Health Care Reform in Massachusetts

February 2006

Today's presentation

- Factors that make reform possible in MA
- The vision (principles of MA reform)
- Major components of MA reform
- Current bill debate

Massachusetts is uniquely positioned to improve coverage…

- Low rate of uninsured - ~7%
- Excellent access to health care
- Everyone has access to insurance
- Already spending a lot of money to provide care to the uninsured
- Extensive health care safety net for the poor
- Generous culture of employer-subsidized insurance

…but we need to address:

- Health care and insurance costs are growing at unsustainable rates
- State health care cost increases, primarily Medicaid, are crowding out other basic services
- The problem of the uninsured is everyone's problem, cost shifting more than $1 billion per year
- Regulatory environment limits insurer innovation
- Lack of transparency of price and quality
- Uncompensated Care Pool provides bad incentives

and, there are additional pressures on Massachusetts

- Ballot initiative
- Federal pressure on Medicaid:
  - -Regarding use of Federal funds (DSH, IGT, Waiver $)
  - -Trend lines allowed under budget neutrality
- Lots of interest (7 different plans!)

A vision for health care

- Everyone should be able to obtain quality health care
- Health insurance is necessary for decreasing barriers to seeking care in most appropriate setting
- For those who cannot afford insurance, a subsidy is necessary
- State government has an important role to play to bring insurance coverage to all of our citizens
- Getting people insurance is a key first step towards overall health care reform

Major components of MA reform

- Addressing the segments of uninsured differently
  - -Medicaid eligibility
  - -Affordable products
  - -Subsidies
- Responsibility
- Insurance market reform
- Creative financing
- Other activities (transparency, cost-containment, medical malpractice reform)

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The uninsured in Massachusetts

• Total Commonwealth population:		6,400,000
• Currently insured (93%)		5,940,000
-Employer, individual, Medicare or Medicaid		
• Currently uninsured (7%)		460,000
-<100% FPL	Medicaid eligible but unenrolled	106,000
-~100-300% FPL	Low income, cannot afford insurance on their own	150,000
->300 FPL	Can afford a reasonably-priced insurance product	204,000

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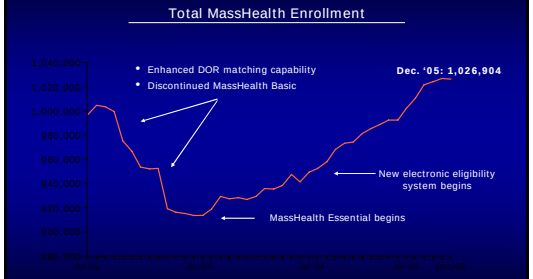
MassHealth now serves more than 1 million people, up 80,000 in the last year



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Products can be less expensive

Average small group monthly premium (individual)	**$350**
• Appropriate care in an appropriate setting	(10% - 20%)
• Annual deductible of $250 to $1,000 -No deductible for low income	(5% - 22%)
• Co-pay on inpatient and office visits ($20 - $40) -No barriers to access for preventive care	(4% - 9%)
• Additional pharmacy benefit management	(1% - 5%)
• Restrict or limit some discretionary benefits	(4% - 9%)
Potential Monthly Premium for Affordable Plan	**About $200**

Excellent health insurance for people who are not covered today

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The products are not bare-bones:

	Standard Small Group	Affordable Product
Primary care	Yes	Yes
Hospitalization	Yes	Yes
Mental Health	Yes	Yes
Prescription Drugs	Yes	Yes
Provider network	"Open Access"	Defined
Annual deductible	"First Dollar Coverage"	$250-$1,000
Co-pays	Low ($0,10,20)	Moderate ($0,20,40)
"Mandated benefits"	Included	Exclusions permitted w/ board approval
Monthly premium	**$350+**	**About $200**

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Subsidy example

FPL	Single Person Income	Weekly Premium*	% of Income	Weekly State Subsidy*
<100%	$9,570	$2.30	1.3%	$66.93
150%	$14,355	$6.92	2.5%	$62.31
200%	$19,140	$11.54	3.2%	$57.69
250%	$23,925	$18.46	4.0%	$50.77
300%	$28,710	$32.31	5.8%	$36.92

*All numbers pre-tax; Assumes no employer contribution

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Responsibility: Employer and Individual

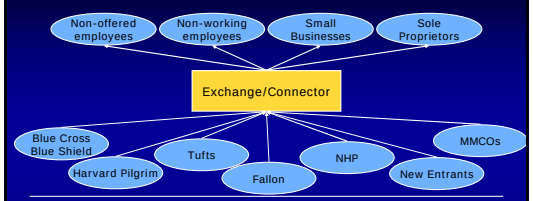
	US	MA
All Employer sizes	56.2%	65.6%
< 10	35.6%	48.9%
10-24	66.2%	80.5%
25-99	81%	94.8%
< 50	43.2%	56.2%

MA employers lead nation in offering subsidized coverage, particularly for smaller employers (behind HI and NH) (MEPS, 2003)

Problems

- Mostly very small employers that don't offer
- Small employers don't have expertise to purchase health insurance for their employees
- Part-time, seasonal, contract workers
- For small employers: one size doesn't fit all employees
- Pre-tax premium benefit much more likely in large employers
- Lack of portability
- Small employers must cover all mandated benefits

The Exchange/Connector makes it work:



- Enables tax deductibility for working people
- Merges small and nongroup markets
- Reaches part-time workers and people with multiple jobs
- Eliminates some rules in the small group market that make it difficult for small businesses to offer insurance
- Ensures insurance portability from job to job

Employers will not drop coverage

- Competition for workers, don't need to offer now but most do
- Eligibility, benefit design, and subsidies are designed to consider the issue of crowd-out
- Existing federal tax code provisions for non-discrimination and new state provisions for non-discrimination
- Prohibition of indirect measures that circumvent the purpose of the law
- Tax benefit

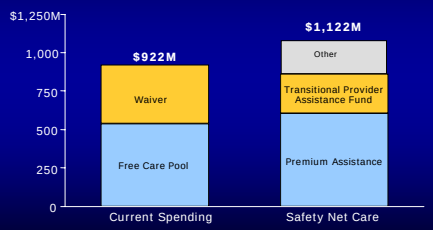
The personal responsibility principle

- Given Medicaid, more affordable products and subsidies, all citizens will have access to health insurance they can afford
- In this new environment, people who remain uninsured would be unnecessarily and unfairly passing their health care costs to everyone else
- Personal responsibility means that everyone should be insured or have the means to pay for their own health care

Personal responsibility principle provisions

- A minimum level of insurance or proof of financial means will be required
- For those who do not comply:
  - -Loss of personal tax exemption
  - -Withholding of a portion or all of income tax refund for deposit in a state personal health care expenditure account
  - -Driver's license
- For those without coverage that use medical services:
  - -Self-pay will be required
  - -If unable to pay, provider may request payment from the state personal health care expenditure account
  - -If a bill exceeds the account balance, an appropriate wage withholding plan can be established

Redirecting existing funds to achieve our goal



Other activities

For the programs we manage:

- Improve program integrity
- Use pay-for-performance/selective contracting (efficiency and quality)
- Eliminate cost-shifting
- Develop disease management programs

For all MA residents:

- Coordinated quality improvement strategy
- Transparency of cost and quality data…get consumers involved
- Medical malpractice reform

In summary, health care reform:

- Makes it possible for all residents to be covered by health insurance
- Provides a medical home and better health care for hundreds of thousands of people
- Provides savings to the taxpayers and to those paying for health insurance now
- Allows for the elimination of cost-shifting and for market forces to work better
- Provides an environment for care to be delivered more efficiently for all Massachusetts residents