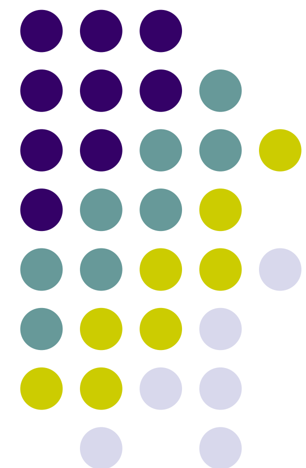
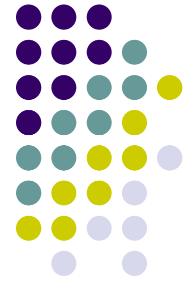
Chapter 58 of the Acts of 2006: Health Care Access

An Overview

Joint Committee on Health Care Financing
Massachusetts State Legislature
November 16, 2006

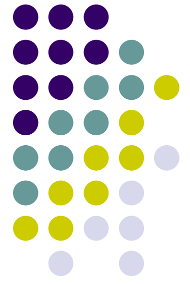


Overview



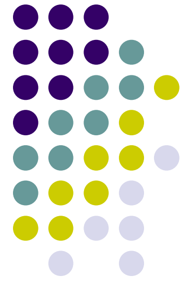
- The basics of health coverage: private & public
- The problem: 550,000 people without access to regular health care
- What the new law does
- Where we are now: what's been implemented, where you and your constituents can go for more information
- Questions, discussion

The Basics of Health Coverage:



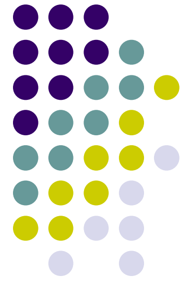
- Health insurance:
  - Spreads our health care risk over a group of people.
  - Individuals, or their employers, pay premiums.
  - Premium revenue is used to pay for health care services.
- The United States is unique among developed nations in having an employer-based health care system. (Legacy of wage freeze during WWII.)
- First government-sponsored programs were established in 1965: **Medicare** (elderly and disabled of any income level) and **Medicaid** (very low income parents of dependent children, children and people with disabilities)

The Basics of Health Coverage, cont.



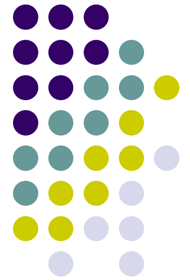
- The cost of health care has skyrocketed since 1965 and continues to grow faster than inflation. Why?
  - Available treatments and tests have exploded! Surgical procedures, high-tech testing, powerful pharmaceuticals.
  - Treatment decisions became insulated from cost considerations. Doctors and hospitals were paid "fee for service" at little or no cost to the patient.
- The result of cost escalation:
  - Fewer employers offer insurance; more people are uninsured.
  - Individual policies are too expensive for most people.
  - Employers increasingly shift cost to individuals: premiums, deductibles, co-pays.

The Basics of Health Coverage:
Massachusetts's Medicaid Program, MassHealth



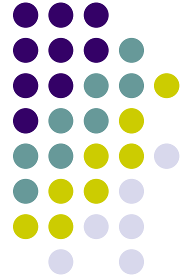
- Joint federal / state program
  - Created to serve children, parents and chronically disabled < 65
- '96 MassHealth waiver with CMS allowed for greater flexibility and expansions:
  - Categorical and financial eligibility
  - Medicaid Managed Care Organizations
  - Budget Neutrality: Costs must not exceed more than without waiver
  - Massachusetts able to draw down significant federal dollars (50/50)
- Recent MassHealth cuts

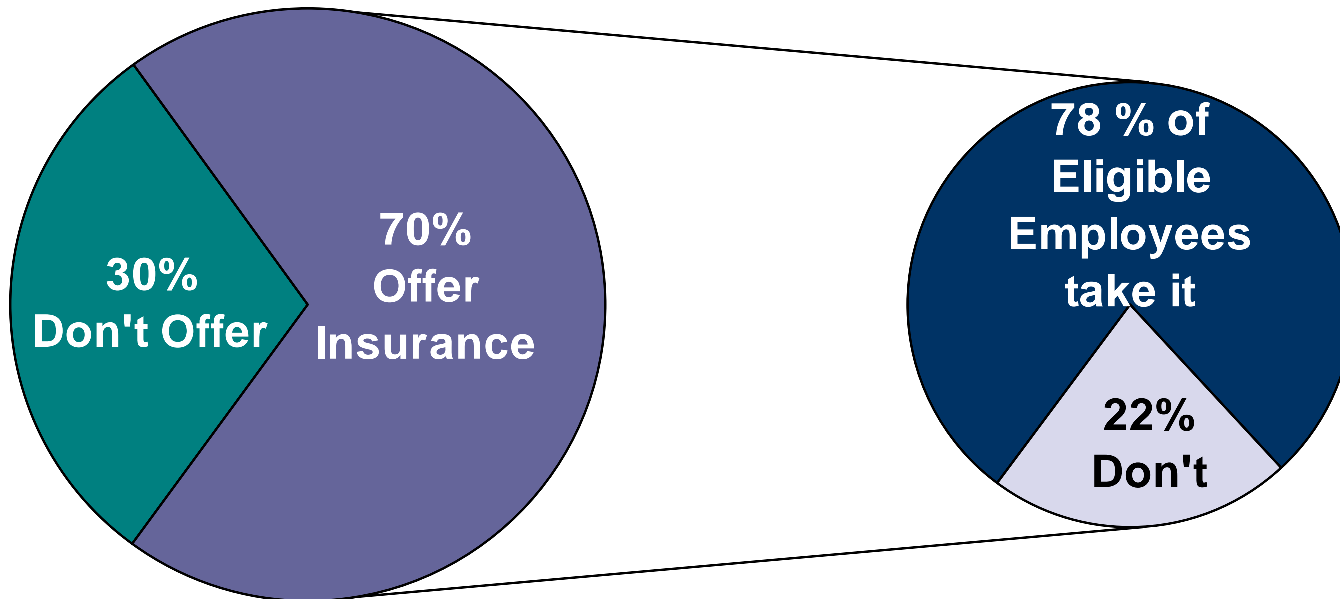
The Basics of Health Coverage:
The Safety Net



- The Uncompensated Care Pool acts as payer of last resort; reimburses hospitals and Community Health Centers for free care provided to low income patients and for emergency bad debt.
- Patient eligibility for free care:
  - < 200% FPL: full free care
  - 201% - 400%: partial free care
- The Pool is funded by assessments on hospitals and insurers, as well as state and federal $$.
- Reimbursements from Pool in FY05 totaled $539 million (not including $140 million Pool offset from other sources).

Employer-sponsored insurance (ESI)





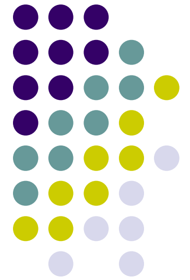
- 68% of employers with ≤ 50 employees offer
- 97% of employers with >50 employees

With eligibility out of the equation:

- 56% of small business employees have ESI
- 68% of larger business employees have ESI

Data from the Massachusetts Division of Health Care Finance and Policy

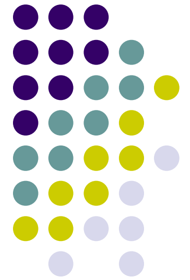
Sources of MA health insurance coverage – 2004*



Source	Percent
Uninsured	9%
Other	3%
Medicare	13%
Employer	62%
Medicaid	13%

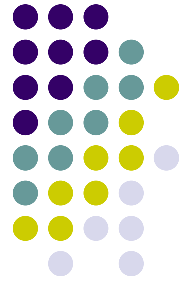
*Data from the Massachusetts Division of Health Care Finance and Policy

So: Who are the uninsured?



- Most are employed: 68% have jobs
    - 70% of employed work full-time
    - Half are offered insurance, but can't afford the premiums
  - 324,000 (59%) make less than 300% FPL
    - 92,000 (17%) make less than 100% FPL
    - 225,000 (70%) of this group are childless adults
- More are young adults – but a growing number are over 55

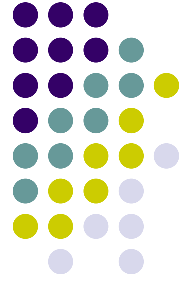
…and, who uses the Uncompensated Care Pool?



Mostly:

- Single adults, ages 25-44
- Very low income (95% below 200% FPL)
- More likely undocumented (21% don’t provide SSN)

Background: A Commitment to Health Care

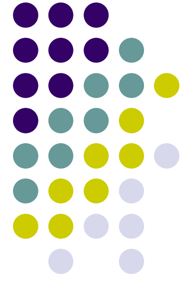


Recent History:

- 1985: Uncompensated Care Pool created to spread burden of funding free care.
- 1988: Employer mandate (never implemented; ultimately repealed); other access initiatives.
- 1996: MassHealth (Medicaid) expansion focused on kids and seniors; created Insurance Partnership Program for small businesses.

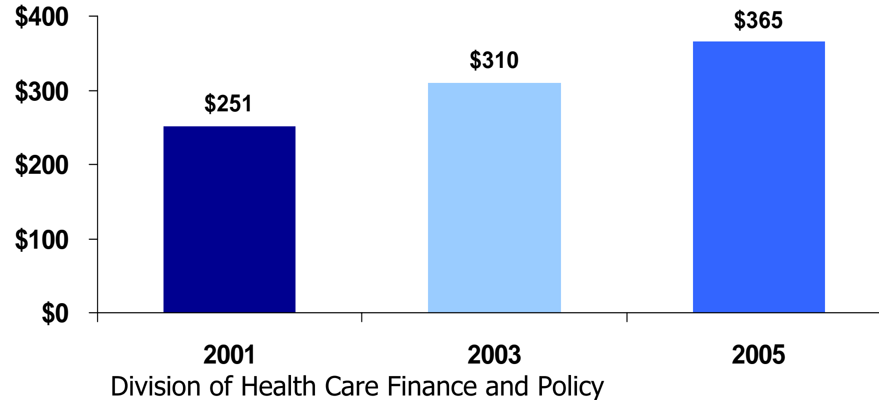
But:

- State budget deficits led to cuts in Medicaid benefits and enrollment caps in FY03.



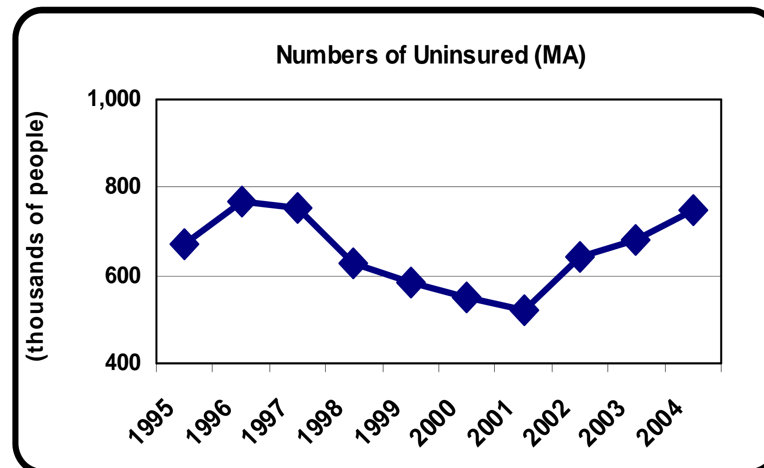
Rising Costs of Coverage…

Median Total Monthly Premium for Individual Health Insurance Plans (Employer-Sponsored)



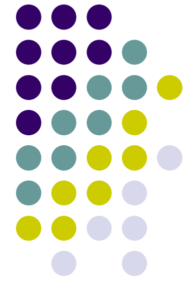
Division of Health Care Finance and Policy

…and a Growing Number of Uninsured



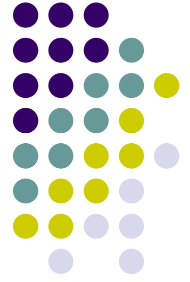
U.S. Census, Current Population Survey

CMS Waiver Renewal - Conditions and Deadlines



- The message: Move money away from institutions and to people.
- The mandate: by July 1, 2006, MA must:
  - Develop a plan to spend the a new “Safety Net Pool” of 1.3 M (=DSH allotment + value of supplemental payments to MCOs).
  - Replace current IGTs with new funding mechanisms.
  - Pay MCOs actuarially sound rates.
  - Keep spending within neutrality requirements.
- $672 M in federal funds at risk if conditions not met.

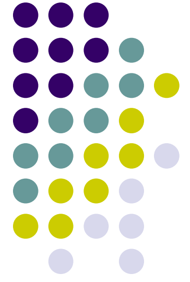
Components of Coverage in Chapter 58*:



- Medicaid expansion
- Insurance subsidies
- Quasi-public central management mechanism
- Addressing Insurance Cost for Individuals
- Insurance product changes
- Individual mandate
- Employer contribution

**As amended by corrective bill, Chapter 324 of the Acts of 2006*

Everyone "does their part"



Government

- Medicaid expansion
- Subsidized insurance
- The Connector
- UC pool reform

Health Care System

- Meet quality and performance standards
- New levels of "transparency"
- Serve more patients
- Adjust to payment changes

Expanded Coverage

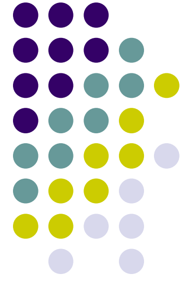
Employers

- Fair Share Assessment
- "Free Rider" provisions
- Mandatory "cafeteria plans"

Individuals

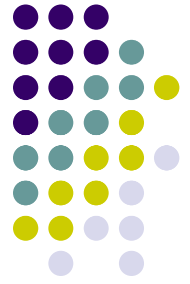
- Individual Mandate

Components of Coverage: Medicaid



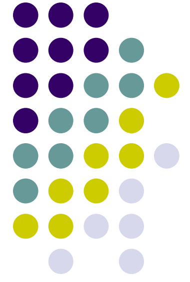
- Aggressive outreach to enroll eligible people.
- Expand Medicaid coverage:
  - Cover all children up to 300% FPL
  - Eliminate wait list on program for long-term unemployed.
  - Raise "enrollment cap" on programs for people with chronic disabilities, and people with HIV.
  - Expand eligibility for Insurance Partnership Program to workers earning up to 300% FPL.
- Restore optional services cut in 2002 (dental, vision).

Components of Coverage: Commonwealth Care Health Insurance Program (C-CHIP)



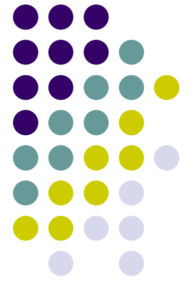
- Subsidized insurance for people <300% FPL; comprehensive policies, no deductibles.
- Enrollees with incomes below 100% FPL pay no premium, those above contribute based on a sliding-scale premium schedule.
- Connector contracts for and oversees policies; Medicaid managed care organizations will provide plans in initial years.
- Protections: Right to appeal eligibility decisions, consumer protections.

Components of Coverage: The Connector



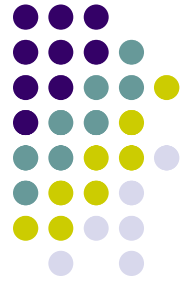
- Operates Commonwealth Care
- "Connects" individuals and small business to high-quality commercial policies.
- Reduces administrative burden on small business, helps workers buy insurance with pre-tax dollars.
- Only sells high-quality, high-value policies receiving the "Connector Seal of Approval".
  - Must meet all current insurance standards, with two exceptions:
    - May have more limited provider networks.
    - Allows new, more limited-coverage products for young adults (up to age 26). "First-dollar" coverage for preventative and primary care.

Components of Coverage:
Addressing Insurance Cost for Individuals



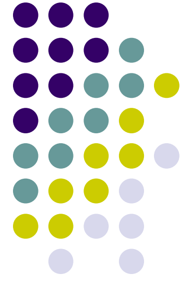
- Merge "non-group" & "small group" into one risk pool.
  - Non-group is smaller (80,000), higher risk.
  - Small-group is larger (800,000), lower risk.
  - Non-group rates will drop 27%.
  - Small-group rates may rise 2-3%.
- The "individual mandate" will bring more healthy people into the market, may counteract any rise.

Components of Coverage: Insurance Product Changes



- Maintains all current mandated coverages.
  - Requires carriers to allow parents to keep young adults on family policies for two years “past loss of dependent status” or through age 25, whichever comes first.
- Deductibles remain at current levels.
  - HMOs may offer plans with somewhat higher deductibles, if tied to Health Savings Accounts.
- State tax advantage given to HSAs.

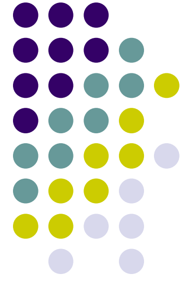
Components of Coverage
The Individual Mandate – Why?



- Experience, research shows:
  - voluntary measures aren't enough.
  - regardless of price, people "hedge their bets", go without coverage.
- Requiring coverage brings healthy people into the risk pool, helping to stabilize premiums.
- Without a mandate, no proposal has projected to cover more than half of the uninsured – even with substantial subsidies.

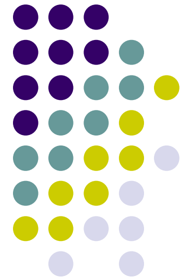
Components of Coverage

The Individual Mandate: How will it work?



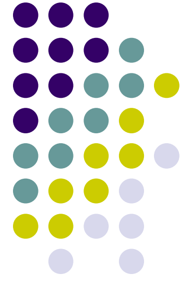
- As of July 1, 2007, individuals will be required to obtain coverage, if it is "affordable".
- The Connector will set an annual "affordability scale".
- Enforcement will be through the state income tax process - residents will confirm coverage on tax forms.
- 2007: penalty will be the loss of the personal exemption.
- 2008 and after: penalty will be 50% of monthly cost of a policy for each month without insurance coverage.

Components of Coverage: Employer Responsibility



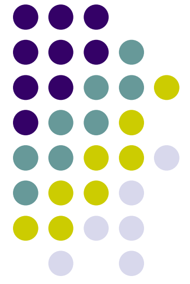
- At a minimum, all employers must offer "cafeteria plans" to allow employees to purchase insurance with pre-tax earnings.
- Currently, employers who *do* provide insurance pay for the uninsured, through the Free Care Pool assessment.
- The Fair Share Contribution will spread the burden of funding the Pool. Employers will pay up to $295 per full-time employee annually *if*:
  - They have more than ten employees, *and*
  - They don't offer insurance and make a "fair and reasonable" contribution to the premium cost.

Strategies for Coverage: Employer Responsibility (cont.)



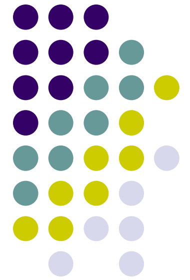
- FREE RIDER SURCHARGE – Employers who do not comply with Section 125 requirement may be penalized.
- Trigger:
  - One employee receives free care services on 3 occasions or more during the year, OR if 5 or more occurrences of free care by all employees in the aggregate during one year, AND
  - The total cost of such free care is $50,000 or more.
- Potential Liability – Between 10% and 100%
- Proposed Regulations – 114.5 CMR 17.00

Components of Coverage: Support & Accountability for Hospitals



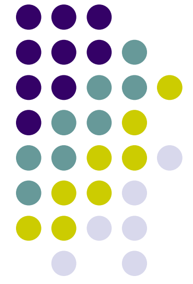
- Hospitals receive Medicaid rate relief, with new increases tied to "Pay for Performance" measures.
- Uncompensated Care Pool Reform:
  - Moves management to Medicaid.
  - Implements fee-based reimbursement.
- All hospitals will benefit when patients have insurance.

Quality and Cost Initiatives



- Establishes Health Care Quality and Cost Council
  - sets quality and cost containment goals
  - maintains website for consumers with quality information by facility and group practice
- Public Health spending – $20 Million
- Support for Computerized Physician Order Entry - $5,000,000 allotted for pilot program

Covering the Uninsured



209,750

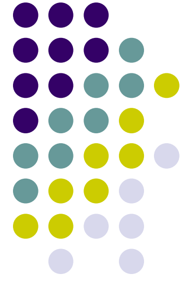
82,200

223,600

- Medicaid
- Market Reforms
- Commonwealth Care

Total new insured: 515,550 (95%)

Where are we now? Medicaid



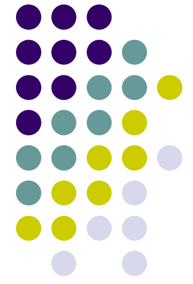
Medicaid Expansions

- Expansion of MassHealth to children up to 300% FPL occurred in July, 2006.
- Restoration of dental, vision benefits also July 2006.
- Elimination of wait list for long-term unemployed, July 2006.

Insurance Partnership

- Employees earning up to 300% FPL eligible as of July 2006.
- "Crowd out" language added.

MassHealth eligibility for people < 65, as of 11/2006



Federal Poverty Level Guideline (FPL

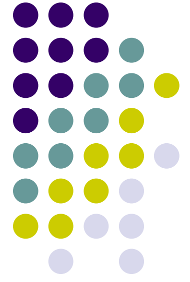
350%
300%
250%
200%
150%
100%
50%
0%

Population	FPL Medicaid base population	FPL for expansion 1996-2003	FPL for expansion in Chapter 58, 2006
Children	150%	50%	100%
Parents	133%		
Disabled	133%	No Income Limit	
Pregnant	200%		
Family Assistance (Insurance Partnership)		200%	100%
HIV-positive		200%	
Limited (Undocumented)	133%		
Women with Breast, Cervical Cancer	250%		
Basic (EAEDC)		100%	
Essential (Long-term unemployed)		100%	

Population

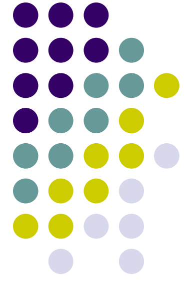
FPL Medicaid base population
FPL for expansion 1996-2003
FPL for expansion in Chapter 58, 2006

Where are we now? Commonwealth Care



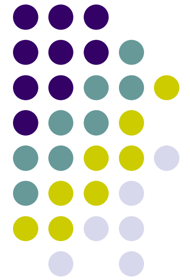
- Commonwealth Care Health Insurance began on October 1, 2006:
  - First phase: coverage for >100% FPL ($9,804 for an individual; $20,004 for a family of 4) started on 10/1/06. 24,500 determined eligible, 8,211 enrolled.
  - Second phase: coverage for 101-300% FPL starts 1/1/07.
- Connector has set premium contributions levels for participants:
  - Enrollees with incomes >100% FPL do not pay premiums.
  - Choice of plans (depending on region); auto-assignment for enrollees who do not choose a particular plan.
  - Enrollees with incomes from 101-300% FPL will pay a base amount ranging from $18 to $106 per month; may choose plans with higher or lower premiums and varying co-pays.

Where are we now?
The Connector



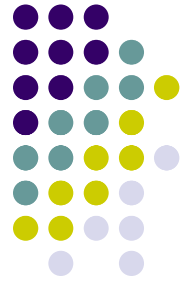
- Staffed and operating; active, effective Board.
- Commonwealth Care launched.
- Dec. 1, 2007 - Will define standards for the Connector "Seal of Approval", including definition of "creditable coverage" for IM.
- Spring, 2007 – Will set "affordability schedule" for the Individual Mandate, which becomes effective 7/1/07.
- May 1, 2007 – Open enrollment for Connector commercial products, coverage beginning 7/1/07.

Where are we now? Insurance Changes



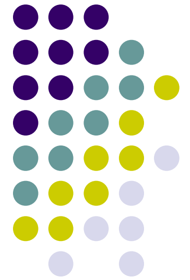
- Jan. 1, 2007: All commercial family plans written or renewed after this date must allow coverage of young people two years past "dependent" status.
- May 1, 2007: Open enrollment for all plans available through the Connector, including those available ONLY through the Connector: Young Adult plans and limited network plans.
- July 1, 2007: Nongroup/Small group markets merge.

Where are we now? Employer Responsibility



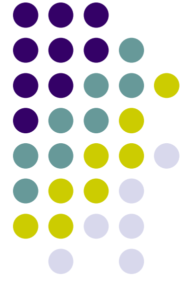
- The Division of Health Care Finance & Policy has promulgated Fair Share regulations that define "fair and reasonable contribution." Businesses meet this standard and are *exempt* from the Fair Share Contribution if they:
  - Offer health insurance in which at least 25% of their employees participate, *or* contribute at least 33% of the premium cost of the insurance.
  - For the purpose of determining participation, part-time, temporary, and seasonal workers do *not* count.
  - The Division of Unemployment Assistance will collect the Fair Share Contribution, under regulations yet to be promulgated.
- Employers must offer a Section 125 ("Cafeteria") Plan by July 2007 or be subject to the Free Rider surcharge (regulations in process).

Where are we now? Hospitals



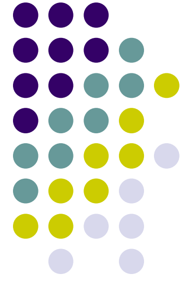
- First increment of rate increases to be implemented in FY07.
  - Current issues re: rate increase methodology under discussion.
- Pool reforms scheduled to go into effect October 1, 2007.
  - Current freeze on changes in Pool eligibility regulations to maintain stable system, protect patients & hospitals.
- Pay for performance:
  - EOHHS will determine and implement criteria starting in FY08.

Where are we now? Quality & Cost Initiatives



- 13 Member Council – Chaired by Secretary Timothy Murphy (Secretary of EOHHS)
- Four sub-committees have been formed
  - Cost – Develop recommendations on appropriate levels of cost information to be collected and made available
  - Quality – Make recommendations that will lead to health care that is (1) safe, (2) timely, (3) effective, (4) equitable, (5) efficient, and (6) patient centered
  - Public Communications
  - Governance and Administration

Additional resources:



- Massachusetts General Court website: www.mass.gov/legis

  Full text of Chapter 58 of the Acts of 2006, narrative summary, fact sheet and section-by-section summary

- Massachusetts Health Insurance Connector Authority website: www.mass.gov/connector
- Blue Cross/Blue Shield of Massachusetts Foundation website: www.bcbsmafoundation.org

  Urban Institute's "Roadmap to Coverage", detailed summary of the legislation, reports on implementation

- Health Care for All, Massachusetts' consumer advocacy organization: www.hcfama.org/, and especially the ED's blog: http://blog.hcfama.org/
- Associated Industries of Massachusetts: www.aimnet.org