

The Massachusetts Health Reform Bill: A False Promise of Universal Coverage

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It's a stirring scene. The Governor, legislative leaders and leaders of Health Care For All standing in the State House Rotunda declaring victory in the fight for universal health coverage. Unfortunately, this week's tableau merely repeats one from 20 years ago when Governor Dukakis was celebrating passage of his universal healthcare bill. That plan imploded within two years, and today about 250,000 more people are uninsured in Massachusetts than the day it was signed. Unfortunately, Massachusetts' new health reform legislation looks set to repeat that disaster.

What's in the New Bill?

The new bill includes three key provisions meant to expand coverage. First, it would modestly expand Medicaid eligibility. Second, it would offer subsidies for the purchase of private coverage to low-income individuals and families, though the size of the subsidies has yet to be determined. Finally, those making more than three times the poverty income (about \$30,000 for a single person) would have to buy their own coverage or pay a fine.

To help make coverage more affordable, a new state agency will connect people with the private insurance plans that sell the coverage, and allow people to use pre-tax dollars to purchase coverage (a tax break that mostly helps affluent tax payers who are in high tax brackets). This new agency is also supposed to help design affordable plans.

Businesses that employ more than 10 people and fail to provide health insurance will be assessed a fee (not more than \$295) to help subsidize care. Additionally, hospitals won a rate hike assuring them better payments from state programs, and several provisions were included that are meant to attract additional Federal funding to help pay for the Medicaid expansion.

What's Wrong With This Picture?

First, the politicians assumed that only about 500,000 people in Massachusetts are uninsured. The Census Bureau says that 748,000 are uninsured. Why the difference? The 500,000 figure comes from a phone survey conducted in English and Spanish. Anyone without a phone or who speaks another language is counted as insured. The 748,000 figure comes from a door-to-door survey carried out in many languages (including Portuguese and Haitian Creole, common languages in Massachusetts). In sum, the reform plan wishes away 248,000 uninsured people who don't have phones or don't speak English or Spanish. It provides no funding or means to get them coverage.

Second, the linchpin of the plan is the false assumption that uninsured people will be able to find affordable health plans. A typical group policy in Massachusetts costs about \$4500 annually for an individual and more than \$11,000 for family coverage. A wealthy uninsured person could afford that – but few of the uninsured are wealthy. A 25 year old fitness instructor can find a cheaper plan. But few of the uninsured are young

and healthy. According to Census Bureau figures, only 12.4% of the 748,000 uninsured in Massachusetts are both young enough to qualify for low-premium plans (under age 35) and affluent enough (incomes greater than 499% of poverty) to readily afford them. Yet even this 12.4% figure may be too high if insurers are allowed to charge higher premiums for persons with health problems; only half of uninsured persons in those age and income categories report that they are in “excellent health”.

The legislation promises that the uninsured will be offered comprehensive, affordable private health plans. But that’s like promising chocolate chip cookies with no fat, sugar or calories. The only way to get cheaper plans is to strip down the coverage – boost copayments, deductibles, uncovered services etc.

Hence, the requirement that most of the uninsured purchase coverage will either require them to pay money they don’t have, or buy nearly worthless stripped down policies that represent coverage in name only.

Third, the legislation will do nothing to contain the skyrocketing costs of care in Massachusetts – already the highest in the world. Indeed, it gives new infusions of cash to hospitals and private insurers. Predictably, rising costs will force more and more employers to drop coverage, while state coffers will be drained by the continuing cost increases in Medicaid. Moreover, when the next recession hits, tax revenues will fall just as a flood of newly unemployed people join the Medicaid program or apply for the insurance subsidies promised in the reform legislation. The program is simply not sustainable over the long – or even medium – term.

What Are the Alternatives?

The legislation offers empty promises and ignores real – and popular - solutions.

A single payer universal coverage plan could cut costs by streamlining health care paperwork, making health care affordable. Massachusetts Blue Cross spends only 86% of premiums paying for care. It spends the rest - more than \$700 million last year - on billing, marketing and other administrative costs. Harvard Pilgrim and Tufts Health Plan – our other big insurers - are little better; each took in about \$300 million more than it paid out. That’s ten times as much overhead per enrollee as Canada’s national health insurance program. And our hospitals and doctors spent billions more fighting with insurers over payments for each bandaid and aspirin tablet.

Overall, Massachusetts residents will spend \$13.3 billion on health care bureaucracy this year – nearly one third of our total health bill. If we cut bureaucracy to Canada’s levels we could save \$9.4 billion annually, enough to cover all of the 748,000 uninsured in Massachusetts and to improve coverage for the rest of us.

Study after study – by the Congressional Budget Office, the General Accounting Office and even the Massachusetts Medical Society - have confirmed that single payer is the only route to affordable universal coverage.

And single payer is popular. The Massachusetts Nurses Association supports it along with dozens of other labor, seniors and consumer groups; so do 62% of Massachusetts physicians according to a recent survey. National polls find that almost two-thirds of Americans favor a tax-funded plan like Medicare that would cover all Americans.

But single payer national health insurance threatens the multi-million dollar paychecks of insurance executives, and the outrageous profits of drug companies and medical entrepreneurs.

It's time for politicians to stand up to the insurance and drug industries and pass health reform that can work.

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