

## Health Care

### **Implementation of Health Care Reform and Cost-Containment**

#### *Timeline*

1. May 1, 2007: Commonwealth Health Insurance Connector Authority begins to offer Commonwealth Care for under \$200 (A-2).
2. December 5, 2007: Estimated that more than 300,000 Massachusetts residents will have signed up for health insurance in the year and a half since reform became law (A-5).
3. August 10, 2008: Governor Patrick signs “An Act to Promote Cost Containment, Transparency and Efficiency in the Delivery of Quality Health Care,” (A-8).
4. August 26, 2008: U.S. Census Bureau finds that Massachusetts has the lowest rate of uninsured residents in the nation (A-7).
5. September 30, 2008: Federal government renews Medicaid waiver in \$21.2 billion agreement (A-10, speech A-13).
6. October 20, 2009: Governor Patrick unveils key recommendations aimed at reducing health care costs for small employers (A-14).
7. February 10, 2010: Governor Patrick files “An Act to Promote Cost Containment, Transparency and Efficiency in the Provision of Quality Health Insurance for Individuals and Small Businesses” to help small businesses create jobs, includes provisions to lower health care costs for small businesses (A-16, speech A-19).
8. March 10, 2010: Governor Patrick testifies before the Joint Committees on Health Care Financing, and Community Development and Small Business on the health care provisions of “An Act to Promote Cost Containment, Transparency and Efficiency in the Provision of Quality Health Insurance for Individuals and Small Businesses,” (A-25, speech A-27).
9. April 1, 2010: Governor Patrick announces that the Commissioner of Insurance disapproved 235 of 274 proposed base rate increases for small businesses submitted by insurance companies (A-30).
10. April 15, 2010: Governor Patrick announces that John Kingsdale will step down as head of the Executive Director of the Connector Authority. Glen Shor will take his place (A-31).
11. August 10, 2010: Governor Patrick signs “An Act to Promote Cost Containment, Transparency and Efficiency in the Provision of Quality Health Insurance for Individuals and Small Businesses” to reduce health care costs for small businesses (A-35).
12. December 13, 2010: Over 98 percent of Massachusetts’ residents have health insurance, only 1.9 percent of state residents remain (A-38).
13. February 17, 2011: Governor Patrick proposes comprehensive health care cost-containment legislation (A-40, speech A-44).
14. March 1, 2011: prepared testimony to Congress on the impact of Health Care Reform (A-50).
15. April 5, 2011: Governor Patrick holds information session on new health care cost-containment law at the State House (A-55, speech A-57).
16. May 16, 2011: Governor Patrick testifies in front of the Joint Committee [on Health Care Financing?] on behalf of his health care cost-containment legislation (A-61).
17. June 23, 2011: Testimony to Senate Finance Committee on Health Entitlement Reform (A-65).

18. July 12, 2011: Governor Patrick signs “An Act Relative To Municipal Health Insurance,” to help towns and municipalities lower health care costs (A-70, speech A-73).
19. December 20, 2011: Governor Patrick announces new \$26.75 billion Medicaid waiver agreement (A-74).
20. April 11, 2012: Massachusetts celebrates six years of health care reform (A-77, speech A-80).
21. May 15, 2012: Governor Patrick speaks on health care cost containment in an address to the Greater Boston Chamber of Commerce (A-88).
22. June 26, 2012: Remarks on the SCOTUS ACA decision (A-95).
23. August 6, 2012: Governor Patrick signs the landmark health care cost containment bill, “An Act Improving the Quality of Health Care and Reducing Costs Through Increased Transparency, Efficiency and Innovation,” (A-97, speech A-102).
24. October 18, 2012: Governor Patrick speaks to the Massachusetts Medical Society Leadership Forum about the current state of health care in Massachusetts (A-105).
25. November 5, 2012: “An Act Improving the Quality of Health Care and Reducing Costs Through Increased Transparency, Efficiency, and Innovation” comes into effect.

## **Results**

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

- 98.1% of Massachusetts’ residents have health insurance, the highest rate in the country and far exceeding the national average of 83.7%.<sup>1</sup> Around 440,000 people are newly insured since 2006, including 99.8% of children<sup>2</sup> and 99.6% of seniors.<sup>3</sup>
  - Low-income residents have demonstrated the most dramatic income-related gains in coverage under health reform. Additionally, racial and ethnic disparities in access to and use of care have decreased significantly since reform.<sup>4</sup>
- The percentage of businesses offering insurance to their employees has increased from 70% in 2005 to 77% in 2010. Additionally, since reform, the percent of Massachusetts’ working age adults with employer-sponsored coverage has grown.<sup>5</sup>
- As of 2008, 92% of Massachusetts residents say they have access to someone they consider a primary care provider. Additionally, only 5% of residents said that there was a time in the past year that they needed medical care, treatment or tests that they did not receive.<sup>6</sup>
- 99% of tax filers required to file information on their health insurance status complied with the filing requirement.<sup>7</sup>
- Under reform, unmet needs due to cost fell between 30 and 40 percent among low-income residents and residents with chronic health conditions.<sup>8</sup>

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<sup>1</sup> Health Reform in Massachusetts: Assessing the Results (C-19)

<sup>2</sup> Strategic Plan In Brief (C-68)

<sup>3</sup> The Top Ten Facts About Massachusetts Health Care Reform (C-88)

<sup>4</sup> Health Reform in Massachusetts: Assessing the Results (C-21, C-33)

<sup>5</sup> Ibid. (C-27, C-30)

<sup>6</sup> Health Reform Facts and Figures (C-8)

<sup>7</sup> Health Reform in Massachusetts: Assessing the Results (C-24)

<sup>8</sup> Ibid. (C-35)

- 66% of adults in Massachusetts support health reform and 52% of employers believe that reform has been good for Massachusetts. 75% of physicians believe reform should be continued and 88% believe reform improved, or did not affect, care or quality of care.<sup>9</sup>
- Since the inception of the program in 2006, the average annual rate of increase in the capitation rate per covered person has been less than 2%.<sup>10</sup>
- In 2005, Massachusetts paid over \$700 million for health care for the uninsured and underinsured. In 2011, Massachusetts spent \$405 million—savings of almost \$300 million.<sup>11</sup>
- The law has not been a “budget buster;” additional state spending attributable to the health reform law accounted for only 1.4% of the Commonwealth’s \$32 billion budget in 2011.<sup>12</sup>

*An Act to Promote Cost Containment, Transparency and Efficiency in the Delivery of Quality Health Care (August 10, 2008)*

- The development of quality improvement and cost containment goals and performance benchmarks as well as the promotion of electronic health records systems.<sup>13</sup>
- Requires pharmaceutical and medical device manufacturing companies to report to the state Department of Public Health any payment or gift of more than \$50 made to a healthcare professional to be publicly displayed on the state’s web site.<sup>14</sup>

*An Act to Promote Cost Containment, Transparency and Efficiency in the Provision of Quality Health Insurance for Individuals and Small Businesses (August 10, 2010)*

- Under previously existing authority, the Governor directs the Commissioner of Insurance to file an emergency regulation requiring health insurance companies to file proposed changes in small business premiums with the Division of Insurance in advance of their taking effect so the Commissioner can review and disapprove rates that are excessive or unreasonable in relation to the benefit provided.<sup>15</sup>
- Select network plans offered by carriers to small business owners and individuals must cover at least a 12% price differential between plans.<sup>16</sup>
- Insurers must provide open enrollment periods twice a year in 2011 and once a year thereafter.<sup>17</sup>

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<sup>9</sup> Health Reform in Massachusetts: Assessing the Results (C-42, C-44, & C-45)

<sup>10</sup> Health Reform Facts and Figures (C-8)

<sup>11</sup> Governor Patrick’s Prepared Testimony To Congress on Impact of Health Care Reform (A-50)

<sup>12</sup> Massachusetts Health Reform Spending, 2006-2011: An Update on the “Budget Buster” Myth (C-58)

<sup>13</sup> Governor Patrick Signs Bill Enhancing Quality, Cost-Effectiveness and Transparency of Health Care (A-8)

<sup>14</sup> Ibid.

<sup>15</sup> Governor Patrick Announces Plan to Support Small Businesses and Create Jobs (A-16)

<sup>16</sup> Governor Patrick Signs Legislation to Reduce Health Care Costs for Small Businesses (A-35)

<sup>17</sup> Ibid.

- The Division of Insurance will apply rate adjustments to address ‘rate shock’ fluctuations that occur when the demographics of an insured group change. The DOI will apply one-year age increments to reduce impact on costs for small businesses.<sup>18</sup>
- Mandates reporting by providers to the Department of Public Health annually. A statewide committee will convene to develop the Standard Quality Measure Set, which will facilitate uniform reporting of a standard set of health care quality measures, to be used by all health providers.<sup>19</sup>

*An Act Relative to Municipal Health Insurance (July 12, 2011)*

- Will help communities collectively save more than \$100 million by allowing cities and towns to have the choice to implement health care plan design changes under a new process. This process will include expedited collective bargaining to negotiate new health plans for employees.<sup>20</sup>
  - Municipalities can use this process to adopt co-pays and deductibles, along with other cost-sharing health care plan design features that are not higher than those offered by the Group Insurance Commission.<sup>21</sup>
- The law also allows a portion of savings to be returned to employees and includes protections for retirees and employees with existing health concerns.<sup>22</sup>

*An Act Improving the Quality of Health Care and Reducing Costs Through Increased Transparency, Efficiency and Innovation (August 6, 2012)*

- Sets a first-in-the-nation target for controlling the growth of health care costs; the law holds annual increase in total health care spending to the rate of growth of the state’s Gross State Product (GSP) for the first five years, through 2017, and then even lower for the next five years, to half a percentage point below the economy’s growth rate.<sup>23</sup>
  - This results in savings of \$200 billion over the next 15 years, which leads to \$10,000 in additional take-home pay, per worker, over 15 years.<sup>24</sup>
  - The average family will see an estimated savings of \$40,000 on their health care premiums over 15 years.<sup>25</sup>
- Requires all state-funded health care programs (such as MassHealth, the GIC, and the Connector) to transition to new health care payment methodologies that incentivize the delivery of high quality, coordinated, efficient and effective health care while reducing waste, fraud and abuse.<sup>26</sup>

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<sup>18</sup> Governor Patrick Signs Legislation to Reduce Health Care Costs for Small Businesses (A-35)

<sup>19</sup> Ibid.

<sup>20</sup> Governor Patrick Signs Municipal Health Care Reform to Save Millions for Massachusetts Communities (A-70)

<sup>21</sup> Ibid.

<sup>22</sup> Ibid.

<sup>23</sup> Governor Patrick Signs ‘Next Big Step Forward’ On Health Care Reform (A-97)

<sup>24</sup> Ibid.

<sup>25</sup> Ibid.

<sup>26</sup> The Next Phase of Massachusetts Health Care Reform (C-84)

- Requires all health care provider systems to register with the state and report regularly on financial performance, market share, cost trends, and quality measures,<sup>27</sup> including providing a toll-free number and website that enables consumers to request and obtain price information.<sup>28</sup>
- Dedicates \$60 million over 4 years to the Prevention and Wellness Trust Fund<sup>29</sup> in a historic investment in community-based prevention, public health, and wellness efforts to reduce the rates of costly preventable chronic diseases, such as obesity, diabetes, and asthma.<sup>30</sup>
- Dedicates \$30 million to the e-Health Institute Fund to fund the Massachusetts eHealth Institute. The institute will conduct the regional extension center program, run the electronic health records incentive program, and develop a plan to complete the implementation of electronic health records with all providers in Massachusetts.<sup>31</sup>
- Requires a 182-day “cooling-off” period before a party can file a medical malpractice suit during which both sides try to negotiate a settlement and requires the exchange of information between the plaintiff and the defense. Also allows a health care provider of facility to make an admission of mistake or error that cannot be used in court as an admission of liability.<sup>32</sup>
- Requires health insurance companies to comply with federal mental health parity law and submit documentation to the attorney General certifying compliance.<sup>33</sup>
- Reforms and reorganizes the Health Care Quality and Cost Council into the Health Policy Commission, governed by an 11 member board. The Commission will oversee policy development necessary for the implementation of the overall legislation, including setting and enforcing the health care cost growth benchmark, certifying new payment methods and care delivery models, and conducting new “Cost and Market Impact” reviews of market changes.<sup>34</sup>
- Reforms and Reorganizes the Division of Health Care Finance and Policy into the Center for Health Information and Analysis. The Center will act as the single, designated health care data collection, dissemination, and analysis agency of the Commonwealth, streamlining the information process. The Center will also provide critical, independent analysis of how Massachusetts’ policies are affecting cost trends.<sup>35</sup>

## Next Steps

- The Governor is preparing for the implementation of the federal Affordable Care Act, which takes effect on January 1, 2014. Some of the steps toward implementation are:
  - Transitioning the Health Connector 1.0 into “Connector 2.0,” a health insurance exchange that not only complies with the ACA but also makes it easier than ever

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<sup>27</sup> The Next Phase of Massachusetts Health Care Reform (C-84)

<sup>28</sup> Governor Patrick Signs ‘Next Big Step Forward’ On Health Care Reform (A-97)

<sup>29</sup> Health Care Payment Reform Conference Committee Report (1)

<sup>30</sup> The Next Phase of Massachusetts Health Care Reform (C-85)

<sup>31</sup> Health Care Payment Reform Conference Committee Report (1)

<sup>32</sup> The Next Phase of Massachusetts Health Care Reform (C-86)

<sup>33</sup> Ibid.

<sup>34</sup> Ibid. (C-87)

<sup>35</sup> Ibid.

for individuals and small employers to access comprehensive, affordable health insurance.<sup>36</sup>

- The Health Connector is re-platforming its entire online experience and supporting infrastructure through the Health Insurance Exchange/Integrated Eligibility System (HIX/IES) project. The HIX/IES project is critical in transitioning from Connector 1.0 to Connector 2.0; in order to meet the new ACA requirements (i.e. real time eligibility, integration with the Federal Data Services Hub), new IT systems are being developed. In addition, the Health Connector can utilize HIX/IES to enhance back-end operations (i.e. premium billing, premium rating engine) to be more efficient, flexible and better support the needs of customers.<sup>37</sup>
- On January 8, 2013, the Governor filed “An Act to Support Employers in the Commonwealth” to the House and the Senate. The bill was referred to the Joint Committee on Labor and Workforce Development with a hearing date set for May 28, 2013. This bill includes provisions to help Massachusetts align with the requirements of the Affordable Care Act, including:
  - Eliminating the Fair Share Contribution Program that mandates employers with 11 or more full-time employees make a “fair and reasonable” contribution toward the health care costs of its full-time workers, or pay a \$295 fine per full time employee. The ACA has a similar provision that could result in double-penalties if the two policies were to coexist.<sup>38</sup>
  - Eliminating the Medical Security Program (MSP), which provides qualifying individuals receiving unemployment insurance benefits health care coverage. Under the ACA, individuals currently enrolled under MSP will be able to access subsidized health coverage through existing state insurance programs like MassHealth and those offered through the Health Connector.<sup>39</sup>
  - Creates an “employer responsibility contribution” for employers that will, starting in 2014, help finance the cost of subsidized care for low-income residents. The employer responsibility contribution will be streamlined, efficient and less burdensome for businesses, and will be lower than the contribution under the MSP. By retooling this contribution, the Commonwealth maintains an original tenet of the 2006 health care reform law—that everyone has a stake in its success.<sup>40</sup>
- On May 3, 2013, the Governor filed “An Act Implementing the Affordable Care Act and Providing Further Access to Affordable Health Care” to the House and the Senate. The bill was passed in both chambers and was signed by the Governor

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<sup>36</sup> Strategic Plan In Brief (C-68)

<sup>37</sup> Ibid.

<sup>38</sup> Governor Patrick Files Legislation to Freeze Unemployment Insurance Rates, Lower Health Insurance Contributions for Employers (A-110)

<sup>39</sup> Ibid.

<sup>40</sup> Ibid.

on July 5, 2013. The proposal contained a number of measures\* that will allow Massachusetts to align with the requirements of the Affordable Care Act, such as:

- Implementing a transition period in the merged individual/small group market to allow Massachusetts to conform to federal rating factor requirements.<sup>41</sup>
- Implementing the ACA requirement that health insurance rates for individuals be filed on a calendar year basis, but allowing small group rates to be filed on a quarterly basis until 2016.<sup>42</sup>
- Aligning the Commonwealth's definition of who is eligible to purchase non-group insurance with the federal definition.<sup>43</sup>
- Conforming the state's insurance laws to align with ACA requirements.<sup>44</sup>
- Aligning MassHealth and Connector eligibility definitions with ACA definitions.<sup>45</sup>
- Allowing data to be shared with EOHHS and the Connector for MassHealth or subsidized coverage throughout the Exchange can be verified in real-time through the new on-line integrated eligibility system.<sup>46</sup>

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\*Note: The final bill was slightly different than what the Governor originally proposed. It was unclear what, if anything, had changed so listed here are the measures from the Governor's initial proposal. Both the Governor's original bill and the final text of the law can be found on B-470 and B-492, respectively.

<sup>41</sup> H.3452 "An Act Implementing the Affordable Care Act and Providing Further Access to Affordable Health Care" (B-470)

<sup>42</sup> Ibid.

<sup>43</sup> Ibid.

<sup>44</sup> Ibid.

<sup>45</sup> Ibid. (B-471)

<sup>46</sup> Ibid.