

# Health Care Access and Affordability Conference Committee Report

## Summary:

This Conference Committee Report contains a comprehensive plan for increasing health insurance coverage for all residents of Massachusetts. This bill is a bridge between principles in the House and Senate bills, H 4479 and S 2282. The bill would redeploy current public funds to more effectively cover currently uninsured low-income populations, and would make quality health coverage more affordable for *all* residents of the Commonwealth. The bill promotes individual responsibility by creating a requirement that everyone who can afford health insurance obtain it, while also responding to concerns about barriers to health care access. Provisions in the bill aim at achieving nearly universal health insurance coverage, but also maintain a strong safety net that has historically distinguished the state. Finally, the bill would ensure that the Massachusetts Medicaid program complies with the terms of the new federal waiver, maintaining continued receipt of annual payments from the federal Medicaid program.

### **A) Commonwealth Health Insurance Connector**

The bill creates the Commonwealth Health Insurance Connector, to connect individuals and small businesses with health insurance products. The Connector certifies and offers products of high value and good quality. Individuals who are employed are able to purchase insurance using pre-tax dollars. The Connector allows for portability of insurance as individuals move from job to job, and permits more than one employer to contribute to an employee's health insurance premium. The Connector is to be operated as an authority under the Department of Administration and Finance and overseen by a separate, appointed Board of private and public representatives.

### **B) Insurance Market Reforms**

The bill merges the non- and small-group markets in July 2007, a provision that will produce an estimated drop of 24% in non-group premium costs. An actuarial study of the merging of the two insurance markets will be completed before the merger to assist insurers in planning for the transition. The bill also enables HMOs to offer coverage plans that are linked to Health Savings Accounts, reducing costs for those who enroll in such plans. Young adults will be able to stay on their parents' insurance plans for two years past the loss of their dependent status, or until they turn 25 (whichever occurs first), and 19-26 year-olds will be eligible for lower-cost, specially designed products offered through the Connector.

Finally, the bill would impose a moratorium on the creation of new health insurance mandated benefits through 2008.

## **C) Subsidized Health Insurance**

### **Commonwealth Care Health Insurance**

The bill creates a subsidized insurance program called the Commonwealth Care Health Insurance Program. Individuals who earn less than 300% FPL and are ineligible for MassHealth will qualify for coverage. Premiums for the program will be set on a sliding scale based on household income, and no plans offered through this program will have deductibles. The program will be operated through the Connector, and retain any employer contribution to an employee's health insurance premium. The subsidized products must be certified by the Connector as being of high value and good quality.

For individuals who earn less than 100% of the Federal Poverty Level (\$9,600/yr), special protections in this bill provide for subsidized insurance products with comprehensive benefits, and waive any premiums. Currently, most childless adults are not eligible for MassHealth at any income level, unless they are disabled or have very little history of employment.

### **Insurance Partnership Program**

The bill expands eligibility for employee participation in the current Insurance Partnership program from 200% to 300% FPL, in order to provide another option for small businesses who want to offer health care to their employees.

## **D) The Medicaid Waiver**

By shifting significant federal resources from supporting individual hospitals to funding health insurance coverage for uninsured individuals, and by living within a lifetime spending ceiling for waiver services, the bill meets the terms set by the Centers for Medicare and Medicaid for renewal of our 1115(a) MassHealth Demonstration Waiver.

## **E) Medicaid Expansions, Restorations, Enhancements**

The bill expands Medicaid coverage of the uninsured by providing \$3M for comprehensive community-based outreach programs to reach people who are eligible for Medicaid but not yet enrolled, and by expanding eligibility for children. Currently, children in families who earn up to 200% of the Federal Poverty Level (FPL) are eligible for MassHealth. The bill increases eligibility to children in families earning up to 300% FPL (\$38,500/yr for a family of 2).

The bill also restores all MassHealth benefits that were cut in 2002, including dental and vision services, and creates a 2-year pilot program for smoking cessation treatment for MassHealth enrollees.

In response to concern that Medicaid has underpaid many of its providers in recent years, the bill includes \$90 million in rate relief for Fiscal Years 2007, 2008 and 2009. It does this while keeping within the budget neutrality limits of federal financing under the Medicaid waiver. The bill also establishes, for the first time, a process of tying rate increases to specific performance goals related to quality, efficiency, the reduction of racial and ethnic disparities, and improved outcomes for patients.

### **F) Individual Responsibility for Health Care**

The bill requires that, as of July 1, 2007, all residents of the Commonwealth must obtain health insurance coverage. Individuals for whom there are not affordable products available will not be penalized for not having insurance coverage. A sliding “affordability scale” will be set annually by the Board of the Connector.

The purpose of this “Individual Mandate” is to strengthen and stabilize the functioning of health insurance risk pools by making sure they include healthy people (who, if not offered employer-sponsored and -paid insurance, are more likely to take the risk of not having insurance) as well as people who know they need regular health care services (and therefore are more likely to go to great lengths, and expense, to obtain insurance.) The financing of the bill is based on redirecting some of the public funds we currently spend on “free care” provided through hospitals, to provide subsidized health insurance to the uninsured. The mandate is another way to make sure people do not rely on “free care” for their health care, but that they get comprehensive insurance.

Beginning in July 2007, Massachusetts residents will be required to have health insurance. Residents will confirm that they have health insurance coverage on their state income tax forms filed in 2008. Coverage will be verified through a database of insurance coverage for all individuals. The Department of Revenue will enforce this provision with financial penalties beginning with a loss of the personal exemption for tax year 2007 and then increasing to a portion of what an individual would have paid toward an affordable premium for subsequent years.

### **G) Employer Responsibility for Health Care**

#### **Fair Share Contribution**

The bill creates a “Fair Share Contribution” that will be paid by employers who do not provide health insurance for their employees and make a fair and reasonable contribution to its cost. The contribution, estimated to be approximately \$295 per

full time employee (FTE) per year, will be calculated to reflect a portion of the cost paid by the state for free care used by workers whose employers do not provide insurance. Currently, a portion of the payments made by employers who do provide health coverage go towards free care costs, and this new contribution will help level the playing field. The Fair Share Contribution requirement will only apply to employers with 11 or more employees who do not provide health insurance or contribute to it, as defined by the Division of Health Care Finance and Policy, and will be pro-rated for employers with seasonal or part-time employees.

### **Free Rider Surcharge**

The Free Rider surcharge will be imposed on employers who do not provide health insurance and whose employees use free care. Imposition of the surcharge will be triggered when an employee receives free care more than three times, or a company has five or more instances of employees receiving free care in a year. The surcharge will range from 10% to 100% of the state's costs of services provided to the employees, with the first \$50,000 per employer exempted. Revenue gained from the surcharge will be deposited in the Commonwealth Care Trust Fund.

### **Mandatory Offer of Section 125 plans**

Section 125 plans or "cafeteria plans" allow an employer to offer health insurance and other programs such as day care funding to employees on a pre-tax basis. Because of the significant savings which result from pre-tax insurance purchase, employers with more than 10 employees will be required to offer this pre-tax benefit to employees.

### **H) Reduction of Racial and Ethnic Health Disparities**

The bill aims to reduce racial and ethnic health disparities by requiring hospitals to collect and report on health care data related to race, ethnicity and language. Medicaid rate increases in the bill are made contingent upon providers meeting performance benchmarks, including in the area of reducing racial and ethnic disparities. The bill creates a study of a sustainable Community Health Outreach Worker Program to target vulnerable populations in an effort to eliminate health disparities and remove linguistic barriers to health access. Finally, the bill creates a Health Disparities Council, to continue the work of the Special Commission on Racial and Ethnic Health Disparities by recommending appropriate Legislative steps to reduce health disparities.

### **H) Health Safety Net Office and Fund**

Many recommendations of the Inspector General's Office regarding the management of the Uncompensated Care Pool are included in the bill. Effective

October 1, 2007, the current Uncompensated Care Pool is eliminated, replaced by the Health Safety Net Fund. The Fund will be administered by a newly-created Health Safety Net Office located within the Office of Medicaid. The HSN Office will develop a new standard fee schedule for hospital reimbursements, replacing the current charges-based payment system. The plan anticipates the transfer of funds to the Commonwealth Care Health Insurance Program as free care use declines.

### **I) Funding**

The plan leverages federal dollars to enhance and match state spending, and uses revenue generated by employer contributions to fund health insurance coverage.

# Health Care Access and Affordability Conference Committee Report

The Conference Committee on Health Care Access and Affordability began work in November 2005, following the passage of H 4479 in the House and S 2282 in the Senate. The report summarized below represents a bridge between principles of both the House and Senate bills.

## **Who are the Uninsured?**

**An estimated 550,000 people are uninsured in Massachusetts**

- ❖ People with limited or no access to employer-sponsored coverage:
  - Low-income
  - Part-time, seasonal workers
  - Single, childless adults
  - Young adults
  - Children
  
- ❖ The number of uninsured individuals is growing, due to slow recovery from the economic downturn, erosion of employer-sponsored coverage, and reduced uptake by employees as the price of health insurance increases.

**Why is Massachusetts addressing this problem now?**

- ❖ Strong base of employer-sponsored insurance: 98% of employers with 100+ employees and 65% of smaller employers contribute to employees' health insurance
- ❖ Substantial existing funds are spent on the uninsured: over \$600 million in the Uncompensated Care Pool
- ❖ Reauthorization of federal Medicaid waiver requires Massachusetts to redeploy funds to reduce the number of uninsured people
- ❖ Political leadership creates the opportunity to take a major step forward to substantially reduce uninsurance

## **Commonwealth Health Insurance Connector**

**What is the Connector?**

- ❖ A central mechanism to connect individuals and small businesses with health insurance products
- ❖ The Connector certifies and offers products of high value and good quality.
- ❖ The Connector makes it easier for small businesses to give their employees the opportunity to buy health insurance with pre-tax dollars.

### **Who is eligible to “connect” to coverage?**

- ❖ Individuals and businesses with 50 or fewer employees. Employed individuals may purchase health insurance with pre-tax dollars through the Connector.

### **Can small businesses participate in the Connector?**

- ❖ Yes. In addition, employers can contribute any amount toward an employee’s health insurance. Also, more than one employer may contribute to an employee’s insurance premium, helping employees with more than one job.

### **What kinds of policies will be available through the Connector?**

- ❖ This legislation protects the current range of benefits available through insurance in Massachusetts, including mental health and other mandated benefits. The Connector will review and certify products as being of good value and high quality.
- ❖ Plans offered through the Connector can choose to contract only with good value providers, rather than contracting with all providers in the state.
- ❖ The Connector will also offer a new range of products for Young Adults, ages 19-26, which will be tailored to meet their needs.
- ❖ Policies will have to meet current regulations on deductibles and co-pays except for those sold with a Health Savings Account (HSA) which will be able to have slightly higher deductibles but only when offered with the Account.

### **Who will oversee the Connector?**

- ❖ The Connector operate as an Authority, similar to the School Building Assistance Authority under the Executive Office for Administration & Finance (A&F).
- ❖ A new, separate Board of the Connector will oversee the certification of products and the operations of the Connector.

## **MassHealth**

### **What changes will be made to MassHealth?**

- ❖ The bill increases eligibility to children in families earning up to 300% of the Federal Poverty Level (FPL) (\$38,500/yr for a family of 2). Currently children in families up to 200% FPL are eligible for MassHealth. Massachusetts receives federal reimbursement of 65% reimbursement for most MassHealth programs for children.
- ❖ All MassHealth benefits that were cut in 2002, including dental and vision services, chiropractic and prosthetics, will be restored.

## **Commonwealth Care Health Insurance Program**

### **What is the Commonwealth Care Health Insurance Program?**

- ❖ Commonwealth Care will be operated through the Connector and will provide subsidies to people with incomes at or below 300% of the Federal Poverty Level (FPL), on a sliding scale, based on income.

### **Who will be eligible for the Commonwealth Care Health Insurance Program?**

- ❖ People who earn up to 300% FPL (\$48,000/yr for a family of 3), and are not eligible for other public insurance. People who have employer-sponsored insurance may be eligible, but the employer must pay a portion of the premium cost.
- ❖ People who earn below 100% FPL (\$9,600/yr for an individual) will not be subject to any premium.

### **What benefits will be provided through the Commonwealth Care Health Insurance Program?**

- ❖ Enrollees in the Commonwealth Care Insurance program will have a portion of their health insurance subsidized by the state.
- ❖ Plans offered through the premium assistance program will not include a deductible. There will be special protections for enrollees with incomes below 100% FPL.
- ❖ Managed care organizations that contract to provide health care for MassHealth enrollees will be the sole providers of subsidized health insurance for the initial years of the program (through July 2009), provided that they meet certain enrollment targets. After that, participants in the subsidized program will be able to enroll in other plans.
- ❖ Plans will be offered through the Commonwealth Care Health Insurance Connector, and must be approved by the Connector and meet other standards set by the Connector board.

## **Insurance Products**

### **What types of insurance products will this legislation authorize to be available on the market?**

- ❖ Merging the small- and non- group markets will stabilize the non-group market, and lower rates by 24% for individuals.
- ❖ New, targeted products will be offered to 19 to 26 year olds at low cost. These plans will offer “first dollar” coverage for primary care visits and comprehensive benefits
- ❖ Health Savings Accounts (HSAs) will be given favorable state tax treatment and authorized to be sold by HMOs.



### **Will this legislation affect mandated benefits?**

- ❖ The bill places a moratorium on new mandated insurance benefits until January 1, 2008 at which time the state will have completed a review about the costs and necessity of all current mandates.
- ❖ *All* current mandated benefits are protected. New plans offered on the market will continue to provide high-quality benefits.

### **Individual Investment**

#### **Why is an individual investment necessary?**

- ❖ Currently, every taxpayer pays for the care of those who are uninsured and need emergency care. Requiring those who can afford health insurance to purchase coverage is fair.
- ❖ Projections of the individual mandate show that the vast majority of the uninsured will take coverage.
- ❖ Experience and research has shown that voluntary measures aren't enough. Regardless of the price of insurance, some people choose to hedge their bets on health insurance by going without.
- ❖ By requiring everyone to have coverage, those who are healthy and currently uninsured will enter the insurance risk pool and thus help to stabilize the cost of premiums for the currently insured.
- ❖ No health care reform proposal without an individual mandate has ever been projected to enroll more than half of the uninsured.

#### **Why is the “affordability” clause included in the bill?**

- ❖ It is fair to require individuals to have insurance when an affordable product is available to them, based on a graduated affordability scale.

#### **What will penalties be for not having health insurance?**

- ❖ Beginning in July 2007, Massachusetts residents will confirm health insurance coverage by reporting whether or not they had insurance on state income tax forms in 2008.
- ❖ The Department of Revenue will enforce this provision with financial penalties. For tax year 2007, the penalty for not having health insurance coverage will amount to a loss of the personal exemption. For tax year 2008 and later, the penalty will increase to a portion of what an individual would have paid toward an affordable premium.

## **Employer Contribution**

### **Why does the bill require a financial contribution by employers?**

- ❖ Currently, a portion of the health insurance payments made by employers who do provide coverage for their employees go towards reimbursing hospitals and other providers for the cost of caring for the uninsured. Employers who DO NOT provide health insurance don't pay this premium. It seems fair to ask employers who don't contribute to pay a portion of the cost of providing health care to the uninsured.

### **How will the employer contribution work?**

- ❖ Employers who don't make a "fair and reasonable" contribution toward employee health insurance premiums will be required to make a per-worker "fair share contribution." The contribution will be calculated to represent the cost of free care used by the employees of non-contributing employers, but will be capped at \$295 per employee.
- ❖ Businesses with 10 or fewer employees will not be subject to the contribution. The amount of the contribution will be pro-rated for temporary or seasonal employees.

## **Other Frequently Asked Questions:**

### **How will this bill affect small businesses?**

- ❖ Connector will take away the administrative burden of offering insurance with pre-tax dollars.
- ❖ Connector will help small businesses choose high value, good quality products.
- ❖ Connector will allow for multiple employers' paying into one person's insurance premium and allow for portability – excellent benefit for part-time employees.
- ❖ Individuals who leave a small business that offered coverage through the Connector will be able to maintain the same health plan on their own – a valuable benefit for seasonal employees.
- ❖ The bill expands eligibility for the current Insurance Partnership Program. Employees with incomes up to 300% FPL (instead of 200%) will be able to participate, and their employer will receive a subsidy towards his or her share of the premium cost

### **How will this health reform legislation impact the large safety net hospitals?**

- ❖ Boston Medical Center and Cambridge Health Alliance will continue to be supported for providing care to the uninsured

### **How will this legislation impact Community Hospitals?**

- ❖ Community hospitals will benefit from additional funds available for Medicaid provider payments.
- ❖ Expanded Medicaid eligibility and assistance with purchasing private insurance will result in more people with insurance coverage, reducing the burden of free care and bad debt that hospitals bear now.
- ❖ A more rational system for reimbursing hospitals for the cost of providing uncompensated care will help community hospitals receive their fair share of available reimbursement funds.

### **Will the bill provide rate increases for providers?**

- ❖ Hospitals and physicians will receive Medicaid rate increases of \$90 million each year in FY07, FY08 and FY09.
- ❖ In FY08 and FY09, these increases will be tied to quality and other performance measures.

### **What will happen to the Free Care Pool under this legislation?**

- ❖ The current Uncompensated Care Pool is eliminated by this legislation.
- ❖ A new, reformed Health Safety Net Fund, overseen by the Office of Medicaid, will reimburse hospitals and community health centers more fairly for uncompensated care.
- ❖ Reforms will make the Health Safety Net Fund efficient—reimbursements will be made using a new standard fee schedule, instead of the current charge-based payment system.
- ❖ Less money will be needed for the Health Safety Net Fund as more people in Massachusetts acquire coverage.
- ❖ Some funds used for the Health Safety Net Fund now will be transferred to provide subsidized Commonwealth Care Health Insurance to individuals in the future, as the number of uninsured declines.