Individual	Couple	Couple with children
<151%	\$0	\$0	\$0
150.1 - 200%	\$35	\$70	\$70
200.1 – 250%	\$70	\$140	\$140
250.1 – 300%	\$105	\$210	\$210

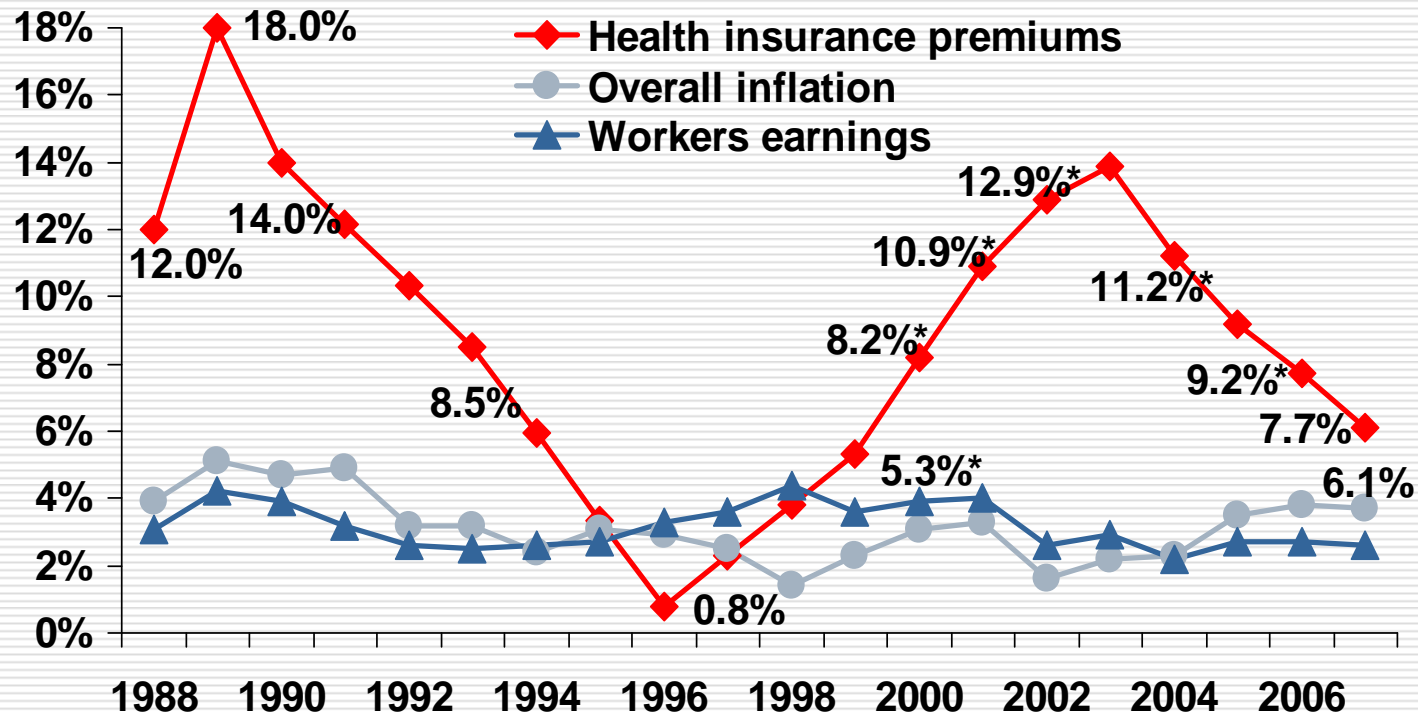


# Commonwealth Choice: (Mostly) Standardized Benefit Plans

Tier	Benefits
<b>Gold</b>	<ul style="list-style-type: none"><li>• Average monthly cost = \$285 (without drugs) to \$570 (with RX)</li><li>• No or small payment when you go to the doctor or stay in the hospital</li><li>• Choice of large number of doctors and hospitals</li></ul>
<b>Silver</b>	<ul style="list-style-type: none"><li>• Average monthly cost = \$225 to \$420</li><li>• \$15 or more each time you go to the doctor</li><li>• Additional cost-sharing required at point-of-service</li><li>• Some plans may limit which doctors and hospitals you can use</li></ul>
<b>Bronze (=MCC)</b>	<ul style="list-style-type: none"><li>• Average monthly cost = \$146 to \$280</li><li>• \$20 or more each time you go to the doctor</li><li>• Highest amount of cost-sharing required at point-of-service</li><li>• Some plans limit which doctors and hospitals you can use</li></ul>
<b>Young Adult</b>	<ul style="list-style-type: none"><li>• Average monthly cost = \$104 to \$205</li><li>• Highest cost-sharing required at point-of-service</li><li>• Most plans include an annual benefit maximum</li><li>• Only available to people between the ages of 19 to 26, without access to employer sponsored insurance</li></ul>

# The Biggest Challenge to Sustaining Coverage Expansions

## Increases in Health Insurance Premiums Compared to Other Indicators, 1988-2007




\* Source: Kaiser Family Foundation.



# Individual Mandate: The Tax Form

DRAFT AS OF  
**AUGUST 24, 2007**  
 (SUBJECT TO CHANGE)

E-mail comments or suggestions  
 about this schedule to:  
[ferdp@dor.state.ma.us](mailto:ferdp@dor.state.ma.us)



FIRST NAME \_\_\_\_\_ M.I. \_\_\_\_\_ LAST NAME \_\_\_\_\_

SOCIAL SECURITY NUMBER

\_\_\_\_-\_\_\_\_-\_\_\_\_

**Schedule HC Health Care Information. You must enclose this schedule with Form 1 or Form 1-NR/PY. 2007**

As a result of the new health care law, most Massachusetts residents age 18 and over are required to have health insurance, if it is affordable to them. Those who did not have health insurance by December 31, 2007 may lose their personal exemption. This schedule **MUST** be completed by all full-year residents and certain part-year residents (see instructions) age 18 and over to determine the amount of their personal exemption.

**Completing Schedule HC:** If you have either private or government-subsidized health insurance, you **only** need to complete page 1 of Schedule HC. After completing page 1 of this schedule and entering your personal exemption amount on Form 1 or Form 1-NR/PY, you should continue completing your income tax return.

If you (and your spouse if married filing jointly) do **not** have health insurance, complete line 1 below and the appropriate information on page 2.

**Note:** Schedule HC must be enclosed with your Form 1 or Form 1-NR/PY. Failure to do so will delay the processing of your return.

DATE OF BIRTH

MM DD YYYY

SPOUSE'S DATE OF BIRTH

MM DD YYYY

▶  Fill in if under age 18

**1** Did you (or your spouse if married filing a joint return) have health insurance as of December 31, 2007? (see instructions) . . . You:  Yes  No  
 Spouse:  Yes  No

If you (and your spouse, if married filing a joint return) answer Yes in line 1, complete lines 2 or 3 below, whichever is appropriate. Also, enter one of the following amounts on line 2a of Form 1 or line 4a of Form 1-NR/PY: \$4,125 if single or married filing a separate return; \$6,375 if head of household; or \$8,250 if married filing a joint return and continue completing your tax return.

If you are filing a joint return, and one spouse answers Yes but the other answers No, the spouse who answers Yes must complete lines 2 or 3 below, whichever is appropriate, and the spouse who answers No must go to line 4a on page 2. If both answers are No, go to line 4a on page 2.

**2 PRIVATE HEALTH INSURANCE:** If either you or your spouse have private health insurance, such as coverage provided by your employer or purchased on your own, complete the information below. **Note:** If you are married filing a joint return and your spouse is covered under your insurance plan, you must complete both Parts 1 and 2 below.

**Part 1. Your Health Insurance**

NAME OF INSURANCE COMPANY OR ADMINISTRATOR (from box 1 of Form MA 1099-HC)

\_\_\_\_\_

FEDERAL IDENTIFICATION NUMBER OF INSURANCE CO. (from box 2 of Form MA 1099-HC)

\_\_\_\_-\_\_\_\_-\_\_\_\_

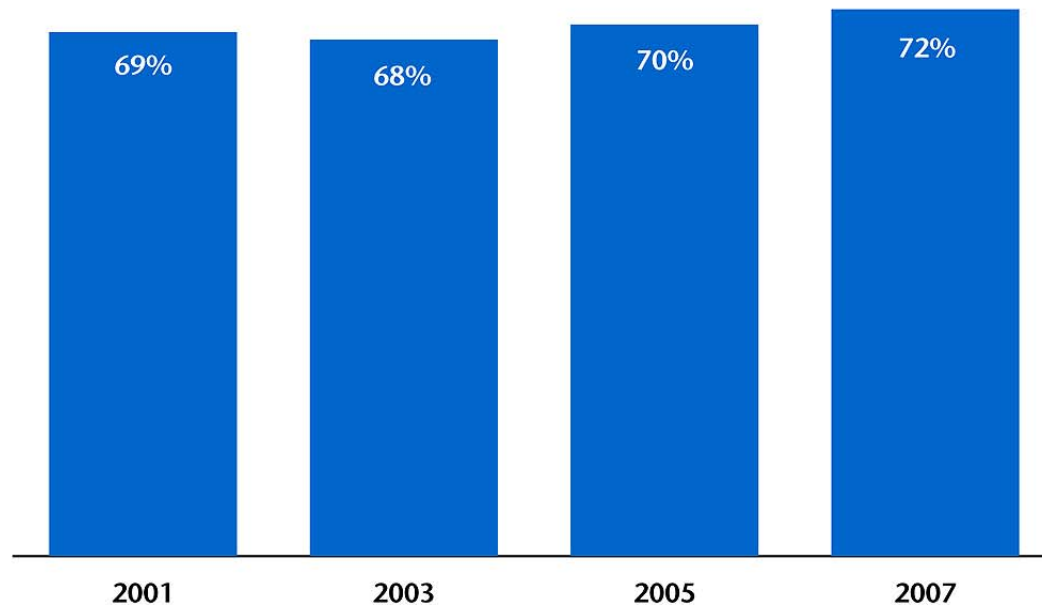
SUBSCRIBER NUMBER (from box 7 of Form MA 1099-HC)

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# Employers Offering Health Insurance

## Percent of Employers



Nearly three-quarters of Massachusetts employers offer health insurance to their employees. The Massachusetts employer offer rate has held steady, even as the employer offer rate nationally declined from 68% to 60% between 2001 and 2007, as reported in the Kaiser/HRET survey.

Note: The changes from year-to-year are not statistically significant.

Source: DHCFP Employer Survey for 2001, 2003, 2005, and 2007. National data from the Henry J. Kaiser Family Foundation/Health Research and Educational Trust Employer Benefits Survey, 2001-2007.

# Support for Health Reform Law

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**Support**



**67%**

**Oppose**



**16%**

**Don't know**



**16%**

Note: Of those who had heard of law.  
Harvard School of Public Health/BCBS of Mass. Foundation/KFF June 2007

