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Mass. healthcare: A Cautionary Tale

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Three years ago, Massachusetts passed the most sweeping healthcare legislation in the country, adopting a program very much like the proposals now being considered by Congress. The goals: make medical insurance almost universal, foster competition through a regulated insurance exchange, and help make coverage more affordable for low-income workers.

Today, Massachusetts leads the nation with 96 percent of its residents covered by insurance. The employer-based insurance system remains intact. And some people who buy their own coverage are paying less.

But there's a dark side to this bright picture – and it's a dark side with parallels to the current efforts in Washington. Massachusetts lawmakers ducked the tough issues of cost control. As a result, the state still has some of the most expensive medical care in the United States. Costs are rising faster than the national average – and far faster than wages.

Health insurance premiums for most people are also going up, not down. And for many middle-class people who had insurance before the overhaul, total spending on healthcare is higher than before--with little or no apparent improvement in the quality of the care they receive.

"What we did was health insurance reform," said Massachusetts Sen. James Eldridge, a former proponent who now regrets having voted for the bill, "not healthcare reform."

Among those who have trouble seeing the benefits of what Massachusetts did are 62-year old Joan Young and her husband, who live in a suburb west of Boston. They pay more than \$1,100 monthly for insurance, plus a \$1,000 deductible each before coverage kicks in.

Moreover, their insurer, Blue Cross/Blue Shield, like the others in the state, says it expects to raise the price of premiums by 10 percent next year.

And, since Joan Young has had serious medical problems, the couple has had thousands of dollars in medical expenses not covered by their insurance – a situation the Massachusetts system did nothing to change.

"It's not helping people like us, Young says. "They forget about the middle class."

Now, with health-related costs accounting for nearly half of the state budget, the legislature is trying again, this time fashioning policies to govern insurers' profits and doctors' pay.

When – and whether – those efforts bring improvements is uncertain. But a special commission established to tackle the problem said the stakes are high. Continued cost growth, it said in a report this summer, "threatens the viability of the Commonwealth's successful health reform initiative."

"If the proponents had taken a real hard look at costs, the bill wouldn't have passed," Eldridge said. "There was a hope that with more people covered, costs would go down. It didn't happen."

For all the problems of the Massachusetts system, its defenders make a case that it has achieved important results.

Certainly it has made things better for the 430,000 Massachusetts residents who previously had no insurance. The state mandated coverage for almost everyone, as Congress is moving to do on the national level. And, as with the plans before Congress, it provided subsidies to help low-income individuals and families pay their premiums.

The state also created a regulated insurance exchange to help consumers compare and buy policies. Individuals who make less than \$32,496 a year and low- to moderate-income families – those making up to \$66,155 a year for a family of four, for example – are eligible to buy state-subsidized plans. That's made buying a policy possible for many – 165,000 people are covered under such plans.

"The subsidized plans--in terms of access for low income people--have been a godsend really," said Carol Pryor, policy director of The Access Project in Boston, a healthcare advocacy group. "For many of them . . . it's the first time they can get the health care they need without being terrified they are going to get stuck with huge bills."

For some in the individual market who don't qualify for government assistance, the regulated exchange has produced policies with lower premiums—up to 20 percent lower, the state says. In 2005, average individual premiums were estimated at \$413 per month. Under the exchange, the smallest-benefit plan would cost a 35-year-old about \$220.

"If you are buying insurance on your own and you want the insurance, you're in a much better position," said Jon Kingsdale, executive director of the state's insurance exchange, the Commonwealth Connector.

The price cuts have not been shared by all. Because age-rating is allowed, a 55-year-old would pay \$438 a month for that same plan--roughly equivalent to what it would have cost under the old system.

And overall, the gains in Massachusetts have not come cheap. Nor has everyone benefitted.

The subsidized plans cover only about three percent of the 5.4 million in the state who have health insurance. Yet the Commonwealth Care subsidies are estimated to carry a price tag of \$1.3 billion by 2011, double what it cost in 2007.

One reason for the soaring cost is that more residents applied for the assistance than the state had projected. Also Massachusetts, which has always had exceptionally high healthcare costs, is still an expensive place to get treatment – in part because it has some of the most advanced, and costly, medical centers and research facilities in the world.

In 2008, yearly family premiums here averaged \$13,788, the highest in the nation. Premiums are projected to reach \$26,730 by 2020, according to a recent report.

Experts say there is also no evidence that the law has done anything to slow the rate of medical bankruptcies. One study projects that more than one-quarter of low-income residents held medical debt last year.

Then there is the problem of gaps in the relatively less expensive plans that many low-income residents are buying. The so-called "Bronze" plans offered on the exchange have high deductibles and make consumers responsible for a much larger share of any medical bills than the more expensive silver and gold plans do.

That's forced some residents to make a tough choice--pay for a plan they say isn't effective, or pay the penalty for not having insurance at all.

Moira Rioux, 45, of Plymouth suffers from an immune deficiency requiring monthly treatments that cost \$6,560 each. She's covered through her husband's employer-based insurance, but the policy only pays 40 percent of the cost of her treatments, which she receives from a doctor outside of the insurer's network.

Rioux now carries two policies--her family plan and a supplemental individual plan she bought through the government-regulated exchange. The individual plan is supposed to bring her co-pay down from 60 percent to 20 percent, but she says her insurers end up covering only about two-thirds of her bills.

To treat her condition alone, Rioux's yearly out-of-pocket share totals \$31,000. She's happy to have her second policy, which has helped some with the cost, but not enough, she said.

"How am I going to manage these costs?" she asked. "It's nice that everybody in Massachusetts has care at this point, but there's still missing pieces to the puzzle."

While many of the problems Massachusetts is struggling with may develop nationally if Congress does not address them before approving its own healthcare overhaul, some analysts insist it's not too late to address the cost issue more forcefully.

"At the national level, there has not been an explicit decision to postpone cost containment," said Paul Ginsburg, who heads the nonpartisan Center for Studying Health Policy Change. "There's a lot of belief that we should deal with it now." •30-

