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## Massachusetts Health Care Reform Plan

On April 12, 2006, Massachusetts Governor Mitt Romney signed into law landmark legislation that would provide nearly universal health care coverage to state residents. The bipartisan legislation combines the concept of individual responsibility through an individual mandate on the purchase of health insurance with government subsidies to ensure affordability. Full implementation of the plan is expected by July 1, 2007.

### MASSACHUSETTS HEALTH CARE MARKET

The prospect of achieving universal coverage in Massachusetts is made easier by the health care market in the state. The state enjoys a strong foundation of employer-sponsored insurance supported by an expansive Medicaid program. Sixty-eight percent of non-elderly Massachusetts residents have insurance coverage through their employer compared to just 61 percent nationally. As a result, about 10 percent of the population is uninsured, compared to the national average of 16 percent.

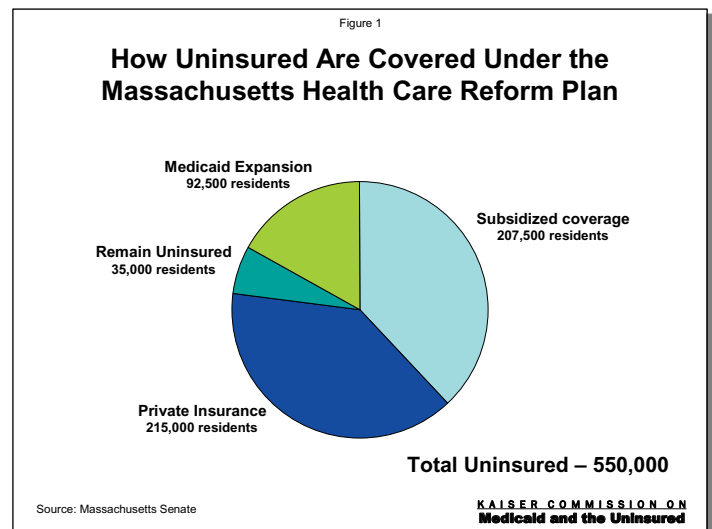
### COMPONENTS OF THE PLAN

The Massachusetts Health Care Reform Plan requires the participation of both individuals and employers. It mandates everyone in the state to purchase health insurance by July 1, 2007, and would impose financial penalties of up to 50 percent of the cost of a health insurance plan on those who do not via income tax filings. It also includes a requirement that employers with more than 10 employees provide health insurance coverage or pay a "Fair Share" contribution of up to \$295 annually per employee. The Governor vetoed this provision of the plan; however, the legislature has the votes to override the veto.

#### Commonwealth Health Insurance Connector

The plan creates the Commonwealth Health Insurance Connector to "connect" individuals to insurance by offering affordable, quality insurance products. Small businesses and individuals can purchase insurance through the Connector. The Connector will also offer specially designed, lower-cost products for 19-26 year-

olds. It is expected that up to 215,000 residents will purchase coverage through the Connector (Figure 1).



Employers with more than 10 workers will be required to offer a Section 125 "cafeteria plan" that permits workers to purchase health care with pre-tax dollars. Using these pre-tax dollars, workers not offered insurance will be able to purchase insurance products through the Connector.

Insurance market reforms are also an important component of the plan. In particular, the plan will merge the individual and small-group insurance markets by July 2007, which is expected to reduce premium costs for individuals by 24 percent.

#### Commonwealth Care Health Insurance Program

A central piece of the plan is the provision of government-funded subsidies to low-income individuals to assist with the purchase of health insurance. The Commonwealth Care Health Insurance Program will provide sliding-scale subsidies to individuals with incomes up to 300 percent of the federal poverty level (or \$49,800 for a family of three) for the purchase of health insurance. Individuals with incomes less than 100 percent of the federal poverty level (\$9,800 for an individual) will not be required to pay any premiums. Plans offered through Commonwealth Care will not have deductibles, and will be offered by managed care

organizations that participate in the Medicaid program. Commonwealth Care is expected to subsidize coverage for 207,500 residents.

### MassHealth Expansion

The plan includes an expansion of Medicaid to children up to 300 percent of the federal poverty level. Enrollment caps on existing Medicaid programs for adults will also be raised. The Medicaid expansion will cover 92,500 people, mostly children.

### Preservation of the Safety Net

The existing Free Care Pool, which reimburses providers for uncompensated care, will be converted into a new Safety Net Care Fund that will combine these funds with other Medicaid funds, including Medicaid Disproportionate Share Program funds. A new fee schedule will be developed to standardize provider reimbursement. As more uninsured gain coverage and uncompensated care drops, funds will be shifted into the health insurance subsidy program.

In addition, the plan creates an Essential Community Provider grant program to support safety net hospitals and community health centers.

### Financing

The plan is expected to cost \$1.2 billion over three years and relies on redistribution of existing funding, including federal Medicaid payments previously paid to safety net providers and funds from the Free Care Pool. New funding will come from the employer contributions and General Fund revenues (\$308 million over three years). The state anticipates that no additional funding will be needed beyond three years.

### KEY QUESTIONS

**Will health plans be affordable?** The plan specifies that the individual mandate is only enforceable if affordable health plans are available. While the legislation does not define “affordable,” legislators have indicated that premiums for low-cost products should range from \$200-\$250 per month. By comparison, the average single adult premium offered by employers nationally was \$335 per month in 2005. A key question is whether insurance companies will offer plans in the state that are deemed affordable.

**Will employers maintain or expand coverage?** The \$295 assessment on employers who do not provide insurance to their workers is intended to serve as an

incentive to increase employer-based offerings, but is much less than the cost of offering insurance to employees. Important questions are whether employers who currently offer insurance will continue to do so and whether employers that do not currently offer insurance will choose to in the future.

**Is the plan adequately funded?** Given the limited commitment of new funds and rising health care costs, a fundamental question is whether the plan is adequately financed, particularly in future years.

### IMPLICATIONS FOR OTHER REFORM EFFORTS

**Medicaid provides an important foundation for expanding health care coverage.** The Massachusetts plan builds on a broad base of public coverage for the poor and near poor, and relies very heavily on federal Medicaid funds to finance the plan, including \$385 million in annual federal Medicaid payments that would have been lost in the absence of a plan to reduce the number of uninsured. Other states, however, may not have access to such funding.

**Ensuring that affordable health plans offering comprehensive coverage are available to everyone in the state will be a challenge.** The individual mandate included in the Massachusetts plan offers a new approach to achieving near universal coverage. Adequate subsidies along with rules to promote comprehensive health insurance plans to ensure individuals and families, particularly those with low-incomes and those who are sick, are able to obtain affordable and meaningful coverage are essential to an effective individual mandate.

**The innovative plan to achieve near universal coverage should encourage debate about how to address the nation’s problem of the uninsured.** By combining different strategies from across the political spectrum, the Massachusetts plan represents a unique amalgam approach to expanding health care coverage. Elements of the plan may be useful to other states interested in expanding coverage, as will the strategy for reaching political agreement. Understanding the factors that contributed to the plan’s passage and monitoring its implementation will be important for encouraging discussions in other states and at the national level over ways to reduce the number of uninsured.

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