



Health Care Reform:

Learning from the Massachusetts Experience



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The Massachusetts Cost Containment Bill:
Implementation and Economic Impact

September 23, 2008
Sargent Hall, Suffolk University

Health Care Reform I

Chapter 58 of the Acts of 2006

Expansion of Access to Safe, Quality Health Care

Massachusetts Health Reform Policy Objectives and Results

Main Objectives:

- *Expansion of Coverage*
 - Medicaid Expansion
 - SCHIP Expansion
 - Subsidized Insurance/Insurance Partnership (under 300% FPL)
 - Non-Subsidized Insurance (over 300% FPL)
 - Individual Mandate

Massachusetts Health Reform Policy Objectives and Results

Coverage Expansion Results

Medicaid/SCHIP Expansion

- Effective date was July 1, 2006
- 72,000 currently enrolled
- Goal was 85,000 enrolled

Commonwealth Care (Subsidized Insurance)

- Effective date was October 1, 2006
- 169,043 currently enrolled
- Goal was 160,000 enrolled

Commonwealth Choice/Individual Mandate (Non-Subsidized Insurance)

- Effective date was July 1, 2007
- Process moving forward and on schedule
- 191,000 currently enrolled
- Goal was 200,000 enrolled

Massachusetts Uninsured Numbers

Who are the remaining 223,930 uninsured?

- Undocumented immigrants
- 60,000 who income did not meet the affordability test
- Employees who were offered and declined employer sponsored insurance
- Individuals eligible but not enrolled in Commonwealth Care or MassHealth
- Individuals whose incomes exceed 300% FPL

Issues & Challenges Ahead

Financing Concerns

- The growing net new cost to the Commonwealth
- The net new cost to the Commonwealth for Health Care Reform has grown from a surplus of \$122 million in FY '06 to a cost of \$300 million in FY '07 and \$558 million in FY '08
- The new net state cost is projected to be in excess of \$635 million in FY '09 and could grow significantly if the waiver agreement is unfavorable to the state
- Commonwealth Care is funded by 96.5% public dollars and in 3.5% by enrollee contributions
- 70% of Commonwealth Care enrollees (122,043) pay no premiums
- FY '09 Commonwealth Care funding is budgeted to be \$869 million, up from \$239 million in FY '08, which had \$630 million in Commonwealth Care spending

Issues & Challenges Ahead

Financing Concerns

- Other changed assumptions on funding:
 - minimal free rider funding from employers no revenue produced to date
 - minimal fair share funding from non-participating employers (only 900 employers out of 62,000 are required to pay - estimate of \$7.4 million down from \$45 million originally projected)

Issues & Challenges Ahead

Financing Concerns

- Connector decision to expand enrollee premium exemption to 150% of FPL from 100% FPL adds further costs to SNCP
- Decision to exempt 60,000 enrollees from the individual mandate for affordability requirements further reduces coverage goals and increases pool demand
- All these issues create long-term funding sustainability concerns

Health Care Reform I - Progress Report

The Boston Globe

EDITORIAL

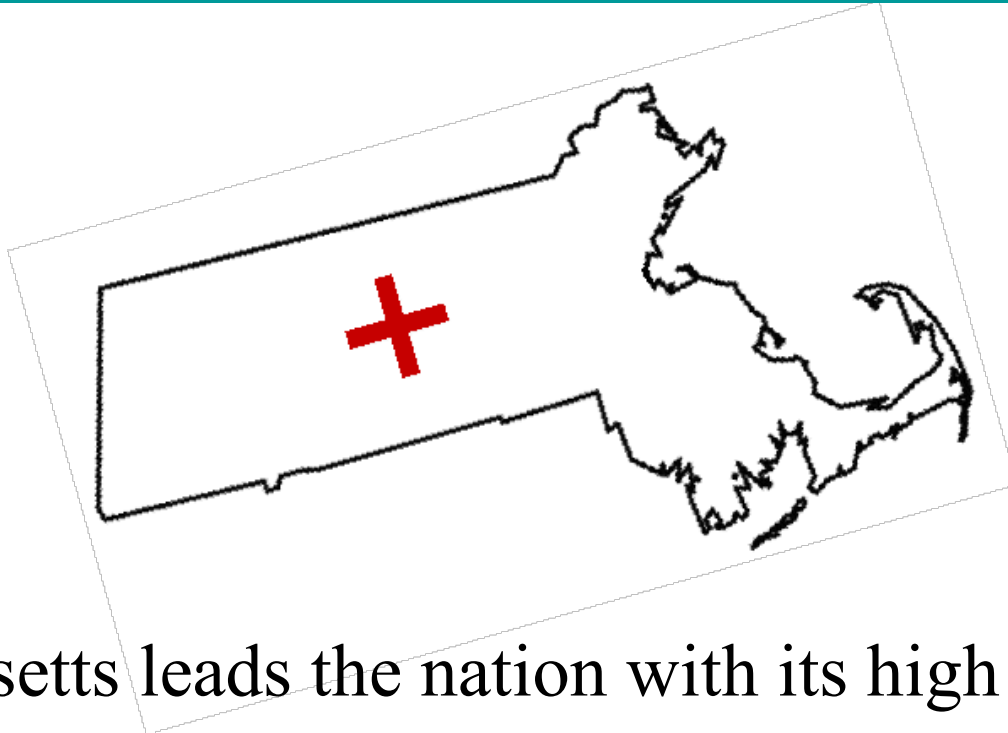
June 4, 2008

Health reform is working

THE 350 PEOPLE who packed into the main conference room of the John F. Kennedy Library yesterday were in a good mood. They were about to hear a report that implementation of the Massachusetts health reform law had, in less than two years, cut the number of uninsured people of working age nearly in half. Then they got the bad news from House Speaker Salvatore DiMasi, one of the progenitors of the law: "The third year . . . will be the most difficult."

The law has resulted in health insurance coverage for 355,000 people, but it is costing more than expected, and it was mainly funded by two uncertain revenue sources: money that would otherwise go to hospitals to treat the uninsured, and a special waiver of federal Medicaid rules.

Health Care Reform I - Progress Report



Massachusetts leads the nation with its high percentage of residents with health insurance according to the latest data released by the Census Bureau.

– U.S. Census Bureau Annual Update on Income, Poverty and Health Insurance Coverage in the United States, August 2008

Health Care Reform II

Bending the Cost Curve

Chapter 305 of the Acts of 2008

Health Reform II - Goal 1

Improve Access to Primary Care Services

- Establishes a new Health Care Workforce Center to improve access to health care services, with a particular emphasis on primary care.
- Expands enrollment at UMass Medical School for students committed to primary care specialties. \$1.5 million was earmarked in the FY 2009 Budget for this expansion.
- Authorizes an Enhanced Learning Contract for UMass Medical students who commit to providing primary care in the Commonwealth.
- Requires health insurers to recognize and reimburse nurse practitioners as primary care providers.

Health Reform II - Goal 2

Enhance Transparency of Health Care Costs and Quality

- Requires annual public hearings with health care providers and insurers to investigate health care costs drivers and make cost-reduction recommendations. \$500,000 was earmarked in the FY 2009 Budget for DHCFP to conduct these hearings.
- Regulates marketing practices to physicians from the pharmaceutical and medical device industry based on an industry-accepted code of conduct.
- Requires the reporting of serious reportable events and hospital-acquired infections.
- Prohibits health care providers from billing for serious reportable events.

Health Reform II - Goal 3

Encourage Adoption of Health Information Technology

- Establishes an E-Health Institute to oversee the statewide implementation of electronic health records by the year 2015 to improve patient safety and lower costs. The FY 2009 Budget dedicates \$25 million for the first year of this initiative.
- Sets a deadline of 2012 for statewide adoption of Computerized Physician Order Entry Systems (CPOE) in all hospitals and community health centers.
- Requires physician competency in health information technology for medical board registration by the year 2015.

Health Reform II - Goal 4

Promote the Efficient Use of Health Care Resources

- Strengthens the Determination of Need Process for ambulatory surgical centers and large outpatient capital expenditures.
- Sets a statewide standard for uniform billing and coding among health care providers and insurance companies to reduce administrative costs.
- Authorizes a MassHealth "Medical Home" Demonstration project to encourage primary care providers to adopt a coordinated, patient-centered care model. \$5 million was designated for this program in the FY 2009 budget.