

The Massachusetts Plan: One state's efforts at health care reform.

Published: August 8, 2009 The New York Times

Massachusetts's experiment in near universal health care coverage has become a favorite whipping boy for opponents of health care reform. They claim the program is a fiscal disaster and that the whole country will be plunged into a similar disaster if President Obama and Congress's Democratic leaders have their way.

That is an egregious misreading of what is happening in Massachusetts. The state's experience so far suggests that it is more than possible to insure almost all citizens and stay within planned budgets — although it will take great creativity and political will to hold down rising costs so that the program is sustainable.

Three years after the program began, 97 percent of Massachusetts residents have health insurance — by far the highest rate in the nation. That has been achieved without huge increases in state spending.

The Massachusetts Taxpayers Foundation, a non-partisan research group, recently concluded that the cost of achieving near universal coverage "has been relatively modest and well within early projections of how much the state would have to spend to implement reform." That is heartening news given that the major features of the Massachusetts reforms are similar to those under consideration in Washington.

Massachusetts requires everyone to take out health insurance or pay a tax penalty (unless they are deemed unable to afford coverage). It requires employers to offer coverage or pay a modest fee. It has expanded Medicaid to cover more of the poor and provides subsidies to help other low- and moderate-income residents buy insurance. And it has established an exchange where people not covered at work can choose from policies offered by private insurers who compete for their business.

All told, this program has raised state and federal health care spending in Massachusetts from \$1 billion a year in fiscal 2006 to a projected \$1.7 billion for fiscal year 2010 — with the federal and state governments each paying half of the added costs, or about \$350 million. Massachusetts's overall budget for 2010 is \$27 billion.

A remarkable and encouraging development is that employers, who faced only a modest penalty if they dropped or failed to provide coverage, have chosen instead to expand coverage, in part because their workers were clamoring for group coverage. Indeed, employers and their workers have made a greater contribution to expanding coverage than the state has.

When the Legislature recently imposed cuts that forced the program to reduce benefits for thousands of legal immigrants, critics were quick to charge that the program was unraveling. But as state tax revenues have dropped during the recession, virtually all state programs have had to accept cuts. The demand for subsidized care has also risen as people have lost jobs.

There have been growing pains and glitches. The initially generous insurance benefits had to be scaled back to keep costs manageable. Cigarette taxes had to be raised to help pay for the reform. The number of people reporting problems paying medical bills and gaining access to care, after falling sharply, has begun to rise again. Tens of thousands of people who make too much to qualify for subsidies have to be exempted from the mandate each year on the grounds that they cannot afford to buy insurance. People just above the exemption level who lack employer coverage often face what they consider very high premiums.

Such problems are a warning perhaps that subsidies need to be extended higher up the income range. Massachusetts gives subsidies to families of four earning \$66,000 a year, while pending Congressional bills would provide subsidies for those earning up to \$88,000. That could mean added strain on government budgets.

What Massachusetts has not yet figured out is how to slow the relentless rise in medical costs and private insurance premiums, although premiums within the exchange have been held to 5 percent annual increases. The state's political leaders decided to expand coverage first, while postponing the hard decisions about cutting costs until lots of people, businesses and institutions had a stake in the success of the enterprise.

Now the state seems poised to tackle costs — with an approach that is far more ambitious than anything currently being contemplated on Capitol Hill.

A special commission has just recommended that the state try, within five years, to move its entire health care system away from reliance on fee-for-service medicine, in which doctors are paid more for each additional test or procedure they provide.

In its place, the commission wants a system in which groups of doctors and hospitals would receive fixed sums to deliver whatever care a patient needed over the course of a year. The hope is that doctors would be motivated to deliver only the most appropriate care, not needless and excessively costly care, with safeguards to ensure that they do not skimp on quality.

In Washington, as Congress and the administration look for ways to slow the rate of increase in health care costs, they are focusing on a range of possibilities and planning pilot projects to test them. That seems to be a more judicious approach given uncertainties as to what will work. Whatever Massachusetts chooses, Congress should keep a close eye. And the public should demand an honest assessment, from critics and supporters.