

## For Congress, Massachusetts Serves as Model and Warning

**State Program Finds Coverage Expansion and Cost Reduction a Tall Order at Once**

By Mike Lillis 9/2/09 6:00 AM



As Congress jousts over how to reform the nation's health care system, many experts say that the Massachusetts model, which has reduced the state's uninsured rate to the lowest in the nation, is a good place to start. Yet those reforms, while doing wonders for coverage, don't tackle the longer-term issue of cost-containment, which is largely the reason federal policymakers are pushing for reform this year.

With the White House insisting that any national reform proposal address both cost and coverage simultaneously, the lessons from Massachusetts will be limited. Indeed, the funding issue is expected to be the thornier topic. Democratic leaders — who hope to include several key elements of the Massachusetts plan into their own health reform proposal — will also

have to come up with more creative ways of paying for it. The Massachusetts' experiment can offer some guidance, experts say, but it also serves as a warning that coverage expansion and cost reduction don't often go hand in hand.



Illustration by: Matt Mahurin

James Mongan, president and CEO of Partners Health Care, a Boston-based managed care nonprofit, said the cost issue has thwarted federal stabs at health reform for decades. “This discussion has never been a discussion about health care,” Mongan said Tuesday during a health reform discussion in Washington hosted by the Kaiser Family Foundation. “It’s always been a discussion about financing and who’s going to pay for it. And that’s how we’ve been stuck as a nation for the last 30 years.”

The comments arrive as congressional Democrats are struggling to craft a comprehensive health reform proposal capable of squeaking through the Senate, where 60 votes will likely be required to elude a GOP filibuster. A House proposal, passed by three separate committees before the August recess, adopts a number of the Massachusetts provisions, including an individual insurance mandate, a broad expansion of Medicaid, and the requirement that all insurers offer a minimum menu of benefits. The proposal likely to be taken up in the Senate is still being crafted by select members of the Senate Finance Committee.

Launched in 2006, the Massachusetts reform model requires residents to have insurance while offering generous subsidies for low- and moderate income residents. Larger employers, under the plan, must contribute to their employees health insurance costs or pay the state \$295 per employee per year — “fair share” funds the state uses to subsidize the low-income coverage. The legislation also created something called the Commonwealth Health Insurance Connector Authority, which administers the subsidies and oversees the exchange of private insurance plans by individuals and employers alike. For good measure, the model also expanded SCHIP and Medicaid eligibility to reach larger segments of the uninsured population. In the eyes of the officials running the show, the “experiment” has been a smashing success.

“The model in terms of shared responsibility, and insurance reform and exchanges really is based on something that works,” said Jon Kingsdale,

executive director of the Commonwealth Health Insurance Connector Authority. “We do not consider this an experiment in Massachusetts any longer.”

The numbers support Kingsdale’s claims — as least as they pertain to coverage. In 2006, before the reform plan took effect, Massachusetts had roughly 600,000 uninsured residents, or 10 percent of the state population. Three years later, an estimated 430,000 of those folks have gained coverage, lowering the uninsured rate to 2.6 percent — the lowest in the country.

Still, Kingsdale conceded that state lawmakers and health officials still have left to tackle “the tough, tough issue of cost containment,” something he deemed “a separate question.”

Congress, charged with addressing the coverage and cost containment issues simultaneously, won’t have the same privilege.

Critics have blasted the Massachusetts reform model from numerous angles, not least of all with the charge that its cost will break the state’s budget. In [a June report](#), the libertarian Cato Institute estimated that the strategy has led to a spike in overall health care spending in Massachusetts. “With the ‘Massachusetts model’ frequently cited as a blueprint for health care reform, it is important to recognize that giving the government greater control over our health care system will have grave consequences for taxpayers, providers, and health care consumers,” the report warns.

Others sharply disagree that the Massachusetts strategy — or the national reforms being debated — are unaffordable. A recent report from the Massachusetts Taxpayers Foundation, a business-funded budget watchdog, found that the additional cost to fund the 2006 reforms will be roughly \$700 million through fiscal year 2010, with the federal government picking up half the tab. Those costs, said Michael Widmer, president of the budget group, are “very much in line with the anticipated cost increases around reform.”

Rather, Widmer and other experts say the nationwide trend of skyrocketing health care costs, not the reform efforts, is fueling criticisms like Cato’s.

Still, Widmer also warned that the Massachusetts experience is no indication that the same model would work on a national level. Massachusetts, for one thing, has the advantage of having a high number of people enrolled in employer-sponsored plans — something not every state enjoys. Also, the state can defray subsidy costs with its “fair share” system.

“We can’t conclude at a national level that the additional cost [of health reform] is insignificant,” he said.

And, of course, congressional lawmakers don’t have the same privilege of looking to Washington for help paying for their reforms, as Massachusetts

did to jump-start its model. With the Democrats' bills tickling the \$1 trillion mark, much of the opposition has been over the source of the funding — a thorny issue in any environment, but even more so considering the current partisan bickering that practically defines Washington politics these days. Not to mention the difficulty of passing tax hikes in recent years.

Citing “a thorough triumph of the anti-tax forces” in recent decades, Mongan predicted a diluted health reform bill this year, with additional reforms for years to come.

“The best thing to do is to pass what we can pass,” Mongan said. “But this will not be over for a number of legislative cycles.”