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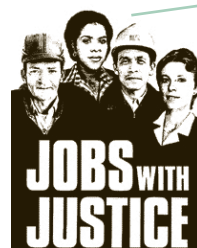
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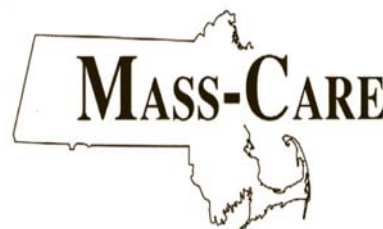
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Universal Health Care



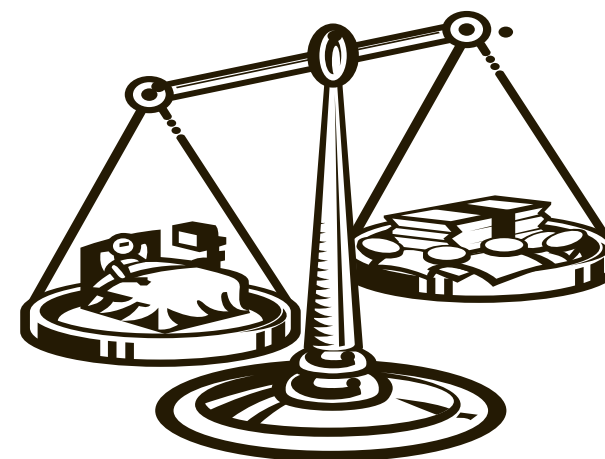
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Massachusetts Jobs with Justice and Mass-Care are non-profit organizations mobilizing for real health care reform. If you would like to donate to either, please go to www.massjwj.net or www.masscare.org

Universal Health Care



Massachusetts Health Reform: Solution or Stopgap?

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Overview

Massachusetts health reform (known as “Chapter 58”) has been billed as a “model for the nation” and a “blueprint to universal coverage.” This rhetoric has generated expectations that Massachusetts residents of all incomes will be able to get affordable coverage. This hype distracts us from what really has been achieved, what hasn’t, and the strengths and weaknesses of the political strategy that brought us the new law.



Cartoon ©John Jonik

The Chapter 58 Approach

Chapter 58 subsidizes coverage for residents below a certain income level, while requiring most other residents to purchase health insurance on their own or face penalties (an “individual mandate”). The law attempts to impose a small fine on employers not offering health benefits to their workers, increased payments to many hospitals and health centers, and slashed the existing health care safety net (the “Free Care Pool”).

The Politics of Reform

Chapter 58 was passed when the federal government insisted Massachusetts reduce the number of uninsured residents using the state’s Free Care Pool, or lose almost \$400 million in matching federal grants. The law constituted a compromise between a Democratic state legislature, a Republican Governor, the Bush Administration, and powerful political entities in the state. The legislation thus included progressive provisions to expand public subsidies for health care, conservative calls for “individual responsibility,” and an effective moratorium on reform of the existing health care system to satisfy health care industry representatives. The bill was introduced and passed within 24 hours with little public scrutiny.

Limits of Massachusetts Reform

Chapter 58 is widely recognized as an unsustainable effort over the medium-term. As every industrialized nation in the world spends less and has better health outcomes than the U.S., we can do better.

Alternatives for Reform

Models Exist for Universal, Sustainable Reform

The United States spends more on health care than any other country, and yet our health outcomes and access to needed care are among the worst in the developed world. This international experience provides us with dozens of proven alternatives for reform, and important lessons about our health policy options.

Health Insurance Linked to Jobs Undermines Health Security

Although many people are happy with their health care coverage, loss of their job, or an illness that requires them to leave work, can threaten their health security and the continuity of care. Health plans that cover residents regardless of their job status mean that health coverage is not threatened when we are most economically vulnerable.

Public Solutions Are Cheaper and Better for Patients

Public financing of health care in all countries reduces waste in the system, leads to better outcomes for patients, and greater equality of access. Countries allowing health insurance to become an industry, such as the U.S. and Switzerland, face uniformly higher costs and problems with health care access. Among the most effective models are “single-payer” systems with a single public fund covering all residents with comprehensive care, or systems with a few public plans leaving no resident without the right to health care.



Winners & Losers

Mixed Results for Uninsured, Providers, Taxpayers

Chapter 58 has, without significantly increasing revenues for the health care system, changed the landscape of who pays for health care and who benefits. Low-income patients are being pushed from the publicly-financed Free Care Pool into private insurance plans; funds to safety net providers are being threatened; and responsibility for covering the uninsured is being shifted onto the shoulders of uninsured households.

Health Reform Winners

- Over 150,000 Low-Income Uninsured have been covered by private insurance plans under the new law at no premium cost. Most previously relied on the state's Free Care Pool, which had limited geographic access but no co-payments.
- Private Insurance Companies have been guaranteed a large new market by the individual mandate, and have been blitzing the Commonwealth with advertisements.
- Larger and Wealthier Hospitals are benefiting from increased reimbursement rates from Medicaid, while smaller community providers are struggling.

Health Reform Losers

- Residents Above 300% of Poverty do not qualify for subsidies, and many are either purchasing expensive "swiss cheese" policies with high deductibles, co-pays, and coinsurance, or will face tax penalties..
- Young Adults have been segmented from the rest of the population by the law, and offered even worse insurance coverage.
- Many Who Previously Had Access to the Free Care Pool have now been enrolled in commercial insurance plans and face unaffordable co-payments and managed care for the first time.
- Safety Net Providers have seen their funding cut, and are taking losses for treating the uninsured and underinsured.
- Taxpayers are being asked to foot the bill for new coverage, and to sacrifice other public services and benefits, without any cost control measures having been imposed on the health care industry to make the spending program sustainable.

The Individual Mandate

Shifting Responsibility to Individual Households

Chapter 58's most controversial provision requires all uninsured residents to purchase health insurance if an "affordable" plan is available. Those below 150% of poverty get free coverage, those from 150-300% get sliding subsidies, while everyone else (about half of the uninsured) must purchase coverage on their own. The standards for affordability have been criticized by health care advocates.

Health Care Poll Tax & Penalties

An individual mandate is one of the most regressive ways of paying for expanded health coverage, shifting responsibility for health care costs onto individual households. Additionally the penalties for non-compliance are extremely stiff. In its second year residents will be fined \$920 for being uninsured, similar to the fines for some serious crimes (see below).

National Attention

Two decades ago, a wave of "employer mandates" were passed in many states, although most went unimplemented. Today, responsibility is being shifted from employers to the uninsured, who lack a political voice. Individual mandates have now been proposed in states around the country, and by lead Democratic presidential candidates. Individual mandates are largely untested thus far.

The Crime	The Fine
Violation of Child Labor Laws	\$50
Employers Failing to Partially Subsidize a Poor Health Plan for their Workers	\$295
Driving Under the Influence, First Offense	\$500 min
Domestic Assault	\$1000 max
Cruelty to or Malicious Killing of Animals	\$1000 max
Being Uninsured in Massachusetts	\$920

Business & Labor

No protection for workers' health care coverage

Chapter 58 includes two employer-responsibility provisions that, in practice, have proven easy to evade. In addition, the law has had several unexpected consequences for labor relations in the state.

Employer Fair Share Contribution

The law requires that all employers with more than 10 employees make a "fair and reasonable contribution" towards their workers' health premiums, or pay a \$295 per worker per year fine to the state. While the fine is small compared to the cost of health insurance, the state has defined "fair and reasonable" so that it is easy for employers to evade the fine in practice. Employers covering 25% of their workers or offering to pay 33% of the premium costs for any plan, are off the hook. The employer fine was applied to no firms in 2006 and only 500 firms in 2007, raising a paltry \$5 million. Firms have avoided the fine by paying a smaller share of premiums for more of their workers, or by spinning off parts of the business to get under the 11 employee mark.

Employer Free-Rider Surcharge

Another provision of the law would fine employers whose uninsured workers receive care through public insurance. However, employers who offer a "cafeteria plan" allowing workers to pay for their own benefits, even if employers pay nothing into the plans, are off the hook.

Unintended Consequences

A November 2007 survey found that 28% of businesses with uninsured workers planned to hold down wages, so that their employees will qualify.

Statement by AFL-CIO President, John Sweeney

"Who would have thought that Massachusetts . . . would take a page out of the Newt Gingrich playbook for health care reform? Forcing uninsured workers to purchase health care coverage or face higher taxes and fines is the cornerstone of Mr. Gingrich's health care reform proposals. And it is unconscionable that Massachusetts has adopted this misguided individual mandate."

Health Care Costs

Without cost control, reform is unsustainable

Health care costs in Massachusetts are the highest in the world. Costs have been rising by 10% per year, more than three times the rate of inflation. Chapter 58 contained no significant cost control elements. Similar subsidy plans passed in Washington, Minnesota, Tennessee, and other states have failed to sustain relief for the uninsured due to rising costs and budget shortfalls.

Expectations & Reality

Initial estimates of the costs and available revenue for reform were wildly unrealistic. Planning for the law significantly underestimated the number of uninsured in the state. Revenues from the employer fine were estimated at \$48 million per year, but in reality raised no funds the first year, and only \$5 million the second year. Almost all funding is coming from the state general budget and federal matching grants: however, the subsidies are \$245 million over budget in 2008, and the Bush administration is poised to cut federal matching funds.

Business As Usual

Failure to control costs not only threatens the sustainability of the reform law, but guarantees continued erosion of employer-sponsored health care. Even the state is attempting to pass rising health care costs onto its workers, as the Governor's 2008 budget calls for significant increases in public employee contributions.

Cutting Out the Waste

Massachusetts spends enough to cover all residents with comprehensive health care benefits if we cut out waste in the system and use it for patient care. This will require more fundamental reform.

Statement by Massachusetts Senate President, Therese Murray

"If we do not constrain healthcare costs, the system we worked so hard to create and implement will collapse."

Commonwealth Connector Executive Director, Jon Kingsdale

"If we have double-digit increases (annually in costs), health reform is not sustainable."