

# Statement of Jon Kingsdale, Ph.D.

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on

## State-Based Reform Efforts

(June 16, 2008)

Thank you for the opportunity to share some of our experience. My name is Jon Kingsdale, and I am Executive Director of the Commonwealth Health Insurance Connector Authority, established under Massachusetts' landmark health care reform to promote the choice and adoption of health insurance. I want to be clear at the outset of these remarks that Massachusetts is learning as we go; we certainly have not figured it all out. However, I do want share with you evidence of significant progress *toward* universal coverage in the Bay State.

Signed into law on April 12, 2006, Massachusetts healthcare reform represents a comprehensive effort to complement existing coverage programs. It provides subsidized coverage for legal residents who earn 300% or less of the federal poverty level (FPL) and who are not eligible for other public or employer-sponsored health insurance.

It also reforms the non-group and small-group health insurance markets to lower the price and offer more choices for individuals purchasing unsubsidized products on their own.

Finally, the reform law imposes certain requirements on individuals and employers in Massachusetts: adults who can obtain "affordable" health insurance are required to do so, and employers of 11+ full-time equivalent employees must make a "fair and reasonable" contribution toward employee coverage or pay a Fair Share Assessment of \$295 per employee per year.

The Commonwealth Connector runs two distinct new programs: **Commonwealth Care** is a subsidized program for adults who are not offered employer-sponsored insurance, do not qualify for Medicare, Medicaid or certain other low-cost insurance programs, and who earn no more than 300 percent of FPL. In 2008, 300% of FPL is \$31,212 for an individual; \$63,612 for a family of four.

Coverage for adults, which is free up to 150% of FPL and subsidized above this income level, is provided through enrollment in one of four private Medicaid Managed Care Organizations. As of July 2008, coverage under the least expensive Medicaid MCO is set at \$39 a month per adult earning 151% and 200% of FPL; \$77 between 201% and 250% of FPL; and \$116 between 251% and 300% of FPL.

There are no monthly premiums for the children of adults covered by Commonwealth Care, as their children are covered by MassHealth (Medicaid).

**Commonwealth Choice** is an unsubsidized offering of six private health plans, selected by competitive bidding, and available through the Health Connector to individuals, families and small employers in the state. The six private plans have received the Connector’s “Seal of Approval” to offer a range of benefits options, grouped by level of benefits and cost-sharing at the Bronze, Silver and Gold levels. While competitively selected, each of these benefits plans offered through the Health Connector by the six carriers may also be purchased directly from the individual carriers and are priced the same inside and outside the Connector. The value of Commonwealth Choice rests on the Connector’s ability to organize a better “shopping experience” for customers.

There is also a special, lower priced Young Adults Plan offering from the same six carriers, exclusively for individuals between the ages of 18 and 26 who are not eligible for employer-sponsored insurance (ESI). And starting in the fall of 2008, small employers with 50 or fewer workers will also be able to purchase directly through the Health Connector.

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Beginning implementation on July 1, 2006, the law provides for three years to fully execute the reforms i.e. through the end of the state’s fiscal year 2009. As of January 1, 2008, halfway through implementation, Massachusetts healthcare reform had passed some significant milestones.

First, Massachusetts proved this could be done: after three years of analysis and compromise, reform legislation championed by a broad coalition of health care advocates, providers, insurers, and employers won virtually unanimous votes in both houses of a heavily Democratic legislature, and support from a Republican Governor and a Republican administration in Washington, D.C.

Second, in the first 18 months of implementing reform, we enrolled some 340,000 residents. Approximately one-third of them enrolled in commercial health insurance plans—the first significant increase of private, commercial insurance in Massachusetts in decades. Almost half of the new enrollees contribute significantly toward their monthly premiums, whether they pay all of it--as do some 25,000 new buyers of non-group insurance--or part of it, as do some 85,000 new enrollees in ESI and nearly 50,000 enrollees in government-subsidized Commonwealth Care. (See slide 2.)

Third, the number of uninsured adults in Massachusetts fell by nearly half. Between the fall of 2006 and 2007, as measured in a survey by the Urban Institute, uninsured adults declined from 13% to 7%. A significant decline in the numbers of uninsured was evident across income categories, for both middle class adults and those earning 300% or less of FPL. (See slides 3 & 4.)

These results probably understate the progress to date. As seniors and children, who are not included in the survey results from the Urban Institute, generally have far higher rates

of insurance than working-age adults, the overall level of uninsurance in Massachusetts was probably well below 7%. Moreover, the survey was conducted in October and November of 2007, before penalties for the individual mandate went into effect and before the largest surge of enrollment.

The high level of coverage among adults is confirmed by state income tax filings for 2007: just 5% of some 3.2 million tax-filers reported being uninsured as of December 31, 2007. Three percent were deemed able to afford health insurance, but self-assessed a penalty for not having it; the remaining two percent were exempt from the requirement to have insurance, either because they could not afford to buy it or because of religious beliefs. (See slides 5 & 6.)

Fourth, market reforms significantly increased the choice and value of non-group health insurance. Instead of a very limited choice of options in this market, costing even a healthy 37-year old – the median age for uninsured adults in Massachusetts -- \$335 per month, that same 37-year old had a broad range of options, including at least one for a little over half the price, with twice the benefits. In just six months following reform of the non-group market, enrollment in Massachusetts climbed by 50%. (See slide 7.)

Fifth, adults across income categories have experienced increases in access to medical care, reduced out-of-pocket spending for medical care, and increased use of preventive care services. In other words, Massachusetts insured hundreds of thousands of people who are now able to address previously unmet medical needs in a much more affordable way. (See slides 8, 9 & 10.)

Sixth, healthcare reform is very popular in Massachusetts. Some critics outside Massachusetts have voiced nothing but skepticism, right from the start of reform. However, surveys of likely voters conducted by the Harvard School of Public Health found high favorability ratings, which then increased over time: in September 2006 reform received a favorable rating of 3-to-1 (61% in favor versus 20% opposed), which rose by June 2007 to better than 4-to-1 (67% versus 16%). The Urban Institute surveys in fall of 2006 and fall of 2007 show a rise in favorable opinion among working-age adults from 68% to 71%, and those favorability ratings were similar for low-income and higher income respondents. (See slide 11.)

Finally, let me address a major concern, the cost of this program. As a result of aggressive outreach, the costs of Commonwealth Care grew in tandem with enrollment, exceeding the original budget estimate of \$472 million for FY 2008 by some \$150 million. However, costs per enrollee actually came in under budget for FY 2008, at \$352 per member per month, or 2% below the budget of \$359 per member per month. (See slides 12 & 13.)

The costs of Commonwealth Care have grown solely in response to enrollment growth. From a budget perspective, the program is a victim of its own success in outreach and enrollment. And, as Commonwealth Care has grown, so has employer-sponsored

insurance and private, non-group insurance. To date, there is no evidence of significant “crowd-out.” (See slide 14.)

None of this is to suggest that cost is not a concern. It is the major concern in any successful effort to significantly expand coverage. As a result of embracing the moral imperative to cover the uninsured, Massachusetts can no longer respond to medical cost increases by rationing financial access to care. Massachusetts must now squarely confront the challenge of moderating annual increases in the cost of medical care and health insurance. With legislation to do just that under active consideration in our State House, cost containment is being seriously debated. This is a healthy debate.

Thank you for this opportunity to update the Congress on the progress to date of Massachusetts’ landmark healthcare reform.