

## Commonwealth Connector

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### About Us: Executive Director's Message

#### EXECUTIVE DIRECTOR JON KINGSDALE'S MESSAGE

Tuesday, August 25, 2009

*As the rhetoric around national reform heats up, I'd like to use this month's message as an opportunity to dispel the TOP TEN MYTHS about Massachusetts Health Reform:*

#### 1. COMMONWEALTH CARE COST THE STATE \$1.3 BILLION IN FY 2009 AND HAS RISEN 85% FASTER THAN PROJECTED.

**False.** The legislative conference committee that ironed out the landmark health care reform law in 2006 estimated spending for the Commonwealth Care program at \$725 million during FY 2009. Commonwealth Care actually cost about \$800 million in FY 2009, about 10% over the 2006 projection.

Some critics of Massachusetts healthcare reform continue to cite a higher figure, using a worst-case scenario from a state bond prospectus that was issued nearly a full year before the completion of fiscal year 2009. This figure of \$1.3 billion is incorrect.

The main reason for the increased spending on Commonwealth Care is higher-than-expected enrollment. (Premiums per enrollee have actually increased less than 5% a year since inception of the program.) In FY 2008, program costs grew more rapidly than projected because the state was working with estimates of the eligible population, based on 2006 survey data, which turned out to be low. The Connector enrolled the larger pool of eligible uninsured individuals faster than anticipated. As a result, costs grew in concert with the rapid enrollment, not because of medical inflation. As of August 1, 2009, enrollment is about 179,000.

#### 2. MASSACHUSETTS HEALTH REFORM IS UNAFFORDABLE.

**False.** Against the new costs of Commonwealth Care and some expansion of MassHealth (Medicaid), there have also been offsets from reduced government spending under health reform on uncompensated charity care, such that the full, net new cost of reform to government is probably less than \$800 million. A recent report by the independent Massachusetts Taxpayers Foundation concludes that total, net government spending on Massachusetts health reform, since it began in FY 2007, will be \$707 million in FY10.<sup>1</sup> About half of this increased government spending on reform is offset by federal matching payments, so the net cost to state government in FY 2010 is a little more than one percent of its entire annual budget.

#### 3. HEALTH CARE PREMIUMS HAVE INCREASED DRAMATICALLY SINCE (AND BECAUSE OF) REFORM.

**False.** Commercial insurance premiums have risen annually in Massachusetts at a slightly slower pace since 2006 than before, as they have nationally. A recent report by the Commonwealth Fund found that the average family health premium offered by employers in Massachusetts is the highest in the nation.<sup>2</sup> Massachusetts had high premium costs before reform, so this is not surprising news and is no reflection on the reform law. It does, however, underscore the need for payment reform, and Massachusetts is now taking action to put cost controls in place.

One exception is that reform did bring substantial rate relief to the non-group market in Massachusetts. The merger of the non-group and the small group markets, implementation of a requirement that individuals who can afford it purchase insurance, and the development of an insurance exchange have reduced premiums substantially for Massachusetts residents who buy insurance directly (non-group).<sup>3</sup> Their premiums for comparable coverage dropped on average about 20% in 2007, and in 2008 the Connector held the average premium increase for commercial, non-group Commonwealth Choice plans to 5%. This is significant progress in a market that had typically experienced double-digit annual premium increases.

#### 4. REFORM HAS CAUSED A SHORTAGE OF PRIMARY CARE PHYSICIANS AND WAITS TO SEE PCPS ARE EXCESSIVELY LONG.

**False.** The diminishing supply of primary care physicians is a national problem. (Massachusetts has more physicians per capita than any other state and more than the average number of primary care physicians.) While there are waiting times in parts of the state, recent surveys have found that over 90% of individuals reported having a primary care provider and only 5% said there was a time in the past year that they needed medical care, tests or treatment that they did not get.<sup>4</sup> Access to care is far better in Massachusetts than nationally: for 2007, about 20% of the U.S. population reported not getting or delaying needed medical care at some point in the previous 12 months.<sup>5</sup>

Moreover, Massachusetts reform has stimulated creative approaches to further improve access. In 2008, the state and private sector partners developed a loan repayment program for medical and nursing students who make a two- to three-year commitment to practice primary care in Massachusetts after graduation. Some 92 primary care clinicians, able to care for some 140,000 patients, have been recruited or retained because of the new incentive program designed to make coverage expansion work for patients. Additionally, the state's decision in 2007 to allow (carefully regulated) development of primary care nursing services in commercial pharmacies is also expanding access for minor ailments.

#### 5. THE NUMBER OF UNINSURED IN MASSACHUSETTS REMAINS HIGH, DESPITE THE REFORM LAW.

**False.** According to the latest comprehensive survey, completed for the state Division of Health Care Finance and Policy by the Urban Institute, Massachusetts has an insured rate of over 97%.<sup>6</sup> "Near-universal" insurance is a historic accomplishment, which compares very favorably with the U.S. rate of over 15% uninsured (and probably climbing during the recession of 2008 and 2009).<sup>7</sup>

#### 6. THE ONLY REAL COVERAGE EXPANSION IS MEDICAID-LIKE, FREE GOVERNMENT COVERAGE.

**False.** Of the 428,000 newly insured as of Dec. 31, 2008, about 163,000 were enrolled in the subsidized Commonwealth Care program, 76,000 were receiving MassHealth (Medicaid), and 190,000 were enrolled in private commercial insurance through their employers, the Commonwealth Choice program or because they purchased directly from a carrier.<sup>8</sup> The 44% who are enrolled in private, commercial health insurance plans represent the first significant increase in such coverage in Massachusetts in decades.

Moreover, 57 percent of the new 428,000 enrollees contribute significantly toward their monthly premiums, whether they pay all of it - as do some 41,000 direct buyers - or part. In addition to 41,000 new direct purchasers, 149,000 new enrollees contribute to their employer's offer of insurance, and 55,000 enrollees in government-subsidized Commonwealth Care contribute toward their monthly premiums.<sup>9</sup>

#### 7. REFORM HAS CAUSED THE PUBLIC SECTOR TO TAKE-OVER OR CROWD-OUT PRIVATE INSURANCE.

**False.** There is no evidence of a shift in enrollment from the private to the public sector. Most Massachusetts employers have continued to offer insurance to their employees, some have newly offered health benefits, and more employees have taken up their employer's offer of insurance. A survey by the state Division of Health Care Finance and Policy showed that, while nationally the number of employers offering health insurance to employees dropped from 68 to 60% between 2001 and 2007, in Massachusetts, the rate of employers offering insurance increased from 69 to 72% for the same period.<sup>10</sup>

The state's subsidized Commonwealth Care program is structured so that co-pays and premium contributions for enrollees above 200% of the federal poverty level are in line with employer-sponsored health insurance. This alignment discourages "crowd out," or the shifting of costs from the private to the public sector.

#### **8. THE LAW IS UNPOPULAR.**

**False.** Popular support in Massachusetts has continued to grow. It was substantial immediately after passage of the law 61% of likely voters surveyed in the summer of 2006 supported the law. With steady progress toward universal coverage, support has climbed to 67% in June 2007 and 69% in June 2008, according to the same survey.<sup>11</sup> The most recent survey released in December of 2008 and completed by the Urban Institute for the state's Division of Health Care Finance and Policy showed public support at 75%.<sup>12</sup>

#### **9. HEALTH CARE REFORM HAS MANDATED OVER 40 NEW BENEFITS, LIKE IN VITRO FERTILIZATION.**

**False.** Certain mandated benefits existed in Massachusetts statute prior to the advent of reform, including in vitro fertilization. The reform law (Chapter 58 of the Acts of 2006) actually placed a moratorium on legislating new mandated benefits, pending a study.

Under reform, the Connector has established Minimum Creditable Coverage ("MCC"), which does require adults who can afford insurance to have coverage for a broad range of medical services, including physicians, hospitals, diagnostic services and drugs; limits out-of-pocket spending on most services to \$5,000 per person or \$10,000 per family, per year; and caps annual deductibles at \$2,000/\$4,000 per individual/family. It also allows federally qualified, high-deductible health plans with higher patient cost-sharing, to satisfy the MCC requirement.

#### **10. THE LAW IS FRAYING THE SAFETY NET IN MASSACHUSETTS.**

One of the fundamental goals of health reform is to move individuals accessing health care through the Uncompensated Care Pool (UCP)--which is now called Health Safety Net (HSN) from public "charity care" into insurance, without under-cutting "safety-net providers". The health benefits provided to Commonwealth Care members are more comprehensive than the episodic acute care that was generally available through UCP.

As of July 2008, nearly 70% of Commonwealth Care enrollees had previously been either UCP eligible or had used the UCP at some point in 2004 through 2007, and over 90% of Commonwealth Care enrollees joined one of three non-profit health plans sponsored and controlled by safety-net providers. Commonwealth Care has substantially increased their enrollments and medical surplus margins: medical capitations paid to them, less claims they paid out for the contract periods through the third quarter of fiscal year 2009 averaged 3%. (On the other hand, several safety-net hospitals do allege substantial harm from recent cuts in traditional Medicaid payment rates.)

As intended, utilization of the HSN declined by 36% in the first six months of HSN '08 compared to the same period in the prior year of the UCP. HSN services are still available and finance emergency, inpatient acute, and other selected medical services for residents with income at or below 400% FPL who do not qualify for or cannot afford other coverage.

<sup>1</sup> Raymond, A. (2009, May). Massachusetts health reform: The myth of uncontrolled costs. Boston, MA: Massachusetts Taxpayers Foundation. Available online at, <http://www.masstaxpayers.org/files/Health%20care-NT.pdf>

<sup>2</sup> Schoen, C., Nicholson, J., and Rustgi, S. (2009, August 20). Paying the price: How health insurance premiums are eating up middle-class incomes--State health insurance premium trends and the potential of national reform. New York, New York: The Commonwealth Fund. Available online at, [http://www.commonwealthfund.org/-/media/Files/Publications/Data%20Brief/2009/Aug/1313\\_Schoen\\_paying\\_the\\_price\\_db\\_v3\\_resorted\\_tables.pdf](http://www.commonwealthfund.org/-/media/Files/Publications/Data%20Brief/2009/Aug/1313_Schoen_paying_the_price_db_v3_resorted_tables.pdf)

<sup>3</sup> See guaranteed issue plan rates as filed with the Massachusetts Division of Insurance.

<sup>4</sup> Blue Cross Blue Shield Foundation and The Boston Globe (2008). Massachusetts health care access survey. Boston, MA: Author.

<sup>5</sup> Cunningham, P. & Felland, L. (2008, June). Falling behind: Americans' access to medical care deteriorates, 2003-2007. Washington, DC: Center for Studying Health System Change. Available online at, <http://www.hschange.com/CONTENT/993/?topic=topic02#ib1>

<sup>6</sup> Long, S., Cook, A., & Stockley, K. (2009, March). Health insurance coverage in Massachusetts: Estimates from the 2008 Massachusetts Health Insurance Survey. Boston, MA: Division of Health Care Finance and Policy.

<sup>7</sup> Some critics have argued that Massachusetts should use the federal CPS survey for 2007 in calculating the number of uninsured rather than the most recent survey by the state Division of Health Care Finance and Policy. The advantage in using the state survey is threefold: The federal survey asked about insurance coverage during 2007, while the state survey calculated more recent coverage between June and August of 2008. This distinction is important, as the tax penalty for failure to have coverage only went into effect on the last day of 2007 and then increased in 2008, likely resulting in increased take up. Additionally, the federal estimate is based on surveys of 1,000 households in Massachusetts, while the state survey sampled approximately 4,000 households. And finally, the state survey does not impute or estimate data as does the national survey.

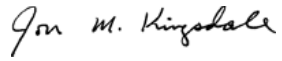
<sup>8</sup> Division of Health Care Finance and Policy (2009, May). Health care in Massachusetts: Key indicators, May 2009. Boston, MA: Author. Available online at, [http://www.mass.gov/Eeohhs2/docs/dhcfp/r/pubs/09/Key\\_Indicators\\_May\\_09.pdf](http://www.mass.gov/Eeohhs2/docs/dhcfp/r/pubs/09/Key_Indicators_May_09.pdf)

<sup>9</sup> Connector Summary Report. Available online at, <http://tinyurl.com/nex6rt>.

<sup>10</sup> Division of Health Care Finance and Policy (2008, December). Massachusetts employer survey. Boston, MA: Author. Available online at, [http://www.mass.gov/Eeohhs2/docs/dhcfp/r/pubs/08/employer\\_report\\_2007.ppt](http://www.mass.gov/Eeohhs2/docs/dhcfp/r/pubs/08/employer_report_2007.ppt)

<sup>11</sup> Blendon, R., Buhr, T., Sussman, T., & Benson, J. (2008, October 28). Massachusetts health reform: A public perspective from debate through implementation. Health Affairs 27(6), w556-w565.

<sup>12</sup> Long, S., Cook, A., & Stockley, K. (2009, March). Health insurance coverage in Massachusetts: Estimates from the 2008 Massachusetts Health Insurance Survey. Boston, MA: Division of Health Care Finance and Policy.



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