

Health Insurance Purchasing:

Some Early Lessons about Individual Mandates and Market Reforms from Massachusetts



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Key Elements of the Massachusetts Law

- Medicaid Expansions and Restorations
- *Commonwealth Care* – Premium Subsidy Program
- Health Insurance Market Reforms
- Health Insurance *Connector*
- *Commonwealth Choice*: more affordable products for individuals and small businesses
- Individual Mandate for all adults
- Employer Responsibilities (for firms ≥ 11 employees)
- Medicaid provider rate increases



Individual Mandate

- Applies to all MA adult residents as of July 1, 2007
 - As long as “affordable” coverage is available
- Minimum acceptable benefit package (“Minimum Creditable Coverage”) set by Connector
- Standard of affordability set by the Connector
- Enforced through state tax system

What’s the policy role of the IM?

- Getting as close possible to universal coverage
 - Voluntary system, even with employer mandate, would not require workers to take up the offered coverage or affect non-workers – a group with particularly high rates of uninsurance
 - Also encourages those eligible for public coverage to enroll
- Helping keep coverage more affordable
 - In voluntary health insurance system, people with low medical expenses more likely to go without coverage
 - Produces less money in overall insurance pool and higher premiums for those with insurance
- Reducing spending on “uncompensated care”
 - Reallocation of money from Uncompensated Care Pool major source of financing of Commonwealth Care program of subsidized insurance

What's the political role of the IM?

- One leg of the “shared responsibility” stool
- “Innovative market-oriented” approach
 - Keeping CMS happy enough to continue federal financing
- A compromise advocates had to make to get Medicaid expansions and restorations

Implementation Issues with the IM

- What is acceptable minimum coverage?
- What is “affordable”?
- How to make adequate, affordable health insurance available to as many people as possible?
- How do you make people aware and help support enrollment?
- How to enforce it?
- How to recognize unique individual circumstances?
- How to ensure that alternatives to insurance are not more attractive
 - Uncompensated Care Pool
- How to gain and sustain public support?
- How to make/keep coverage affordable?

Support for Individual Mandate

The new law requires that all uninsured Massachusetts residents either purchase health insurance or pay a fine of up to 50% of what health insurance would cost. If a state agency determines that a person can't afford a policy, they would not be required to buy one. People whose incomes fall below a certain level would receive help paying part or all of their insurance premiums. Do you support or oppose state government requiring uninsured residents to purchase health insurance?




Source: Kaiser Family Foundation/Harvard School of Public Health/BCBS of Mass. Foundation Massachusetts Health Reform Tracking Survey (conducted May 29-June 10, 2007); Harvard School of Public Health/BCBS of Mass. Foundation/ICR The Massachusetts Health Reform Law: Public Opinion and Perception (conducted Sep. 11-18, 2006)

What is Acceptable Minimum Coverage?

- Trade-off between scope of benefits and premiums
 - Higher the premium: more people exempt from the mandate at a given standard of affordability
- What is the purpose of insurance?
 - Financial protection against “catastrophic” medical expenses?
 - Mechanism to ensure access to needed medical services and share costs broadly?
- Standard of coverage affects all insured not just uninsured
 - ERISA restricts ability of state to dictate benefits in self-funded plans but employees still subject to IM
 - Puts pressure on employers by employees who much comply
 - IM likely to increase employee take-up of insurance
- What's the market standard?
 - Public expectations about scope of health insurance benefits and the cost of health insurance

Minimum Creditable Coverage in Massachusetts

- **Benefits**
 - preventive and primary care (at least 3 visits prior to deductible)
 - emergency services, hospitalization benefits, ambulatory patient services, mental health services (no change in state mandated benefits for insured plans)
 - prescription drug coverage
 - **Cost-sharing**
 - Deductible capped at \$2,000 for individual coverage and \$4,000 for family coverage
 - Separate drug deductible may not exceed \$250 for individual and \$500 for family coverage
 - Maximum out-of-pocket spending for in-network services capped at \$5,000/\$10,000
 - Must include the upfront deductible, most co-insurance, and any services that require \$100 or more in co-payments
 - MCC will be phased in until 2009
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What is “affordable”?

- Trade-off between affordability and application of the IM
 - Higher the premium at which coverage is deemed “affordable,” more people subject to the IM
- Affordable in terms of what?
 - Premiums or all out-of-pocket spending?
 - Flat dollar amounts or sliding-scale based on income?
- Reference points for developing standard
 - Employee contributions for employer coverage?
 - Employee premium contribution is generally regressive (not linked to income)
 - Economists argue employees also pay employer share through reduced wages
 - Premiums in nongroup/direct pay market?
- Trade-offs between nuance, equity and simplicity

The Massachusetts Affordability Schedule

SINGLES		COUPLES		FAMILIES WITH CHILDREN	
Annual Income	Monthly Premium	Annual Income	Monthly Premium	Annual Income	Monthly Premium
\$0 - \$15,315	\$0	\$0 - \$20,535	\$0	\$0 - \$25,755	\$0
\$15,316 - \$20,420	\$35	\$20,536 - \$27,380	\$70	\$25,756 - \$34,340	\$70
\$20,421 - \$25,525	\$70	\$27,381 - \$34,225	\$140	\$34,341 - \$42,925	\$140
\$25,526 - \$30,630	\$105	\$34,226 - \$41,070	\$210	\$42,926 - \$51,510	\$210
\$30,631 - \$35k	\$150	\$41,071 - \$50k	\$270	\$51,511 - \$70k	\$320
\$35,001 - \$40k	\$200	\$50,001 - \$60k	\$360	\$70,001 - \$90k	\$500
\$40,001 - \$50k	\$300	\$60,001 - \$80k	\$500	\$90,001 - \$110k	\$720
Over \$50k	Affordable	Over \$80k	Affordable	Over \$110 k	Affordable

How to ensure coverage is available?

- “You Must Build It If They Must Come”
- Insurance market regulation critical to the IM
- “Heavily” regulated small group and direct pay markets in Massachusetts for 10+ years
 - Guaranteed issue and renewal (including all product options)
 - Limits on use of pre-X
 - Small group market=1-49 size
 - Rating that broadly spreads risk
 - Modified Community rating: 2:1 bands for age adjustment
 - Carriers must each rate all products in one pool
 - Limited product options in direct pay market
 - Very little review/regulation of premium rates

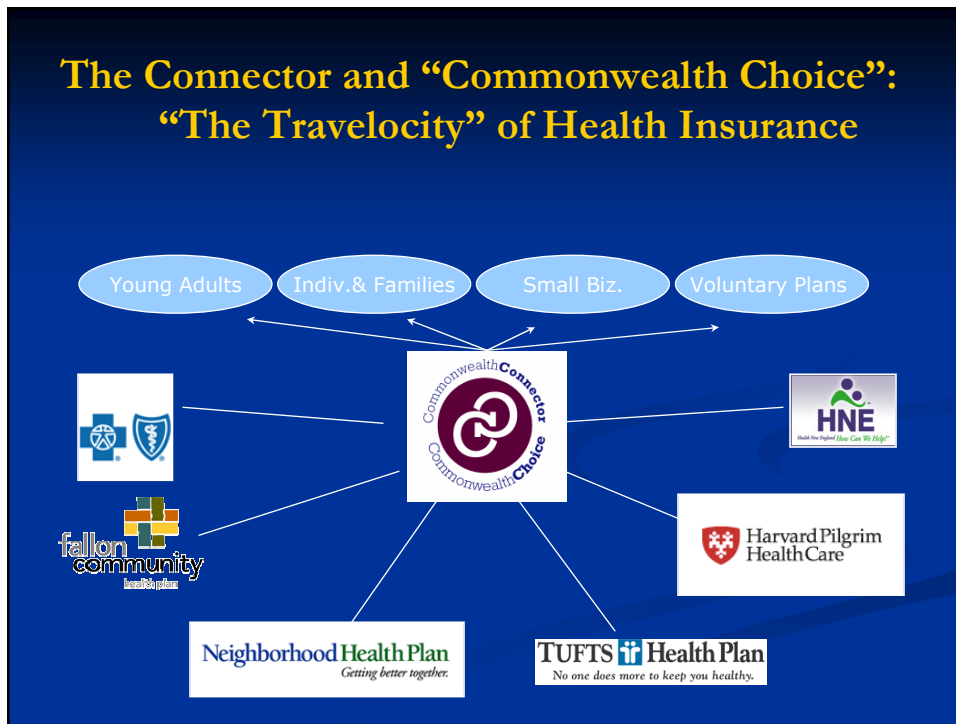
IM and Making the Market Work Better

- Effective IM improves the market in some ways
 - Classic dilemma in voluntary insurance system: Insuring the healthy or insuring the sick?
 - With IM, healthy cannot opt-out (at least without penalty)
- Remaining questions/challenges
 - How to make it simple and understandable for consumers to buy insurance?
 - How to give consumers and small employers more market clout and/or protection?
 - How to give adequate choice but not promote risk selection and other inappropriate behaviors by carriers?
 - Are market forces enough to ensure quality, affordable coverage?

Health Insurance Market Reforms in MA

- **Merger of direct pay and small-group markets**
 - Retains regulatory structure of small group law
 - Carriers must still comply with all mandated benefit laws
 - Estimated impact: -15% drop in direct pay rates; 1-2% increase in small group premiums
- **Young Adult Plans for 19-26 year olds**
 - More flexibility in benefit design (e.g., annual cap on benefits)
 - Must be rated in same risk pool as individuals and small groups
- **Age for eligibility for dependent coverage for health insurance raised to 25 years old**

The Connector and “Commonwealth Choice”: “The Travelocity” of Health Insurance



Commonwealth Choice: (Mostly) Standardized benefit plans

Tier	Benefits
Gold	<ul style="list-style-type: none"> ■ Average monthly cost = \$285 (without drugs) to \$570 (with RX) ■ No or small payment when you go to the doctor or stay in the hospital ■ Choice of large number of doctors and hospitals
Silver	<ul style="list-style-type: none"> ■ Average monthly cost = \$225 to \$420 ■ \$15 or more each time you go to the doctor ■ Additional cost-sharing required at point-of-service ■ Some plans may limit which doctors and hospitals you can use.
Bronze (=MCC)	<ul style="list-style-type: none"> ■ Average monthly cost = \$146 to \$280 ■ \$20 or more each time you go to the doctor ■ Highest amount of cost-sharing required at point-of-service ■ Some plans limit which doctors and hospitals you can use
Young Adult	<ul style="list-style-type: none"> ■ Average monthly cost = \$104 to \$205 ■ Highest cost-sharing required at point-of-service ■ Most plans include an annual benefit maximum ■ Only available to people between the ages of 19 to 26, without access to employer sponsored insurance

Commonwealth Choice Website

- Simplifies shopping for health insurance
- Easy to compare plans and premiums
- Easy to enroll (and soon, to pay) on-line



www.mahealthconnector.org

Impact of Reforms to Direct Pay Market

- Pre-reform plan choice for 37-year-old:
 - Monthly premium of \$335
 - No Rx coverage
 - \$5,000 deductible
- Post-reform plan choice for 37-year-old:
 - Monthly premium of \$195
 - Rx coverage
 - \$2,000 deductible, with office visits and ER coverage prior to the deductible

Too Much Choice?

- 52 Years Old
- Live in Boston area
- 18 choices through Connector
 - Premiums range from \$292-\$884/month
- 40+ choices directly from health insurers

**ONE
CONSUMER**



Enforcement: Proposed Penalty Schedule for 2008

Income	<150 % FPL	150- 200% FPL	201- 250% FPL	250- 300% FPL	>300% FPL 18-26 years old	>300% FPL 27 or older
Penalty Per Month (Annual)	\$0	\$17.50 (\$210)	\$35 (\$420)	\$52.50 (\$630)	\$56 (\$672)	\$76 (\$912)

How is it working?

- ~300,000+ increase in people with insurance since July 2006
 - 160,000 subsidized coverage (Commonwealth Care)
 - 50,000 in MassHealth (Medicaid)
 - 100,000 in private insurance
 - Commonwealth Choice enrollment= 15,000
 - Many probably previously insured

Massachusetts: Challenges Ahead

- Will the public accept the reality (and consequences) of the individual mandate and the MCC standards?
- How many people will be exempt from IM?
- Can we fill the Massachusetts “doughnut hole”?
 - Coverage is not affordable for many/most uninsured at 300-450% FPL
- Financing/sustainability
 - Federal waiver renewal
- Moderating health care cost trends

Questions for Rhode Island

- Without subsidies for low-income people, how much can IM make a difference here?
 - Are politics better or worse if IM applies just to higher income people for now?
 - In Massachusetts, middle-income group (\$30-75,000 is least supportive of IM)
- Given existing its existing regulatory and market structures, how much oomph could RI get from more health insurance market reforms?
 - Which types of reform would have biggest impact?
 - Can you deal with delivery system issues (e.g., rising provider prices) through pressure on health insurers?
- Coverage or Cost Control: What's the Sequence?
 - Does one need to come first or can you do both at once?
 - Does coverage expansion create different climate and resolve for doing something serious about cost control?