

A Look at the Individual Mandate:
Massachusetts and California

Health Care Reform

The high cost of health care

- In 2005, the U.S. spent \$2 trillion on health care – 16 percent of GDP and \$6,697 per person.
- 46.5 million non-elderly Americans lacked health insurance in 2006
- Since 2001, premiums for family coverage have increased 78%, while wages have only increased 19%.



Sources: Employee Benefit Research Institute Estimate of the Current Population Survey, March 2003 Supplement; U.S. Census Bureau, Current Population Survey, 2005 to 2007 Annual Social and Economic Supplements.

Are we finally ready for real health care reform?

Comparison of Key Factors Affecting the Demand for Health Care Reform, Early 1990s and Today.*		
Variable	Then	Now
Increase from the previous year in health insurance premiums	14% (1990)	6.1% (2007)
Health care spending as a percentage of the gross domestic product	12.3% (1990)	16% (2005)
Per capita health care spending	\$3,167 (1992)	\$6,401 (2005)
Number of uninsured	35.4 million (1991)	47.0 million (2006)
Increase from the previous year in the number of uninsured	1.3 million (1989–1990)	2.2 million (2005–2006)
Unemployment rate	7.5% (1992)	4.6% (August 2007)
Federal deficit	\$269 billion (1991)	\$248 billion (2006)
Percentage of people who say the system needs to be completely rebuilt or needs fundamental change	90% (1991)	90% (2007)
Percentage of people who identify health as a top issue of concern	19% (1992)	27% (2007)

* Data are from the Kaiser Family Foundation, the Organization for Economic Cooperation and Development, the U.S. Census Bureau, the Bureau of Labor Statistics, the Congressional Budget Office, and a poll conducted by CBS News and the *New York Times*.

Crunching the numbers of the insured and the uninsured

MASSACHUSETTS

- Based on a 3-year average, between 2000 and 2002:
 - 600,000 non-elderly residents were uninsured
 - Uninsured MA residents = 10.6% of U.S. uninsured population
- MA lower than U.S. uninsured rate of 15.3%

CALIFORNIA

- Based on a 3-year average, between 2000 and 2002:
 - 6.5 million non-elderly residents were uninsured
 - Uninsured CA residents = 20.7% of U.S. uninsured population
- CA higher than U.S. uninsured rate of 15.3%

Sources: Employee Benefit Research Institute Estimate of the Current Population Survey, March 2003 Supplement; U.S. Census Bureau, Current Population Survey, 2005 to 2007 Annual Social and Economic Supplements.

Designing health care reform

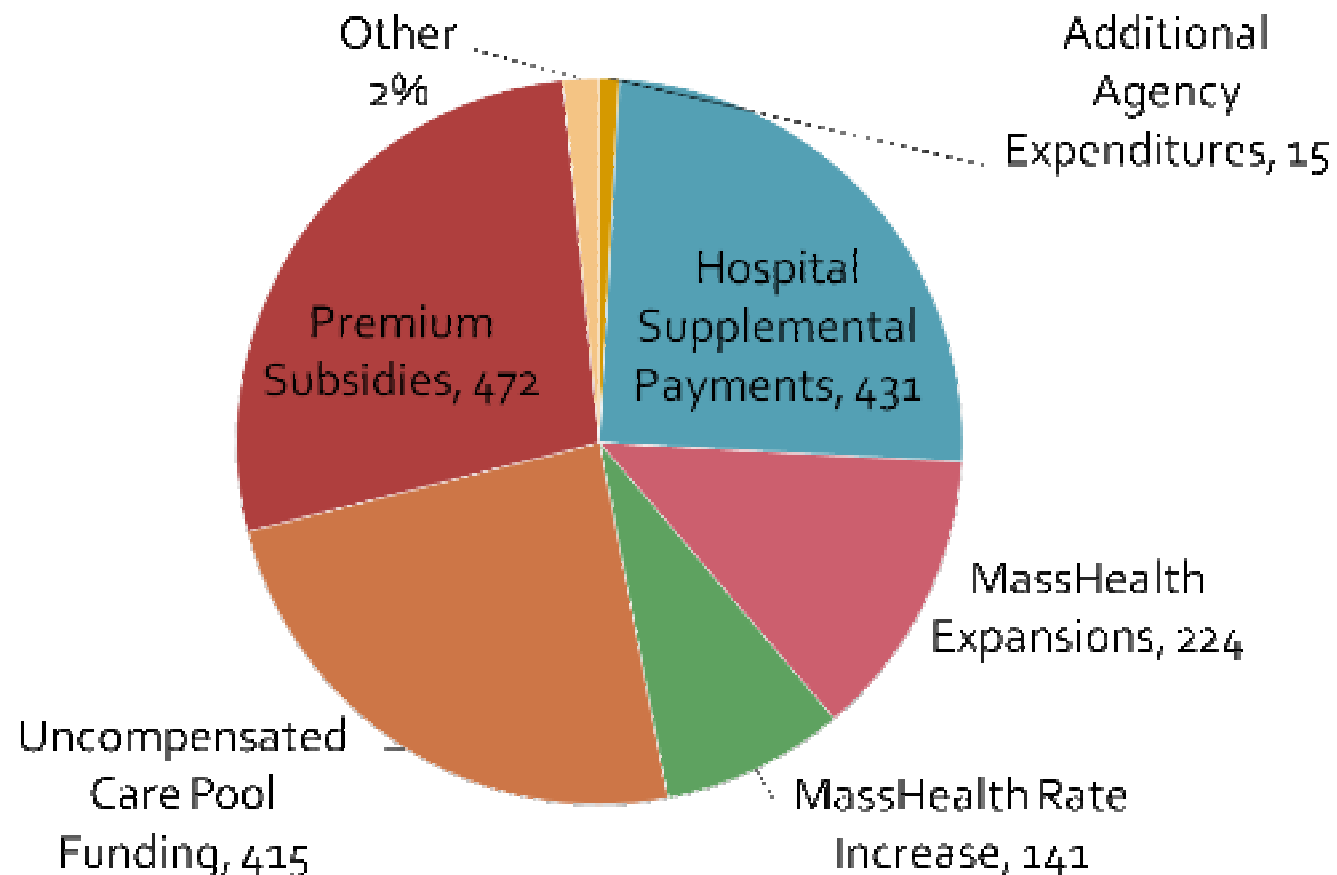
■ Massachusetts

- “The Act Providing Access to Affordable, Quality, Accountable Health Care”
- Required all Massachusetts adults to purchase health insurance by July 1, 2007
- Commonwealth Care Health Insurance Program provides sliding-scale subsidies to individuals with incomes up to 300% of the federal poverty level
- Individuals with incomes less than 150% of the poverty level are not required to pay premiums
- Gov. Deval Patrick requested \$1.725 billion to fund the program
- Financing also relies on redistribution of existing funding, including federal Medicaid payments previously paid to safety net providers and funds from the Uncompensated Care Pool
- New funding from employer contributions and general fund revenues

Source: “Massachusetts Health Care Reform Plan: An Update,” Kaiser Commission on Key Facts, June 2007.

Massachusetts Reform Plan Financing SFY 2008

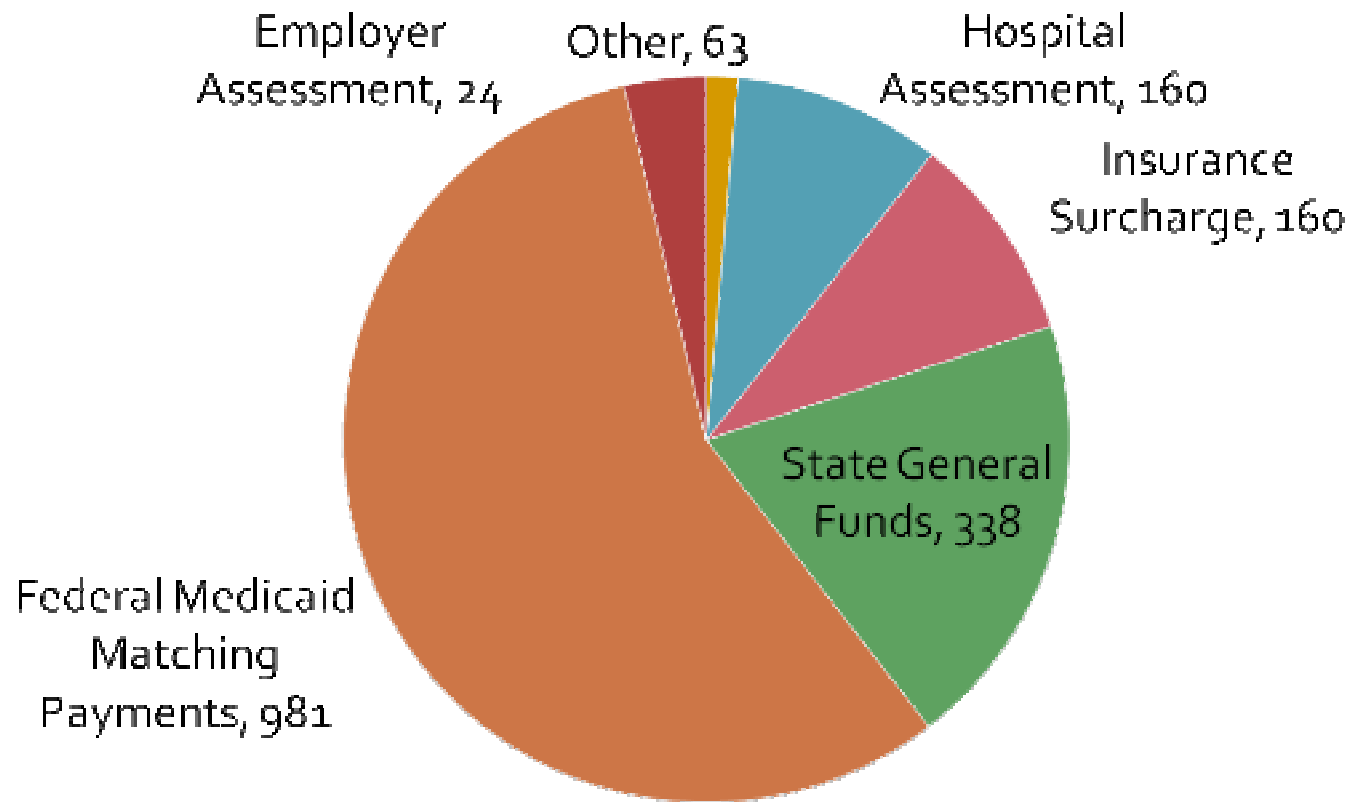
- Total costs out of \$1.72 billion



Source: Massachusetts Health Care Reform Plan: An Update, Kaiser Commission on Key Facts, June 2007

Massachusetts Reform Plan Financing SFY 2008

- Total revenues out of \$1.72 billion

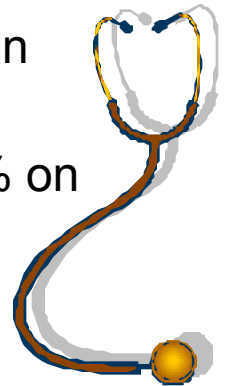


Source: Massachusetts Health Care Reform Plan: An Update, Kaiser Commission on Key Facts, June 2007

Designing health care reform (cont.)

■ California

- “The Health Care Security and Cost Reduction Act”
- Requires all California residents to obtain health insurance
- Health insurance subsidies based on the federal poverty level
 - Families with incomes lower than 150% of poverty level will receive full subsidized health care coverage
 - Families with incomes between 150% and 200% pay no more than 4% of income on premiums
 - Families with incomes between 200% and 250% pay a max of 5% on premiums
- Financed in part by leasing the state lottery to a private group to generate a \$2 billion annuity



Source: California Healthline, "Schwarzenegger Releases Revised Health Care Reform Proposal," October 10, 2007

Designing health care reform (cont.)

- **Hillary Clinton's Health Care Reform Proposal**
 - "The American Health Choices Plan"
 - Individual mandate
 - Expands two government programs: Medicare, and the health insurance plan currently offered to federal employees.
 - Offers working families refundable tax credits
 - Limits premium payments to a percentage of income
 - Shared responsibility for large employers
 - Creates small business tax credits
 - Creates a retiree health legacy initiative
 - Costs about \$110 billion annually; funds to come from several sources, including streamlined programs and redirected tax breaks.

Sources: [http:// www.hillaryclinton.com/feature/healthcareplan/americanhealthchoicesplan.pdf](http://www.hillaryclinton.com/feature/healthcareplan/americanhealthchoicesplan.pdf).

Sharing responsibility

MASSACHUSETTS

- Employer mandate
 - Employers with 11 or more employees must provide health insurance coverage or pay a “Fair Share” contribution of up to \$295 annually per employee.
 - Employer must offer a Section 125 “cafeteria plan” that permits workers to purchase health care with pre-tax dollars or face a “free-rider surcharge” if employees make excessive use of uncompensated care

CALIFORNIA

- Employer mandate
 - No contributions if payrolls do not exceed \$100,000
 - 2% contributions if payrolls are between \$100,000 and \$200,000
 - 4% contributions if payrolls exceed \$200,000

Sources: “Massachusetts Health Care Reform Plan: An Update,” Kaiser Commission on Key Facts, June 2007; California Healthline, “Schwarzenegger Releases Revised Health Care Reform Proposal,” October 10, 2007

Immigration & health care

MASSACHUSETTS

- Foreign born persons: 12.2%
- Language other than English spoken at home: 18.7%

CALIFORNIA

- Foreign born persons: 26.2%
- Language other than English spoken at home: 39.5%

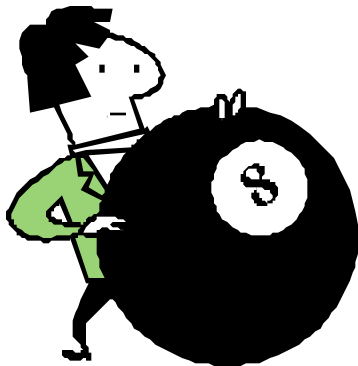
Source: U.S. Census Bureau, Current Population Survey, 2005 to 2007 Annual Social and Economic Supplements.

Is the Massachusetts model working?

- Less than 1/3 of the 12,000 people who sought charity care at the region's hospitals within the last 18 months have signed up. (Alice Dembner, *Boston Globe*, "State boosts effort to reach the uninsured," October 27, 2007.)
- To control costs, state senate proposed a plan to force health insurance companies to explain at public hearings any annual premium increase above 7%. (Ken Maquire, Associated Press, "Mass. Plan Eyes Health Care Costs," October 24, 2007.)

Problems facing the individual mandate

- Financing
- Private insurance
- Companies offering affordable options
- Expansion of existing programs
- Immigrants
- The lost middle class
- Stigma of applying for free health care



Is Massachusetts' individual mandate replicable in California?

- Much larger uninsured population in CA
- Very little health insurance regulation in CA
 - Guaranteed issue; community rating
- Greater population diversity in CA
- Little culture of social solidarity in CA
- Financing
 - No Uncompensated Care Pool
 - No 1115 Medicaid waiver
 - Larger employer mandate
 - Provider mandate