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 Ethic 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.