Massachusetts Health Reform – Round Three: Chapter 58

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Presentation Outline

- Brief History of Massachusetts Health Reform – Three Waves
  - Insurance Connector
  - MassHealth & Uncompensated Care Pool
  - Subsidized Coverage – CCHIP
  - Individual and Employer Responsibility
  - Insurance Market Reforms
- Why and How Did Chapter 58 Happen?
- What Happens Next?
- National Stakes and Lessons
Brief History of MA Health Reform

- 1988: Universal Health Care Law
  - Pay or Play Employer Mandate
    - Never Implemented/Repealed 1996
  - CommonHealth, Student Insurance Mandate, Medical Security Plan, Healthy Start
- 1996: Chapter 203 MassHealth Bill
  - Medicaid->MassHealth; Enrollee growth from 670,000 (’95) to 1,020,000 (’01)
  - Coverage for all children – CMSP
  - Senior Pharmacy Program
- Both reform waves inspired national action

The Federal Section 1115 Waiver

- Section 1115 Waiver – Centers for Medicaid & Medicaid Services (CMS) can “waive” rules
- 1997–2005: Two waivers
  - Both included “supplemental payments to special managed care organizations”: Cambridge Health Alliance’s Network Health and Boston Medical Center’s Health Net: $385 million by 2005
- 2005: Feds demand changes in 3rd waiver
  - Payments to institutions must shift to coverage or state will lose $385 million in ‘07 and ‘08
- Deadline: In place by 7/1/06
Chapter 58 – Insurance Connector

- Insurance Connector formed as quasi-public authority – 10 member board
  - Certifies health insurance plans as good value; makes available on pretax basis
  - Makes plans available to uninsured individuals and small employers
  - Allows portability if when changing jobs
  - Allows part-time workers to combine employer contributions
  - Defines “affordability” for purposes coverage subsidies and individual mandate

Chapter 58 – Subsidized Coverage

- Commonwealth Care Health Insurance Program (C-CHIP):
  - Subsidized coverage for lower income uninsured below 300% of poverty ($29,000/year/individual)
  - Premiums: no premium if below poverty; sliding scale between 100-300% fpl
  - No deductibles
  - Below 100%: MassHealth cost-sharing, dental, prescription, mental health benefits
  - For first three years, only existing Medicaid managed care plans can participate:
    - Health Net, Network Health, Neighborhood Health Plan, Fallon Health Plan
Chapter 58 – MassHealth

- MassHealth:
  - Children’s coverage expands to 300% FPL ($60,000/family of four)
  - MassHealth enrollment caps lifted
    - Essential, CommonHealth, HIV
  - Optional Benefits: dental, dentures, eyeglasses, other adult services restored
  - $3M outreach/enrollment grants
  - $270M ($90 per year) rate increases to hospitals and physicians
    - Years 2/3 tied to meeting Pay for Performance benchmarks

Chap. 58: Uncompensated Care Pool

- Uncompensated Care Pool continues
  - No changes in funding, regulations until October 1, 2007
  - 10/1/07 becomes Health Safety Net Trust Fund
    - Administered by Office of Medicaid
  - Payments will be made on claims basis, using adjusted Medicare rates
  - Continues to reimburse for services to residual uninsured groups – i.e.: immigrants
Chapter 58–Individual Responsibility

- Individual Mandate
  - By July 1, 2007 all residents 18+ must obtain health coverage
  - Penalties will be assessed if “affordable coverage” is available
  - Board of Insurance Connector defines “affordable”
  - Year 1: loss of personal tax exemption
  - Year 2: tax penalty = ½ cost of affordable plan per month
  - Enforced through tax system

Chapter 58–Employer Responsibility

- “Fair Share” Employer Contribution
  - Employers (11+ workers) who don’t offer coverage must pay $295 per worker
  - Employer must make “fair and reasonable premium contribution” to be exempt

- Employers must facilitate pre-tax IRS section 125 “cafeteria plan” for health insurance

- “Free Rider Surcharge”
  - Non-offering Employers (11+ workers) with frequent pool users may be charged up to 100% of costs over $50K
  - No charge on non-offering firms with 125 plans
Chapter 58– Insurance Market

- Small/Nongroup Insurance Market Reforms
  - No high deductible plans beyond existing law
  - Permit HMO plans to offer HSAs
  - Non-group (individual) market will merge into small group market on 7/1/07
    - Could cut non-group premiums 24%
    - Disputed impact on small group: +3-8%
  - Ages 19-25 young adults can stay on parents’ plans for two years
  - Reduced-benefit plans for 19-26
  - Lots more

Chapter 58– And Lots More

- Quality and Cost Council
  - Sets cost and quality benchmarks
  - Produces website with data/finding
- Racial/Ethnic Health Disparities Council
- $20 million restorations for public health prevention programs
- Computerized Prescription Order Entry implementation -- $5 million
How Did It Happen? Key Players

- Blue Cross Blue Shield of MA Foundation
  - Roadmap to Coverage Initiative
- Gov. Mitt Romney
- Advocacy Community
  - Affordable Care Today Coalition (ACT!)
  - MassACT – Ballot Initiative Committee
- Sen. Pres. Robert Travaglini + Senate
- House Speaker Sal DiMasi + House
- Federal Government – 1115 Medicaid Waiver
- Business Groups
National Model...?

- Reasons why not...
  - Different makeup of uninsured population
    - Lower proportion of uninsured
    - Lower proportion of lower-income uninsured
  - Highly regulated insurance market
    - Guaranteed issue, prohibition on medical underwriting, modified community rating
    - Essential protections for individual responsibility

- Reasons why...
  - Individual/Employer responsibility
  - Confronting the affordability challenge
  - Less a policy blueprint/More a political one