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The Massachusetts plan: a failed model for reform

The recent health reform in Massachusetts has been touted as a successful model for other states -- and the nation -- to follow. But declarations of its success are decidedly premature. The Massachusetts reform is "incremental," in that it leaves the private health insurance industry intact and attempts to achieve universal access by expanding public programs and regulating the existing private insurance market. Like the incremental reforms that have a failed in seven different states over the last 20 years, the current Massachusetts plan is foundering on the shoals of its high cost. It is a failed model for national health reform.

What is the Massachusetts plan?

In April 2006, the Massachusetts Health Care Reform Act was signed into law. Its goal was to cover the estimated 550,000 to 715,000 uninsured residents of the state and ensure that coverage for everyone else met a minimum standard. It proposed to do this by:

- Modestly expanding the state's Medicaid program for children.
- Purchasing insurance for everyone with incomes below the federal poverty level.
- Subsidizing insurance for those earning between 100 percent and 300 percent of the federal poverty level.
- Mandating that everyone else purchase insurance or face a fine. The goal of the mandate was to require all Massachusetts residents to contribute to the risk pool, lowering health costs for all.
- The law established a new state agency, the Commonwealth Health Insurance Connector, to ensure that insurance was adequate and affordable and to match individuals to a private health insurance plan. The reform merged the individual and small group insurance markets to reduce premiums for individual plans.

Financing for the plan was based on fines collected from employers who did not offer insurance and diverting existing funds from Medicaid and the state's "free care pool," a fund financed through assessments on hospitals and insurers that formerly provided direct services to uninsured patients at safety-net facilities.

What is good about the Massachusetts reform?

- According to the state, as of March 2008 some 439,000 Massachusetts residents had gained coverage. This number includes what is likely an overestimate of the number of people who gained new employer-sponsored coverage. Estimates of the number of uninsured in the state before the reform range from 550,000 to 715,000; thus a maximum of 60 percent to 80 percent of the state's uninsured now have insurance.1

- The merger of the individual and small-group insurance markets resulted in a decrease in premiums for individual insurance policies; this was somewhat offset by an increase in premiums for small group policies.

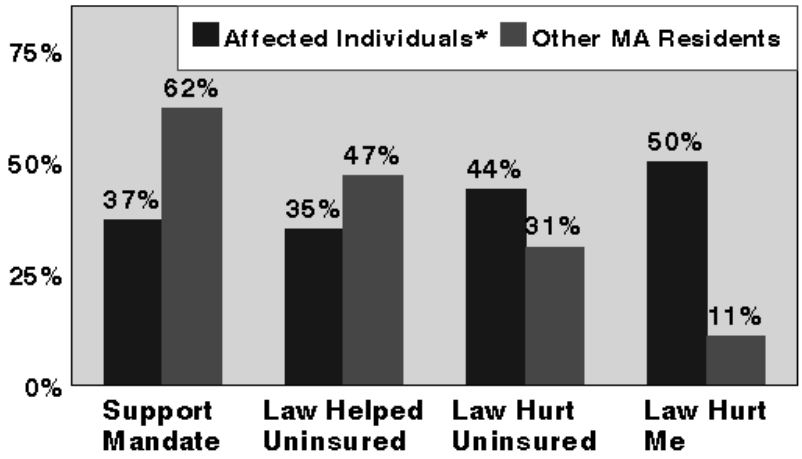
What is wrong with the Massachusetts reform?

- **It does not guarantee universal coverage.**
    - The Massachusetts plan attempts to "fill the gaps" in the insurance coverage of the state's population rather than guaranteeing coverage for all.
    - As many as 276,000 Massachusetts residents, or nearly 40 percent of the uninsured, still have no insurance.
- **It leaves the insured vulnerable to financial ruin if they get sick.**
    - The state has been unable to ensure the availability of comprehensive plans at affordable prices.
    - A 43-year-old making just over $31,000 annually must spend $5,096 in premium and deductible payments before insurance kicks in, with additional co-payments and hospital co-insurance payments.
    - These high out-of-pocket costs mean that even the insured in Massachusetts often cannot afford care.
    - In a recent survey, a third of Massachusetts residents said the cost of care is their biggest health concern; 13 percent of insured individuals were unable to pay for some health services and 13 percent could not afford to fill necessary prescriptions.[1]
- **It leaves the insured vulnerable to losing their coverage.**
    - It does nothing to help those who lose their insurance coverage when they lose their job or change jobs.
    - The state is disenrolling about 5,000 people per month from its subsidized insurance program following eligibility reviews.[2]
- **The mandate is failing.**
    - The majority (42 percent) of the newly insured are not paying for their insurance -- 72,000 (16 percent) newly enrolled in Medicaid and 116,000 (26 percent) with fully subsidized insurance. Despite the mandate, only 60,000 (14 percent) of the newly insured have purchased partially subsidized insurance and only 32,000 (7 percent) have purchased individual coverage through the Connector.
    - A remarkable 62,000 people were exempted from the mandate in 2007 because they couldn't afford insurance, despite the state's effort to ensure affordable plans.
    - The mandate is regressive, requiring the near poor to pay a much higher percentage of their income than the affluent for their coverage, and older people pay more than younger people.
- **The plan has decimated the state's safety net.**
    - In 2006, the Bush administration threatened to withhold $300 million in Medicaid funding unless the Massachusetts health reform reduced free care pool payments to

safety net hospitals. In response, the law diverted funds from free care pool payments to Medicaid and subsidized insurance plans.

- The dollars that formerly purchased care directly for those needing free care are now being funneled through the private insurance industry with its high overhead and administrative costs.
- Although the state claims that 60-80 percent of the uninsured now have insurance, the need for free care has fallen by only about a third statewide and by only about 20 percent at the state's major safety-net institution.
- The state is struggling with a $1.4 billion budget gap. In response, the state is further cutting payments to safety net providers, threatening the viability of these institutions, which provide vital but money-losing services---care for the poor, primary care, chronic psychiatric care, addiction services and emergency services.

- **The plan is unsustainable.**
  - The plan does nothing to control skyrocketing health care costs. In fact, the Connector adds an additional 4.5 percent administrative cost to each policy it brokers.
  - Premiums continue to escalate. State payments for premiums of completely subsidized insurance will increase by an average of over 9 percent in fiscal 2009.
  - Participating insurers have attempted to keep premiums down by paring down benefits and shifting more costs to insured individuals, thus worsening the problem of underinsurance in the state.
  - With the exception of the mandate, the Massachusetts reform is similar to many incremental state reforms that have aimed to provide near-universal health insurance coverage. Massachusetts tried it in 1988, Minnesota, Oregon, Vermont and Tennessee in 1992, Washington in 1993, and Maine in 2003. Like Massachusetts' current reform, these plans did not contain cost controls; thus, increasing state-subsidized insurance coverage was unaffordable and the reforms died out, resulting in no long-term improvements in the numbers of uninsured.
- **Those directly affected (i.e. those who were uninsured in the past year or changed coverage as a result of the law) say Massachusetts' reform isn't working.**[3]



Is there an alternative to this model?

Yes. There is a bill in Congress, the United States National Health Insurance Act, H.R. 676 (also known as "The Expanded and Improved Medicare for All Act"), that would implement single-payer financing of health care while maintaining our private delivery system. A single-payer program would eliminate the private insurers as payers for health care and use the administrative savings to provide comprehensive coverage for all. Features of the single-payer plan include:

- **Comprehensive coverage for all**, including doctor, hospital, long-term, mental health, dental and vision care as well as prescription drugs and medical supplies.
- **No premiums, co-payments, or deductibles** that inhibit access to care and unfairly burden the poor.
- **Free choice of doctor and hospital** and an end to insurance company and HMO dictates over patient care.
- **Pays for itself** by eliminating wasteful private insurance administration and profit. A progressive tax would replace what is currently paid out-of-pocket.
- **Controls costs so benefits are sustainable** through negotiated physician fees, global budgets for hospitals and bulk purchasing of prescription drugs and medical supplies.

The nation must not look to Massachusetts' health reform as a model. If we truly want to provide comprehensive health care for all of us at a price we can afford, we must adopt a single-payer plan.

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1. Lazar K. Medical costs still burden many despite insurance. The Boston Globe 2008.

2. Report to the Massachusetts Legislature: Implementation of the Health Care Reform Law, Chapter 58, 2006-2008. The Massachusetts Health Insurance Connector Authority; October 2, 2008.

3. Blendon RJ, Buhr T, Sussman T, Benson JM. Massachusetts health reform: A public perspective from debate through implementation. Health Affairs 2008; 27:w556-w565.