kaiser commission on medicaid and the uninsured
KEY FACTS
THE HENRY J. KAISER FAMILY FOUNDATION

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Massachusetts Health Care Reform: Two Years Later

It has been two years since Massachusetts enacted landmark legislation to provide health care coverage to nearly all state residents. The Massachusetts law imposes an individual mandate for the purchase of health insurance and calls for shared responsibility in financing coverage. While the state has faced a number of challenges as it has implemented the plan, the increase in the number of people in the state who have health care coverage has been unprecedented. Since implementation of the plan began in late 2006, it is estimated that over 340,000 people have gained coverage, representing more than half of the estimated 650,000 people who were previously uninsured.

NEW REQUIREMENTS

Individual Mandate

As of July 1, 2007, all state residents are required to purchase health insurance coverage. For those who did not have insurance by December 2007, the financial penalty, enforced through tax filings, was the loss of the personal deduction on state income tax or $219. For 2008 and beyond, the penalty increased to 50 percent of the average cost of a health insurance plan in the geographic region in which the person lives, up to a maximum of $912. People can file for hardship exemptions from the mandate that are reviewed on an individual basis. In addition, roughly two percent of state residents are not subject to the mandate because it has been determined that insurance coverage will not be affordable for them.

Employer Requirements

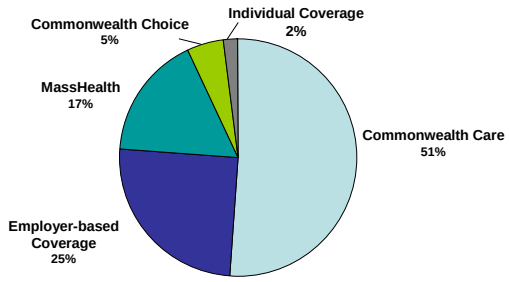
Starting on July 1, 2007, employers with 11 or more employees were required to make a "fair and reasonable" contribution toward health insurance coverage for their employees or pay a "Fair Share" contribution of up to $295 annually per employee. In addition, these employers are required to offer a Section 125 "cafeteria plan" that permits workers to purchase health care with pre-tax dollars. To date, the state has assessed 750 employers that did not offer coverage, raising about $6.7 million. Another 4,500 employers have been informed of the need to report to the state whether and how much they contribute toward health coverage for their employees.

COVERING THE UNINSURED

Data from several different sources indicate that the number of people with insurance in Massachusetts has increased by over 340,000 since late 2006 (Figure 1). The following sections describe how the newly insured gained coverage. Once the state tax filings have been processed and a survey of the uninsured has been completed later this year, a more complete assessment of the impact of health reform on the number of uninsured will be available.

Figure 1

Distribution of Newly Insured Under Massachusetts Health Care Reform Plan



Estimated Number of Newly Insured – 340,000

Source: KCMU analysis based on data from Commonwealth Connector Board

KAISER COMMISSION ON Medicaid and the Uninsured

Commonwealth Care Health Insurance Program

The Commonwealth Care program is a central component of the reform plan. The program provides subsidized health coverage for individuals with income below 300 percent of the federal poverty level ($30,630 for an individual). Enrollment into Commonwealth Care began in October 2006 and previous users of the state's Uncompensated Care Pool with incomes below 100 percent FPL were automatically enrolled in the program. In part due to the automatic enrollment, the program has proven quite successful. As of April 1, 2008, about 175,000 low-income adults had enrolled, exceeding estimates by more than 30,000.

Commonwealth Choice Plans

The plan also created the Commonwealth Health Insurance Connector, which functions like an insurance exchange to provide individuals and small businesses access to easily comparable insurance products. The Connector Board approves the plans, which must meet certain coverage and cost standards. Currently, plans are offered by six of the state's health insurers providing a range of coverage options. These Commonwealth Choice plans became available May 1, 2007 and by April 1, 2008 nearly 18,000 people had enrolled.

MassHealth Expansion

A small expansion of the state's Medicaid program to cover children with family incomes up to 300 percent FPL was included as part of the reform plan. As of January 2008, enrollment in MassHealth had increased by over 50,000. The enrollment increase can be attributed in part to the expansion, but also to an aggressive outreach campaign.

Employer-based Coverage

While it is unknown how many employers have newly offered coverage as a result of the new employer requirements, there is evidence that the number of people with employer-

based coverage has increased. This increase is most likely due to a greater take-up of coverage among employees who were previously offered coverage by their employer. According to data from the Massachusetts Association of Health Plans, from January 2007 to January 2008, the number of people with employer-based coverage increased by 85,000.

Individual Coverage
The Massachusetts Association of Health Plans data also indicated that the number of people with individual policies purchased through the newly merged individual and small-group insurance market increased by less than 10,000.

QUALITY IMPROVEMENT AND COST CONTAINMENT

Although the initial focus of the Massachusetts reform effort was on expanding coverage, the health reform law also created the Health Care Quality and Cost Council, which is charged with establishing statewide goals for improving quality, containing costs, and reducing racial and ethnic disparities in health. The Council released its first report on April 23, 2008 and among the goals for 2008 are to:

- Adopt a standard measurement of annual health care spending for the state—the "Massachusetts Global Health Cost Indicator"
- Develop a website (launch date June 2008) to provide consumers with cost and quality information to compare health care procedures at different hospitals

The Council will also make other legislative and regulatory recommendations for controlling health care costs.

IMPLEMENTATION CHALLENGES

Despite the success of the reform plan in expanding coverage in the short-term, the state faces a number of challenges as it moves forward with implementation.

The costs of reform have been higher than expected. Because of the successful enrollment into the Commonwealth Care program, the costs for this program have exceeded previous estimates. The Governor's budget request of $869 million for 2009 is about $400 million more than that for 2008, and it is believed that this funding level may still fall short. State officials remain committed to the reform effort and are considering various options for raising additional revenue, including increasing the tobacco tax. There have also been calls for a greater commitment to the concept of shared responsibility on the part of providers, health insurers and employers, though no changes to the current financing structure have been made. Additionally, legislation aimed at constraining health care cost growth overall is being debated by the legislature.

Another factor complicating the financing picture is that the state's Medicaid 1115 waiver expires this year. This waiver, which created the Safety Net Care Pool, is the primary source of funding for the subsidies provided through the Commonwealth Care program. While it is expected that the waiver will be renewed, any changes to the level of federal funding and how that funding can be used will affect the future financing of the program.

As health care costs rise, keeping insurance affordable will be increasingly difficult. As part of an agreement to raise rates paid to the managed care plans participating in the Commonwealth Care program, enrollees will face premium increases of 10 percent. They will also face higher cost sharing for doctor's visits and other services. Although the premiums for the Commonwealth Choice plans have not yet been released, the Connector Authority Board has indicated that the increases will be less than 10 percent.

In April, the Commonwealth Connector Authority approved the affordability standards for 2008 (Figure 2). These standards indicate the premium amounts that are considered affordable for individuals and families at different income levels. Concerns have been raised that the increase in the affordability standards exceeds the rise in workers' earnings and does not recognize the challenges people face in affording health care coverage.

Figure 2

2008 Affordability Standards

Individuals		Families	
Income Range	Monthly Premium	Income Range	Monthly Premium
$0 - $15,612	$0	$0 - $26,412	$0
$15,613 - $20,808	$39	$26,413 - $35,208	$78
$20,709 - $26,016	$77	$35,209 - $44,016	$154
$26,017 - $31,212	$116	$44,017 - $52,812	$232
$31,213 - $37,500	$165	$52,813 - $70,000	$352
$37,501 - $42,500	$220	$70,001 - $90,000	$550
$42,501 - $52,500	$330	$90,001 - $110,000	$792
$52,501+	Affordable	$110,001+	Affordable

Note, the dark line denotes the income cut-off for Commonwealth Care eligibility.

THE FUTURE OF REFORM

Two years following passage of comprehensive health care reform, Massachusetts has been largely successful in expanding coverage to the uninsured. Over time, from Massachusetts we will learn the extent to which an individual mandate for health insurance coverage is enforceable and leads to broader coverage and whether statewide purchasing pools, such as the Commonwealth Connector, can provide affordable health insurance options for those without coverage. Continued success will depend on controlling health care cost growth and holding together the coalition of stakeholders that came together around the broad tenets of health reform. All eyes will remain on Massachusetts as it continues to carve a path toward comprehensive health care reform and as the nation debates national health care reform.

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