

Massachusetts: Map for Missouri?

Executive Summary

In April 2006, the Massachusetts Legislature passed sweeping health reform legislation (An Act Providing Access to Affordable, Quality, Accountable Health Care, H4479) to achieve universal health insurance coverage. The legislation expands access to affordable coverage through several strategies. As this legislation enters the implementation phase, other states will look to Massachusetts as a possible model for health care reform.

This executive summary of “Massachusetts: Map for Missouri?” compares the health care environments in both states and discusses opportunities and obstacles for Missouri to expand access to health insurance using Massachusetts’ approach. The report was prepared for the Missouri Foundation for Health by researchers at Saint Louis University.

Landscapes in Massachusetts and Missouri: A Comparison

The similarities and differences between health landscapes in Missouri and Massachusetts include the following:

- ◆ The median income in Massachusetts is higher than in Missouri (\$52,354 vs. \$43,988).
- ◆ Massachusetts has a lower percentage of the population living in poverty than Missouri (9% vs. 12%).
- ◆ A smaller proportion of Massachusetts’ uninsured adults live in poverty as compared to Missouri’s (31.2% vs. 37.1%).
- ◆ Massachusetts’ share of children living in poverty is smaller than Missouri’s (15% vs. 21%).
- ◆ The proportion of children covered by Medicaid in Massachusetts is lower than in Missouri (21.2% vs. 27.4%)
- ◆ In the 1990s, Missouri and Massachusetts used waivers to expand Medicaid eligibility. However, as a result of Missouri’s legislative changes in 2005, adult eligibility levels became stricter than those in Massachusetts.

The Context for Reform in Massachusetts

Several factors made it possible for the state of Massachusetts to achieve a bipartisan consensus around their unique approach to universal coverage:

- ◆ If Massachusetts had not passed reforms, it would have lost a significant amount of federal Medicaid matching funds.
- ◆ Massachusetts had an Uncompensated Care Fund that provided almost \$1 billion in state and federal funds available for expanding coverage.
- ◆ Community organizations had sponsored a ballot initiative that would have substantially taxed employers to expand state sponsored health care programs.
- ◆ Legislators had access to many perspectives in their decision-making process. Those resources included sophisticated policy analysis; a media campaign; and a coalition of business leaders, advocacy groups, and insurers.

The Context for Reform in Missouri

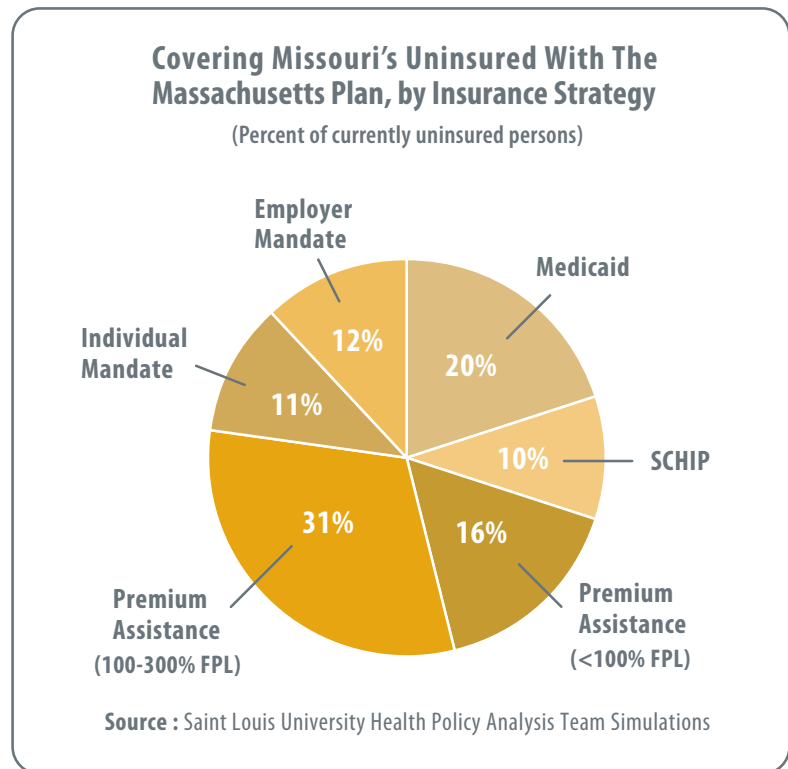
Replicating the factors which led to reform in Massachusetts may be difficult in other states, especially Missouri. The challenges include:

- ◆ Missouri does not face the threat of loss of significant federal funds through federal action; however, state law requires that the Missouri Medicaid program sunset on June 30, 2008. Thus, the 2007 General Assembly will need to act to either reform Medicaid or delay the sunset provision.
- ◆ Compared to Massachusetts, Missouri's Uncompensated Care Fund lacks the resources to finance an expansion of coverage.
- ◆ No coalition focusing on the issue of private insurance coverage expansion unites Missouri's business groups, community activist organizations, and research groups.

Achieving Universal Coverage in Missouri

A Massachusetts-style insurance reform involves several specific strategies: a premium assistance program, Medicaid expansion, an insurance purchasing pool, and individual and employer mandates. In Missouri, these same strategies would produce the following results:

- ◆ **Premium Assistance Program.** The creation of a premium assistance program would help low- and moderate-income individuals below 300 percent of the federal poverty level (FPL) to afford private insurance by lowering the costs of premiums and out-of-pocket expenses. Such a program could cover approximately 47 percent of those presently uninsured.



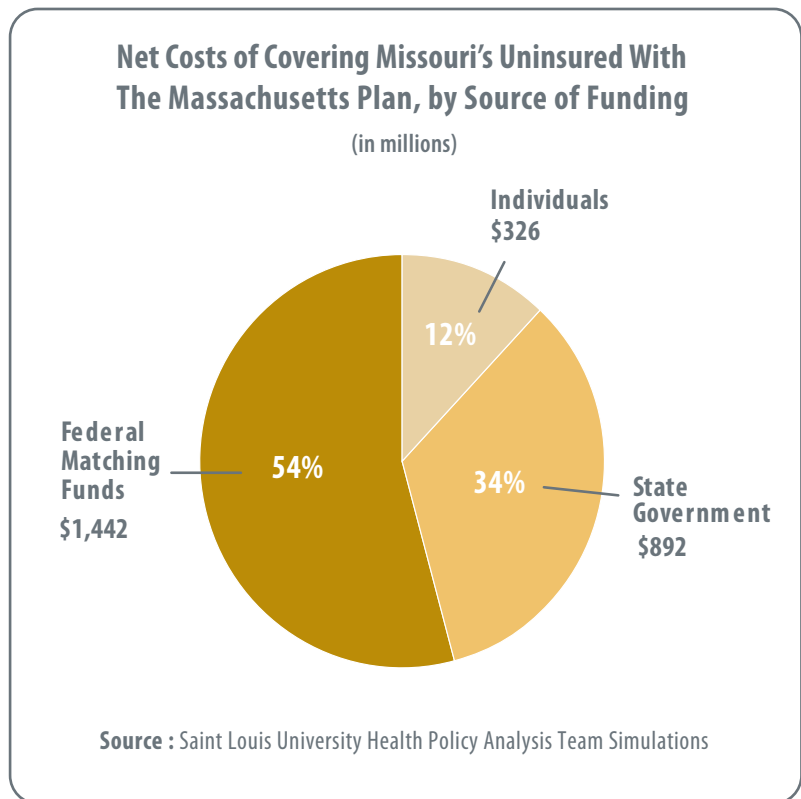
- ◆ **Medicaid Expansion.** Using the Massachusetts approach, a plan for universal health insurance in Missouri would build upon the state's existing Medicaid structure raising income eligibility for those categories of adults – parents, elderly and disabled – to at least 100 percent of FPL, while maintaining the present 300 percent of FPL income cutoff for children. Additionally, the state would have to enroll those who are presently eligible but not currently covered by Medicaid or SCHIP. These efforts could cover about 30 percent of the uninsured.
- ◆ **Insurance Purchasing Pool.** A state-sponsored insurance purchasing pool would allow individuals and small groups to lower the costs of purchasing health insurance. These savings would derive from combining the individual and small group private insurance markets and from instituting private insurance reforms.

- ◆ **Individual and Employer Mandates.** According to this approach, reaching universal coverage requires moving beyond the voluntary purchase of health insurance to a requirement that individuals purchase insurance either directly or through their employers. For employers, the mandate would require either contributing to their employee’s health insurance or paying a penalty to the state. Estimates for Missouri indicate individual and employer mandates would bring coverage to 23 percent of the uninsured.

The Costs of Universal Coverage in Missouri

The estimated net costs of covering the uninsured in Missouri under a Massachusetts plan is \$2.6 billion. The costs would be allocated in the following way:

- ◆ About 34 percent of the net costs would need to be covered by the state government.
- ◆ Approximately 54 percent of the costs would be covered by federal matching funds.
- ◆ Individuals would pick up 12 percent of net costs. Currently uninsured individuals would contribute, after premium assistance, \$544 million for their



share of premiums. Premiums for those currently insured could experience a collective decrease of \$219 million in costs. The difference between the two groups, approximately \$326 million, would be the total net cost increase borne by individuals.

- ◆ In the aggregate, employers under this system could experience a small reduction in health care expenditures based on changes to the private insurance market. Employer health insurance costs for covering the presently uninsured would cost approximately \$599 million. However, this may be offset by approximately \$617

million in premium savings related to likely insurance market reforms, including larger risk pools that would occur as more individuals purchase insurance.

Financing of Universal Coverage in Missouri

To adopt the Massachusetts model, the Missouri state government would need to redirect a number of current revenue sources in order to raise the \$892 million to finance public and private health insurance coverage. If the state redirected funds currently allocated for care for the uninsured, \$327.3 million would be available for coverage expansion. The remaining \$564.7 million could require new state funding sources.

Existing state funds that could be reallocated:

- ◆ Missouri's share of Medicaid Disproportionate Share Hospital (DSH) payments (\$175.5 million).
- ◆ State and local funds for care of the uninsured (\$151.8 million).

Potential new sources of revenue include, but are not limited to:

- ◆ Funds from a tobacco tax initiative (approximately \$290 million for health care access and treatment).
- ◆ General Revenue surplus (approximately \$600 million in fiscal year 2006).
- ◆ Revenues from a provider tax on private insurers (potentially up to \$100 million).
- ◆ A sales tax on medical services (potentially yielding up to \$628 million).

Policy Considerations

Although the health landscape and political context in Missouri pose implementation obstacles, the Massachusetts plan remains a plan worthy of consideration for increasing access to affordable health insurance in Missouri.

To do so, several policy issues must be addressed. In particular:

- ◆ Passage of a Massachusetts-style plan is contingent on universal coverage becoming an explicit health policy goal for Missouri.
- ◆ Achieving universal coverage for low- to moderate-income Missourians assumes the state secures federal matching funds through the Medicaid program.

- ◆ The affordability and availability of health insurance coverage through a private insurance pool depends on whether the pooling of many small employers and individuals produces lower administrative costs and favorable premium rates.
- ◆ An individual mandate would only take effect if the definitions of affordable and adequate insurance receive popular support.
- ◆ The success of an employer mandate pivots on the public perception that the rules and regulations governing the definition and implementation of the mandate are fair and equitable.

The information presented here is taken from a series of issue briefs prepared by the Saint Louis University Health Policy Legislative Analysis Team. Other subjects covered by the series include Medicaid expansion, an insurance purchasing pool, a premium assistance program, and individual and employer mandates. The authors of this brief are Timothy McBride, PhD, Professor of Health Management and Policy, School of Public Health; Sidney Watson, JD, Professor of Law; Heather Bednarek, PhD, Assistant Professor of Economics, School of Business; Muhammad Islam, PhD, Associate Professor of Economics, School of Business; Dan Gentry, PhD, Associate Professor of Health Management and Policy, School of Public Health; Mike Counte, PhD, Professor of Health Management and Policy, School of Public Health; and Nicolas Terry, LL.M., Professor of Law and Co-Director of Center for Health Law Studies.