Massachusetts Health Reform: Progress To Date and Challenges Ahead

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

- 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

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?

- 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 ≥ 11 employees)
- Increase Medicaid provider rates
Massachusetts Health Reform: How Do the Pieces Fit Together?

Percent of State’s Total Uninsured Targeted by Different Aspects of Law

- Medicaid Expansion: 19%
- "Affordable Products" and Individual Mandate (>300% FPL): 44%
- Commonwealth Care: 37%
Commonwealth Care: 170,000

Enrollment (thousands) as of the first of the month

- Premium-paying
- No premium

Jan '07 Feb '07 Mar '07 Apr '07 May '07 Jun '07 Jul '07 Aug '07 Sep '07 Oct '07 Nov '07 Dec '07 Jan '08
Individual Mandate (IM)

- 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?

- 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

- Medicaid: 85,000 enrolled
- <100%: 85,000 enrolled
- 101-300%: 70,000 enrolled
- Commonwealth Care: 60,000 enrolled

Plus benefit restorations to ~600,000 people
Employer Responsibilities

• 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 ≥ 11 full-time employees
Challenges Ahead

- 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)

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

- 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?

*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)
  - MOCOs implemented same benefit as MassHealth
Connector Approach

- 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

- 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
# Individual Mandate: The Affordability Schedule

<table>
<thead>
<tr>
<th>SINGLES</th>
<th>COUPLES</th>
<th>FAMILIES WITH CHILDREN</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0 - $15,315</td>
<td>$0</td>
<td>$0 - $20,535</td>
</tr>
<tr>
<td>$15,316 - $20,420</td>
<td>$35</td>
<td>$20,536 - $27,380</td>
</tr>
<tr>
<td>$20,421 - $25,525</td>
<td>$70</td>
<td>$27,381 - $34,225</td>
</tr>
<tr>
<td>$25,526 - $30,630</td>
<td>$105</td>
<td>$34,225 - $41,070</td>
</tr>
<tr>
<td>$30,631 - $35k</td>
<td>$150</td>
<td>$41,071 - $50k</td>
</tr>
<tr>
<td>$35,001 - $40k</td>
<td>$200</td>
<td>$50,001 - $60k</td>
</tr>
<tr>
<td>$40,001 - $50k</td>
<td>$300</td>
<td>$60,001 - $80k</td>
</tr>
<tr>
<td>Over $50k</td>
<td>Affordable</td>
<td>Over $80k</td>
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</table>
Subsidized Insurance: Commonwealth Care

Monthly Premium Schedule

<table>
<thead>
<tr>
<th>FPL</th>
<th>Indiv.</th>
<th>Couple</th>
<th>Couple with children</th>
</tr>
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<tbody>
<tr>
<td>&lt;151%</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>150.1 - 200%</td>
<td>$35</td>
<td>$70</td>
<td>$70</td>
</tr>
<tr>
<td>200.1 - 250%</td>
<td>$70</td>
<td>$140</td>
<td>$140</td>
</tr>
<tr>
<td>250.1 - 300%</td>
<td>$105</td>
<td>$210</td>
<td>$210</td>
</tr>
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</table>
Commonwealth Choice: 
(Mostly) Standardized Benefit Plans

<table>
<thead>
<tr>
<th>Tier</th>
<th>Benefits</th>
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| **Gold**        | • Average monthly cost = $285 (without drugs) to $570 (with RX)  
                  • No or small payment when you go to the doctor or stay in the hospital  
                  • Choice of large number of doctors and hospitals                                                                                   |
| **Silver**      | • Average monthly cost = $225 to $420  
                  • $15 or more each time you go to the doctor  
                  • Additional cost-sharing required at point-of-service  
                  • Some plans may limit which doctors and hospitals you can use                                                                       |
| **Bronze (=MCC)** | • Average monthly cost = $146 to $280  
                  • $20 or more each time you go to the doctor  
                  • Highest amount of cost-sharing required at point-of-service  
                  • Some plans limit which doctors and hospitals you can use                                                                       |
| **Young Adult** | • Average monthly cost = $104 to $205  
                  • Highest cost-sharing required at point-of-service  
                  • Most plans include an annual benefit maximum  
                  • Only available to people between the ages of 19 to 26, without access to employer sponsored insurance |
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
Employers Offering Health Insurance
Percent of Employers

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>2001</td>
<td>69%</td>
</tr>
<tr>
<td>2003</td>
<td>68%</td>
</tr>
<tr>
<td>2005</td>
<td>70%</td>
</tr>
<tr>
<td>2007</td>
<td>72%</td>
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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.
Support for Health Reform Law

- 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