



STATE HEALTH CARE REFORM

Massachusetts Model Reform

New York City
October 20, 2008

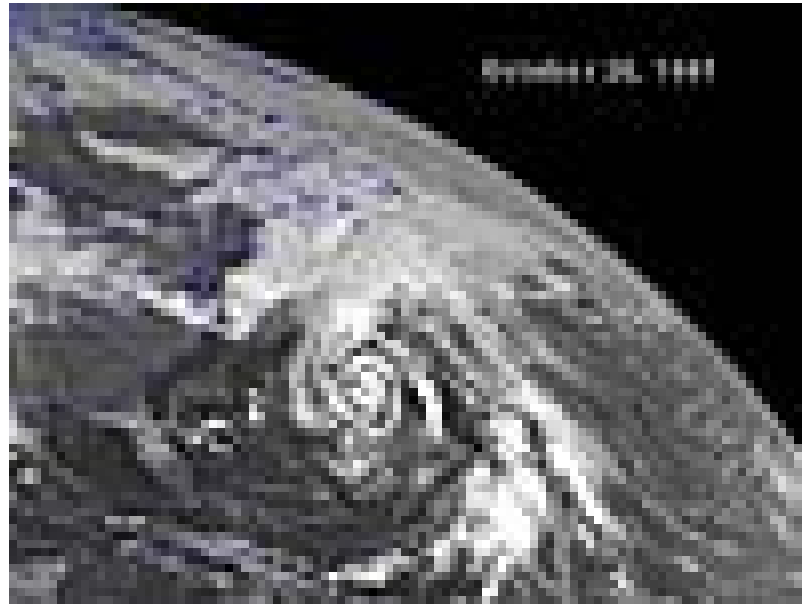
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“It is one of the happy accidents of the federal system that a single courageous state may, if its citizens choose, serve as a laboratory and try novel social and economic experiments without risk to the rest of the country.”

Justice Louis D. Brandeis, 1932

THE PERFECT STORM 1991

So called because it was a convergence of three storms into one in the Atlantic Ocean, which resulted in a storm more violent than any one in recorded history



The End Result: Chapter 58

**An Act Providing Access to Affordable, Quality,
Accountable Health Care**

Signed into law on April 12, 2006

Expanded Health Care Access Principles

- ❖ **Insure most MA residents**
- ❖ **Keep small businesses from dropping coverage**
- ❖ **Maintain transparency and simplicity**
- ❖ **Control costs**

Concept of Shared Responsibility

❖ **Individuals**

- Obtain minimum creditable coverage (MCC)

❖ **Government**

- Provide financial assistance
- Facilitate availability of affordable coverage

❖ **Employers/Insurers**

- Offer affordable products
- Increase access to coverage

❖ **Employers**

- Make a fair & reasonable contribution
- Offer access to pre-tax contributions

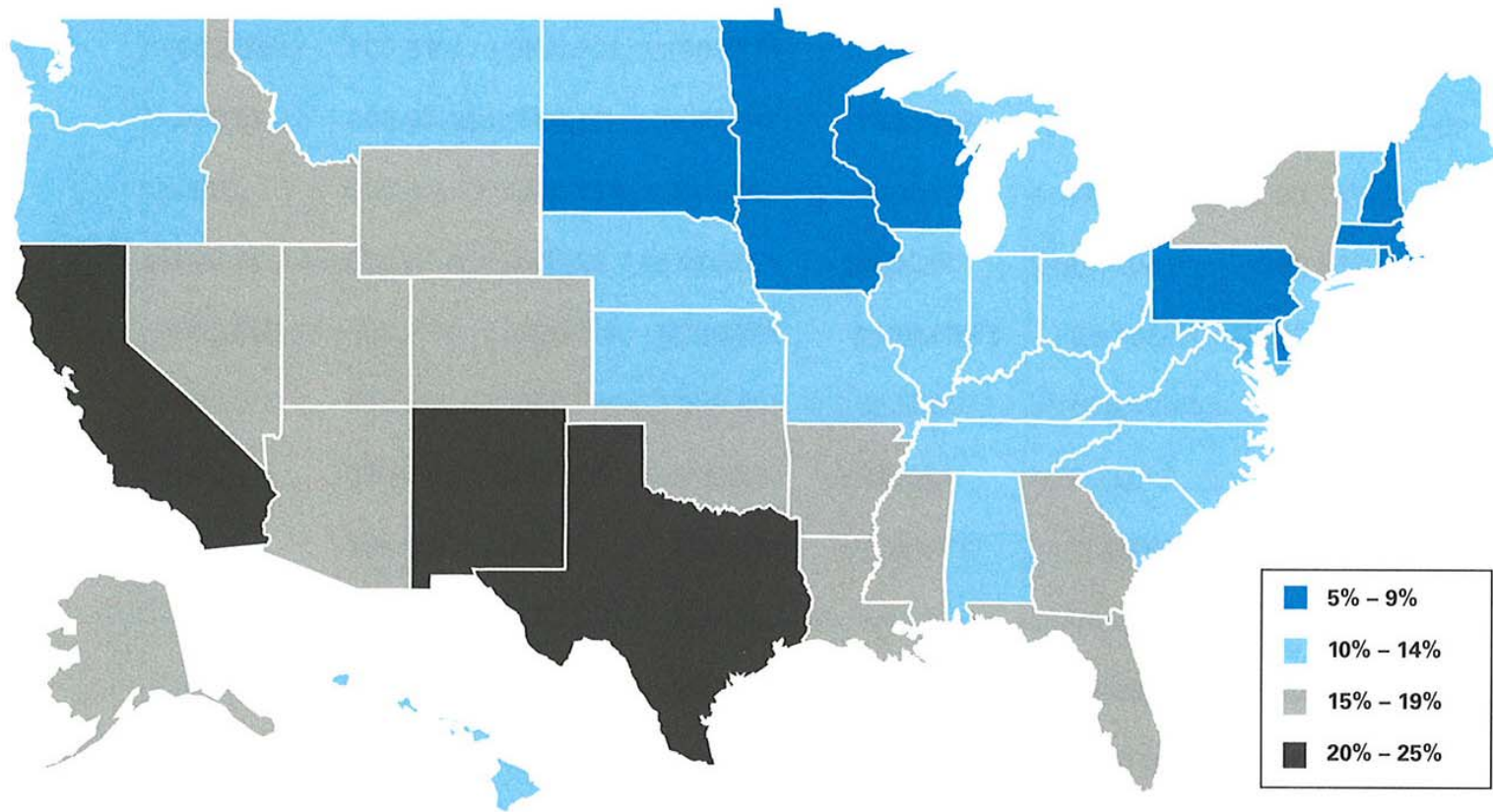
The Uninsured in Massachusetts *

▪ Total Commonwealth Population:		6,200,000
▪ Insured (94%)		5,830,000
		<hr/>
▪ Uninsured (6%)		370,000
<100% FPL **	Medicaid Eligible but unenrolled	70,000
0-300% FPL	Commonwealth Care	140,000
>300 FPL	Affordable Private Insurance	160,000

* Based on August 2006 Division of Health Care Finance and Policy statewide survey
** Federal Poverty Level

The Uninsured in America

Percent Uninsured By State, 2001



National Average: 14.6%

Individual Mandate

- ❖ **Tax Year 2007: MA residents age 18 and older without minimum creditable coverage * will lose the personal exemption unless they have an approved waiver (e.g. based on affordability, hardship)**
 - ❖ **Tax Year 2008 and later: Penalty will be 50% of what an individual would have paid toward “affordable” health insurance coverage for one year – recently established at \$900 per adult**
- * Minimum creditable coverage is the minimum level of health insurance coverage an individual must obtain and maintain to meet the individual mandate

Employer Responsibilities

- 1. Fair & Reasonable Employer Contribution (Fair Share Assessment) – effective 10/1/06- Now completing our 2nd annual report – state has now changed to quarterly filing as of 10/1/08**
- 2. Section 125 Plan Offering (Free Rider Surcharge) – effective 7/1/07 – Surcharge to employers whose employees or dependents seek free care**
- 3. Non-discrimination in plan contributions for highly paid employees – all size employer groups**
- 4. Eligible dependent children to age 26 or 2 years beyond student status – fully insured contracts issued in MA**

Fair Share Contribution

Primary Test

25% participation

- ❖ **25% or more of full-time employees enrolled**
- ❖ **MA employer based regardless of residency**

OR

Secondary Test

33% employer contribution to an individual health plan

- ❖ **Full-time employees**
- ❖ **Employed at least 90 days**

Employers who fail both tests are subject to a \$295 assessment per employee per year (pro-rated for part-time employees)

Changes to MA Health Care Reform Regs 2008-09

- ❖ **Shortfall of Expected Revenues from FSC Filing**
- ❖ **Enrollment in Commonwealth Care Higher than expected**

**Solution: Get more money from employers
Get more money from health insurers**

**Fair Share Contributions Now Dual Test for 51+ FTEs
(Pay \$295 unless you have at least 25% enrolled AND
You pay at least 33% of health insurance costs)**

The MA Health Connector



The Smart Connector Model should...

- ❖ **Focus on individuals who are potentially eligible for public or subsidized programs**
- ❖ **Act as a gateway for determining eligibility and directing to appropriate options**
- ❖ **Should be one of several delivery channels and should not disrupt the current market**

The Smart Connector Model should...

- ❖ **Use staff of licensed insurance professionals, include insurance industry in its governing board, and fall under DOI oversight**
- ❖ **Preserve market fairness and choice, with any subsidies available both in and outside of Connector**
- ❖ **Facilitate list bill individual policies in favorable legislative & insurance environment**

The Smart Connector Model should...

- ❖ **Promote use of S125 plans for tax-favored treatment of individual premiums**
- ❖ **Fall under the auspices of all regulations applicable to individual insurance sales in the state**

For Further Information

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