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MASSACHUSETTS HEALTH CARE LEGISLATION

SIGNIFICANCE FOR RETAIL AND WHOLESALE GROCERS

Massachusetts will be the Nation's "health care test site" for the next few years. Virtually every state is facing a health care crisis as Medicaid costs run out of control and federal Medicaid payments to states dwindle. If Massachusetts is successful at making health insurance more affordable for residents and is able to insure more residents through subsidized policies while keeping cost under control we will see many other states explore similar legislation. Federal mandates may also require states to enact similar policies or risk losing significant federal Medicaid funding.

BACKGROUND:

With the signing of House Bill 4479 into law, The Commonwealth of Massachusetts has made history by requiring, among other things, that all citizens be insured with healthcare insurance by 2009. House Bill 4479 (and its sister bill Senate Bill 2282) are the result of a conference committee, which had the task to bring numerous House and Senate bills into agreement.

An estimated 550,000 people are uninsured in Massachusetts. According to the Conference Committee report 98% of employers with 100 or more employees and 65% of smaller employers contribute to employees' health insurance. Currently, all employers who provide health insurance are required to pay a "rider" (fee) to cover Massachusetts' uninsured citizens. The goal of the new legislation is to cover 90% to 95% of the states uninsured residents by 2009. Massachusetts is at risk of losing close to \$400 million in annual federal Medicaid funding if they don't demonstrate substantial progress in reducing the number of uninsured residents.

THE LEGISLATION:

In short, the new legislation accomplishes the following:

INDIVIDUALS:

- ❖ By July 1, 2007 uninsured residents must purchase new, low cost health plans or forfeit their personal state tax exemption, which would amount to approximately \$150 in the first year. Residents who fail to obtain health coverage by the second year would have to pay a fine equal to half of the monthly premium for an affordable

health plan, which, according to the Wall-Street Journal, could amount to \$1,200 annually.

- ❖ By 2008 all residents must provide details about their health insurance on their state income tax returns. Those who cannot find an affordable plan could obtain a waiver.
- ❖ Residents with incomes up to 300% of the federal poverty level (\$28,700 for a single person) would be eligible for Commonwealth Care. This state subsidized program would allow residents with incomes lower than 100% of the federal poverty level to purchase subsidized health policies without premiums. These policies require very small co-payments for doctor visits.
- ❖ Residents with incomes between 100% and 300% of the federal poverty level would be eligible to purchase subsidized policies on a sliding scale.
- ❖ The new law provides incentives for insurers to offer low-cost plans for 19-26 year olds.
- ❖ Health Savings Accounts (HSAs) will be given favorable state tax treatment and authorized to be sold by HMOs.
- ❖ MassHealth (Massachusetts Medicaid program) would be expanded to cover an additional 92,500 uninsured residents by expanding eligibility requirements for children and eligible adults who have not signed up.

EMPLOYERS:

- ❖ **Mandates:** The legislation would require employers with 11 or more employees (full and part-time) to provide health coverage or pay an annual fee of \$295 per employee. While not clearly spelled out the intent of the legislation is not to assess a company the \$295 fee if they only offer health care to a portion of their workforce (i.e. only full time workers). The legislation also requires employers whose uninsured workers repeatedly use hospital facilities to pay between 10% and 100% of the medical bills exceeding \$50,000. Employer fees would be used to subsidize low cost plans. The government estimated that the fees would raise approximately \$45 million per year.
 - ❖ Businesses with temporary or seasonal workers who do not provide coverage will have the annual \$295 fee pro-rated.
 - ❖ Individuals and businesses with 50 or fewer employees would be able to purchase insurance with pretax dollars using the Commonwealth Insurance Health Connector.
- Employers with 10 or fewer employees are not affected.

CONNECTOR:

- ❖ The “Connector” is a central mechanism to connect individuals and small businesses (50 or fewer employees) with health insurance products. It operates as an Authority and will be supervised by a Board of the Connector. It certifies products as being of good value and high quality. Employees may purchase health insurance with pretax dollars. Employers may contribute to an employee's health

- insurance. Also, multiple employers are allowed to contribute to an employee's insurance premium, which helps employees with more than one job.
- ❖ The Connector will offer a range of affordable products for residents 19-26 years old, which will be tailored to meet their needs.
 - ❖ Legislation enacts "pay for performance" requiring that health care providers show they are meeting certain quality standards in order to receive additional Medicaid dollars. These requirements go into effect July 1, 2007.
 - ❖ The bill is estimated to cost more than \$1 billion annually. It would be funded from \$125 million in new state spending, fees from business, money from existing programs, and \$650 million a year in federal Medicaid payments.

CURRENT STATUS:

Governor Mitt Romney signed House Bill 4479 into law on April 12, 2006. He did enact a number of line-item vetoes, which include:

- ❖ Veto of the Fair Share Assessment on businesses asserting that this is not necessary to implement or finance health care reform.
- ❖ Veto of a report on the Fair Share Assessment Impact, which isn't necessary since he has vetoed the Fair Share Assessment.
- ❖ Vetoed a public health council saying appointment of the members as prescribed by the legislature is a violation of separation of powers.
- ❖ Vetoed the MassHealth Optional Services due to its annual cost of \$75 million, which the Governor believes is financially unsustainable. It would also extend to adult Medicaid recipients a dental benefit not provided by 60% of employers in Massachusetts.
- ❖ Vetoed a section on essential benefits for special status aliens. Federal reimbursement for medical coverage for special status aliens was eliminated in 1996 by President Clinton. The law requires sponsors to sign an affidavit swearing they will take personal financial responsibility for these aliens in their care. The Governor states that it is important to take into account the financial status of the sponsor in determining if medical coverage for these special aliens should be made available.

The Massachusetts Legislature is majority Democrat and easily overrode Governor Mitt Romney's vetoes.