The verdict on Romney’s Rx

THE EX-GOVERNOR’S HEALTHCARE OVERHAUL IN MASSACHUSETTS HAS BROAD SUPPORT, BUT IT HAS NOT SOLVED THE PROBLEM OF SKYROCKETING COSTS

BY ROS KRASNY AND TONI CLARKE
BOSTON, DEC 1

FOR MANY YEARS, Rebeccah Pearson, a retail store manager in Newburyport, Massachusetts, was among the state residents who had to forego medical insurance. “It was pretty much pay rent and eat, or go to the doctor. I chose the rent and food,” she recalls. “I would have to save up for two months before going to the doctor because it was ridiculously expensive.”

When the state enacted comprehensive healthcare reform in 2006, Pearson, then 30, was able to buy into a subsidized Commonwealth Care insurance program. Then she made her first doctor’s visit in several years, complaining of fatigue. Doctors found “a mass the size of a fist” on Pearson’s fallopian tubes. If surgery had not been performed urgently, the cyst could have ruptured and killed her.

“I am alive today because of Mitt Romney,” she says. “I want to reach out and give him a hug.”

At this juncture in the Republican primary, however, Romney might shrink from the embrace. Massachusetts’ first-in-the-nation statewide healthcare program has become an issue in the presidential campaign because one of its chief architects, then-governor Romney, is now trying to distance himself from the program, which is similar to the federal healthcare reforms promoted by President Barack Obama.

The “individual mandate” in both plans, which penalizes any citizen who does not obtain insurance coverage, is considered intrusive and even unconstitutional by Romney’s rivals for the nomination. In a different political climate, however, Romney could just as easily claim Massachusetts healthcare reform as the signature achievement of his administration.

FEARS VS. FACTS
A BY-THE-NUMBERS LOOK AT THE MASSACHUSETTS HEALTH REFORMS
Five years into the program, which launched in June, 2006, there is enough data to evaluate some of the brightest claims and biggest fears about the reforms.

THE LONG-TERM EFFECTS on citizens’ health, and on the cost of care, can only be seen over a lifetime. But preliminary data show that the program has extended coverage to more than 98 percent of state residents; that support for the program has been consistently high among both doctors and patients; that premiums fell for many individuals but rose for small businesses; and that access to preventative care is up while non-essential emergency room visits are down – two trends that over the long haul should “bend the curve” on healthcare costs.

Before then, however, rising costs may push the Massachusetts program – and healthcare plans nationwide – to a breaking point. Per capita healthcare spending in the state is increasing slightly behind the national trend, but even at that rate it is projected to reach an unsustainable level by 2018.

Patients, doctors and state policymakers are all very much aware that the popular state reforms now face a cost-containment crisis.

“How you view the law depends very much on what you think the goals should be,” said Jonathan Gruber, a professor of economics at the Massachusetts Institute of Technology and director of the National Bureau of Economic Research’s Program on Health Care, who advised the Massachusetts lawmakers.

“The goals were to cover the uninsured, and to fix a dysfunctional individual insurance market. Both of those goals were achieved quite well. But it didn’t control healthcare costs.”

“The core elements of Massachusetts reform are the same core elements in the national reform,” said Michael Doonan, assistant professor at the Heller Graduate School at Brandeis University and Director of the Council for Health Care Economics and Policy, an independent, non-partisan Massachusetts research group.

That view has been vigorously challenged by Romney, who pledged that his first act as president would be to dismantle the federal reforms. He argued that a series of exceptional circumstances in Massachusetts made the program right for that state but dead wrong for the country as a whole.

THIS CLAIM of Massachusetts exceptionalism is politically convenient but also true in some regards. Massachusetts is rich in medical schools, teaching hospitals and policy researchers, which has fostered a tradition of healthcare innovation and experimentation. The state has a higher than average median income and, outside of Washington, DC, the country’s highest percentage of college graduates.

The pool of uninsured was always relatively small, says Joshua Archambault, director of

<table>
<thead>
<tr>
<th>ACCESS TO CARE AND USE AMONG NON-ELDERLY MASSACHUSETTS ADULTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Has a usual source of care, excluding the emergency department</td>
</tr>
<tr>
<td>2006</td>
</tr>
<tr>
<td>2010</td>
</tr>
<tr>
<td>Any general doctor visit in past 12 months</td>
</tr>
<tr>
<td>Visit for preventive care</td>
</tr>
<tr>
<td>Any specialist visit in past 12 months</td>
</tr>
<tr>
<td>Did not get needed specialist care for any reason</td>
</tr>
<tr>
<td>Any dental care visit in past 12 months</td>
</tr>
<tr>
<td>Did not get needed care for any reason in past 12 months</td>
</tr>
<tr>
<td>Any emergency department visits in past 12 months</td>
</tr>
<tr>
<td>Share of those who used care in the past 12 months rating quality of care as very good or excellent</td>
</tr>
</tbody>
</table>

Source: Urban Institute, Massachusetts Health Reform Survey

LIVES SAVED: Reform allowed Jaclyn Mikolas, who works at her parents’ diner, to afford coverage – and beat invasive breast cancer. The program “saved my life, and I’m so grateful.”

Despite a shortage of family practitioners and certain specialists in some areas, most patients got the care they sought.

More patients would mean more difficulty getting access to care.
health care policy at the Pioneer Institute, a Boston think tank. “Massachusetts has a strong history of employer commitment to health insurance.”

Massachusetts’ Act Providing Access to Affordable, Quality, Accountable Health Care decreed that nearly every Massachusetts resident must obtain a minimum level of healthcare insurance coverage. Those below the federal poverty level were already eligible for Mass Health, the state’s version of Medicaid. The near-poor with incomes up to 300 percent of the poverty level ($32,676 for an individual and $67,056 for a family of four) became eligible for subsidized premiums on a sliding scale through a program called Commonwealth Care, which was part of the new quasi-public exchange, the Commonwealth Health Insurance Connector Authority.

In the Connector’s unsubsidized program, Commonwealth Choice, small businesses and individuals who don’t receive coverage through their job or school can choose coverage from as many as five private companies, with no penalty for pre-existing conditions. Employers with more than 11 full-time employees must demonstrate a “fair and reasonable” contribution towards employee coverage or pay a penalty to the state.

Latest figures show that about 411,000 individuals have been brought into the insurance fold under this law. Some 98.1 percent of Massachusetts residents outside of Medicare enrollees (and 99.8 percent of children) now have health insurance. That is up from 93.6 percent before the reforms. Massachusetts’ current rate of 1.9 percent uninsured – the lowest of any state nationwide, a figure that has risen from 13.9 percent over the past ten years.

Private group and employer-sponsored coverage continued to be the most common type of coverage (79 percent, compared to 60 percent nationwide), and the Blue Cross Blue Shield of Massachusetts Foundation has found no evidence of subsidized coverage “crowding out” employer-sponsored insurance. By contrast, employer offers of coverage have increased and take-up of employer-offered coverage has remained high.

FOR THOSE FOR whom the goal of the reform is improved public health, preliminary figures are encouraging if inconclusive, as it’s too early to assess clinical outcomes.

Nancy Kressin, director of the health and healthcare disparities research program at Boston University’s School of Medicine, is conducting a number of on-going studies about care for chronic conditions and emergency room use.

What has been established so far is that scores have risen on such measures as whether a respondent “has a usual source of care” and “made a doctor visit for preventative care” – in the latter case, by 6.7 points from 2006 to 2009 -- according to the latest figures available from Blue Cross Blue Shield of Massachusetts Foundation. Those saying they did not get the care they needed – specialist visits, preventative care, dental, and prescription drugs – all fell.

In 2010, close to 90 percent of Massachusetts women had had pap smears within the past three years, the highest rate in the country and a full 9 points higher than the national average. Among middle-class adults who often made too much money to qualify for public support but struggled to purchase coverage on their own, the percentage of insured has risen 4.7 points.

But the biggest beneficiaries of the reform are arguably low-wage workers, many of them immigrants not in long-term jobs, or young people such as Rebeccah Pearson. This group was most likely to lack employer benefits, and to use the emergency room, even for non-emergency conditions. That put a strain on hospital budgets.

A study by the Urban Institute shows that ER visits, especially for non-urgent care, have ticked down in Massachusetts since 2006, although progress is slow. In FY2009, it is estimated that more $570 million was spent on potentially preventable ER visits.

“When they do finally access the system, they are worse off than they would have been,” Sarah Iselin, president of the Blue Cross Blue Shield of Massachusetts Foundation, said of the uninsured. “The hope is that they get earlier care at managing chronic illnesses and not end up in the ER.”

OVERALL, MASSACHUSETTS residents remain broadly supportive of the new healthcare law. Roughly two in three adults initially backed the reforms, and this level has remained stable in recent years, with little variation by gender, age, race or income.

“Despite the huge uproar against the mandate in national politics, not a single bill has been introduced in the Massachusetts legislature to repeal the mandate or the health reform law,” said Brian Rosman,

---

**FEAR**

A state program would be opposed by both patients and doctors.

**SUPPORT AMONG NON-ELDERLY MASSACHUSETTS ADULTS FOR THE HEALTH REFORMS, 2009**

- **Men**
  - 68%
- **Women**
  - 69%
- **White, non-hispanic**
  - 68%
- **Members of a racial or ethnic minority**
  - 70%
- **Those with income less than 300% of the Federal Poverty Level**
  - 67%
- **Those with income greater than 300% of the FPL**
  - 67%

**MASSACHUSETTS PHYSICIANS REPORTING THIS BELIEF, 2009**

- **Believe Massachusetts reforms should be continued**
  - 75%
- **Believe reform improved, or did not affect, care or quality of care**
  - 88%

Source: Urban Institute, Massachusetts Health Reform Survey

**FACT**

There is broad and steady support for the reforms among Massachusetts residents, especially doctors.
research director with Healthcare for All, an independent state group advocating affordable care.

But new research from the Harvard School of Public Health shows that many state residents see rising costs as a major problem or even a crisis. Governor Deval Patrick recently acknowledged that by 2018 healthcare costs in the state could average almost $16,000 per resident -- $3,000 more than the projected national average, and an unsustainable burden on state and household budgets.

Rather than blame healthcare reform for this trend and advocate repeal, however, respondents said the state government should now take “major action” to address rising costs. The Harvard survey showed that Massachusetts residents believe the high cost of healthcare is caused by several factors, with charges by drug companies and insurance providers heading the list.

The health plans, in turn, blame doctors, hospitals and clinics. “Our members have always thought it was good to get more people covered,” said Eric Linzer, a spokesman for the Massachusetts Health Plan Association, a trade group that represents 13 health plans in the state. “From what we’ve seen, the major driver of health costs is the market clout of certain providers and the prices they charge.”

Healthcare costs in the United States are the highest in the world, and those in Massachusetts are the highest in the United States – as they had been for decades before the new law was passed. But between 2006 and 2010 healthcare premiums in the state actually rose at a slightly lower rate than

---

**FOCUS**

Costs in Massachusetts rose at about the same rate as U.S. rates nationwide, which far outpaced other industrialized countries.

---

**Boasting Entrepreneurs:** Affordable individual policies allowed residents like Donald Roberts, who runs the Amelia Payson House Bed and Breakfast in Salem, to strike out on their own.
those for the United States as a whole, according to Brandeis' Doonan.

When crafting the 2006 law, “we made an explicit decision to table the cost element,” said Iselin. “We said, ‘we’ve been holding coverage hostage to costs for decades and we will have the conversation about costs at a later date.’”

That later date is now.

Last February, Massachusetts lawmakers received a proposal from the governor to shift the state from fee-for-service provider payments to a “global” system based on quality and efficiency. Under the current plan, doctors are paid for each test they order, each visit, each MRI, said Iselin. As a result, many tests are duplicated.

Patrick’s alternative would give physicians a lump sum to care for a set number of patients – the healthier the patient, the greater the profit. The risk inherent in such a system is that doctors would order too few tests or provide too little care, which sounds to some like health care rationing.

“A lot of the policy debate is around ensuring this doesn’t happen,” Iselin said, “so we are talking about coupling global payments with quality measures.”

FROM THE START, the healthcare reform has had overwhelming support among medical professionals. A survey of more than 2,100 physicians by Harvard School of Public Health in 2009 showed 79 percent of physicians believe Massachusetts reform improved, or did not affect, care or quality of care, and three in four thought reform should be continued.

But providers are concerned about the new cost-cutting proposals. “It is really hard to conceive of going from where we are now to a one-size-fits-all regimen,” said David Torchiana, a surgeon and chief executive of the Massachusetts General Physicians’ Organization, the largest group practice in New England.

“There is a national trend of doctors aggregating into larger groups,” he said, but “right now the system isn’t ready for it.”

“Our concern is that any cost-cutting needs to be done very carefully,” said Worcester pediatrician Lyndal Young, who is president of the 23,000-member Massachusetts Medical Society.

“I think we are going to be taking less,” she added, “but I don’t think the intent of the move toward alternative payment systems it to put people out of business.”

So far, Massachusetts reform has not been the budget-buster that some feared, in part because of the creative way existing revenues were repurposed.

“The Massachusetts law was paid for out of existing taxation. We were getting a large amount of money from the federal government [for Medicaid], and we had a tax on hospitals that we redirected to help fund the new law,” Gruber noted.

In a 2009 report, the Massachusetts Taxpayers Foundation, which has done independent research on state spending and tax policies for almost 80 years, estimated that expanding healthcare coverage added a relatively small $88 million a year to state spending over the first four years.

“Thus far the underlying financial model of shared participation is working well, with major strides in reducing the size of the uninsured population, and only a marginal impact on state spending,” the foundation report said.

In fiscal year 2011, the state’s share of spending for health reform, including funding for Commonwealth Care and other elements, was just over one percent of Massachusetts’ $32 billion budget. Massachusetts entered its 2012 fiscal year in July with a state budget that plans to hold Commonwealth Care spending at the same level as 2011.

ONE SECTOR THAT feels aggrieved by the Massachusetts law is small business. “The price for individuals went down after the reforms, but those for small businesses went up,” said Pioneer’s Archambault. “They haven’t been helped by the reforms.”

Amy Lishko, associate professor of Tufts School of Medicine and a Pioneer fellow, places the blame mostly with the Health Connector, which limited the number and type of plans private insurers could offer so that few bothered to design products for small business.

Glen Shor, executive director of the Connector, noted that for various reasons the biggest insurance providers in the state, including Blue Cross Blue Shield, Harvard Pilgrim Health Care and Tufts Associated HMO, have not been in the small business segment, but will be, starting in 2012.

“One they join, we will have a chance to really test the value proposition of the Health Connector for small businesses,” he said.

As for the overall impact on the state’s economy, it is hard to assess any programs over the last five years without considering the overlay of the longest and most severe U.S. downturn since the Great Depression – whose effects linger. But the Massachusetts economy has been doing better recently than the nation as a whole, and the reforms have arguably provided more protection against loss of insurance due to the economic downturn.

Beacon Hill Institute at Suffolk University, a fiscally conservative Boston think tank, issued a report in September stating that Massachusetts healthcare reform had cost the state 18,000 jobs – an assertion seized
on by Mitt Romney’s primary opponents. However, the calculation is based less on existing jobs destroyed by reform than on potential jobs that didn’t materialize because of what the institute claims is the reform’s damper on disposable income and investments.

The study estimated that disposable income in the state has fallen by $2.48 billion, or some $376 per capita, from projected levels if the law had not passed.

“Keeping people employed under the health care reform law also hurt profit margins, causing firms to reduce investment in Massachusetts,” the report said.

Yet quarterly data from MassBenchmarks, an assessment of the state economy published by the University of Massachusetts Donahue Institute, in cooperation with the Federal Reserve Bank of Boston, show that Massachusetts’ economy has outperformed that of the United States for five successive quarters, through the third quarter of 2011.

The state has added 45,500 jobs so far this year, and its jobless rate dipped from 8.3 percent at the end of 2010 to 7.3 percent in October, well below the national level. All net job creation in the state this year has been in the private sector.

One little-discussed benefit has been to help some residents walk away from corporate jobs and strike out on their own without losing health coverage.

“Health reform has been a boon to the entrepreneurial spirit,” said Ada May Roberts, a bed and breakfast operator from Salem, who saw her premiums drop about 40 percent when she signed up for a Commonwealth Choice program in 2007.

But the next steps - reforms aimed at corraling costs - seem likely to provoke a far more contentious debate among the Republicans, Democrats, physicians, insurers, patient groups and others who stood in solidarity when the original law was signed.

Still, MIT’s Gruber said the “functional political system” in Massachusetts that allowed the reform to pass in the first place, could drive the next stage of reform. “Covering the uninsured is a prerequisite for resolving the cost problem,” he said. “First you have to get everyone in the system. Then you can cut costs.”

(Edited by Lee Aitken and Michael Williams)

A PROUD MOMENT: Three years before the bitter fight over Obama’s healthcare reforms, Massachusetts lawmakers shared a bi-partisan moment of triumph in passing the state law.

FOR MORE INFORMATION

MICHAEL WILLIAMS
GLOBAL ENTERPRISE EDITOR
+1 646 223 5462
michael.j.williams@thomsonreuters.com

LEE AITKEN
ENTERPRISE EDITOR, POLITICS
+1 646 223 6978
lee.aitken@thomsonreuters.com

ROS KRASNY
ros.krasny@thomsonreuters.com

TONI CLARKE
toni.clarke@thomsonreuters.com