

HOUSE, SENATE ACCORD REQUIRES BIG HEALTH INSURANCE ACCESS EXPANSION

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STATE HOUSE, BOSTON, APRIL 3, 2006.....Nearly five months after beginning negotiations, House and Senate leaders on Monday afternoon outlined a bipartisan health accord aimed at covering 515,000 uninsured individuals within three years. The bill requires all residents to buy or retain health insurance coverage by July 1, 2007 as long as affordable coverage is available, a determination that would be made by the state Department of Revenue. It is intended to deliver coverage to 95 percent of the uninsured, and does so in part by assessing both a new surcharge and a "free rider" charge on certain businesses not now paying for insurance.

The 145-page conference committee agreement will be put before the House and Senate Tuesday for up-or-down votes and could reach Gov. Mitt Romney's desk tomorrow. Legislative leaders said the bill is designed to control costs, expand coverage and maximize federal funding, and continue high quality care. "This is a very historic moment in Massachusetts," House Speaker Salvatore DiMasi said during a press conference with members of the conference committee outside the House chamber. Following the report's filing at 1:53 pm, DiMasi briefed his colleagues at a two-hour bipartisan caucus. Two hours after lawmakers announced the accord, Romney called the press to his briefing room to congratulate legislators and identify the areas of similarity between what he proposed last year and a bill that lawmakers say may represent a model for the rest of the nation.

"The backbone of the bill is very much in line with what we proposed," the governor said, noting that he had not yet seen the entire text of the legislation. "The program to get everybody insured, with the idea of a personal responsibility principle, and dividing people in

these groups as we have, and reforming the health insurance market is exactly what we proposed and that's what the bill does." DiMasi cautioned that should the bill be signed into law, implementation will require cooperation across a spectrum, including the state and federal governments, health care providers and insurers, employers and individuals. Resistance from any group will threaten the bill's ambitious objective, he said. "This is only the beginning," said DiMasi. "If people resist this bill, it will not be successful." The program will cost \$1.2 billion, although its supporters say the vast majority of that money, including federal revenues and assessments on employers and insurers, is already being spent in the system.

Conference committee negotiators say the plan requires \$125 million in new state money for each of the first three years of implementation, along with \$184 million in federal contributions. After three years, lawmakers say the plan will be "revenue neutral," meaning additional state money would not be required. During the next three years, the plan calls for reduced reliance on the state-administered Uncompensated Care Pool, which reimburses health care providers who treat the uninsured. Pool payments are projected to fall from \$897 million in fiscal 2007 to \$680 million in fiscal 2008 and \$480 million in 2009.

As dependency on the pool drops, the state plans to increase spending on insurance subsidies from \$160 million in fiscal 2007 to \$725 million in fiscal 2009, according to a balance sheet provided by conference committee staff. Additionally, the plan increases state spending on Medicaid from \$150 million to nearly \$360 million during that same time period.

The bills will cost \$58 million this fiscal year, including start-up costs, investments in public health programs.

Hospitals and physicians will see a \$90 million hike through fiscal 2009 in Medicaid payments, with those payments tied to performance measures during fiscal years 2008 and 2009.

"This is not the House bill, it's not the Senate

bill, it's our bill now," said Sen. Richard Moore (D-Uxbridge). Rep. Patricia Walrath (D-Stow) added: "We're just pleased that it's over with."

Lawmakers say they have worked with representatives of health plan associations, who say they will likely be able to develop a quality product for roughly \$200 a month that will require a \$1,000 deductible. Those figures will be determined by the so-called Commonwealth Care Health Insurance Connector Authority, a new authority chaired by the Secretary of Administration and Finance that will coordinate delivery of new insurance products to businesses and individuals. The connector will submit cost estimates and product descriptions to the Legislature for approval.

A big question mark hanging over the bill is whether Romney will sign off on a new assessment on employers who don't offer insurance. Under the legislation, companies with more than 10 employees that do not offer insurance will be required to pay \$295 per-employee into a state-controlled fund. All employers will be required to pay \$62 a-head, a fee they are currently charged. Additionally, if employees at non-offering companies do not purchase affordable insurance on their own and have their health care paid for under the Uncompensated Care Pool, their companies will be charged an additional assessment. That "free-rider" surcharge is applicable only if employees rack up a treatment bill of \$50,000 collectively, and if an employee requires treatment at least three times. When asked about the per-employee assessment, Romney said he does not consider it a tax. "It's not a tax hike. It is a fee. It's an assessment."

Romney added: "We are where we'd hoped we'd be, in a place where every citizen in Massachusetts will have health insurance, without a government takeover, without a big new tax program, and it's private, market-based health insurance. This is what we'd hoped to have and that's what we got." Several conferees at today's press event admitted that they were surprised to be standing together with an agreement. Lawmakers, both in the

conference committee and outside, said negotiations broke down several times since last November when the House and Senate passed different versions of a plan.

“I have to tell you all that I’m actually surprised that we’re here,” said conferee Sen. Brian Lees (R-East Longmeadow). “I want everyone here to know that there has been give and take on both sides.” On the House side, Republican conferee Rep. Robert Hargraves (R-Groton), also recognized the number of compromises that were required to reach a final agreement, but said the final product is one everyone should support. “I will be supporting this bill right straight through,” he said. “I might get some flack, I don’t know.”

At times, the negotiations were said to strain relationships between DiMasi and Senate President Robert Travaglini, who are longtime friends. Today, Travaglini joked about that evolution. “When this began, I had six friends,” he said. “I do not know if I’d put them in the same category today as they were when we began these discussions.”

Lawmakers have sparred over the timing of the bill, with pressure from the federal government to withhold \$385 million in Medicaid money if the legislation does not comply with provisions in a federal waiver. Federal officials have asked for at least 120 days to review the new plan prior to the July 1 implementation date; that time period has since passed.

Today, Romney said he was confident the plan would meet the federal government’s requirements, but cautioned that reviewers are likely to have suggestions or changes to make. “I’m pretty confident that we’ll continue to be in line to receive support from the federal government,” he said. “This is very much what we proposed to them and they found very attractive.”

State leaders have also said they were told by federal officials that expanding the state’s Medicaid programs would not be acceptable, but lawmakers have increased the income eligibility for children to receive MassHealth benefits to cover roughly 27,000 additional children. The

plan also restores MassHealth dental and vision services, and coverage for chiropractic services and prosthetics. When asked if the federal government will go along with those additional programs, Moore said other states have been successful in expanding those programs with the federal government's approval.

"They've already said they would approve that in other states," he said. "I don't know why they wouldn't do that for us as well."

The legislative plan establishes Commonwealth Care Health Insurance, an insurance program that offers subsidies to income-eligible residents. Premiums are set up on a sliding income scale, with residents earning less than 300 percent of the federal poverty level (\$38,500 annually for a family of two) eligible. Those earning less than 100 percent of the poverty level (\$9,600 a year for an individual) will not be required to pay a premium.

Under the bill, individuals will be required to purchase an affordable product by July 1, 2007. Beginning with income tax forms filed in 2008, residents will be asked to verify coverage and forfeit their personal exemption for that year if they have not purchased an affordable product.

Some residents could be eligible for a one-year waiver of that penalty, lawmakers said. After the first year, residents not purchasing affordable insurance will be charged one-half the cost of the most affordable product.

The Department of Revenue will be charged with writing regulations and overseeing many portions of the individual mandate's implementation. Several other state agencies, such as the Division of Insurance, the Division of Health Care Finance and Policy, and the Department of Public Health are also charged with writing certain regulations. Because this is an appropriations bill, the governor has the ability to issue line-item vetoes to certain provisions, and offer amendments to individual provisions. "I'd also note that by offering praise as I do for this day and this accomplishment, it doesn't

mean that everything in the bill is exactly how I'd like it," Romney said. "My guess is that out of 140 pages, there may be something or more than something I'd like to change."

Additional highlights in the legislation:

- Private market reforms to dictate coverage for 215,000 individuals;
- About 207,000 uninsured to get subsidized Commonwealth Care coverage;
- MassHealth expansions designed to insure 92,500 individuals by fiscal 2009;
- Health care provider cost and quality information to be available to consumers through state board and web site;
- Raises enrollment caps on existing programs, including MassHealth Essential, CommonHealth, and HIV programs;
- Requires hospitals to collect and report on health care data related to race, ethnicity and language, with Medicaid reimbursements contingent upon providers reaching certain benchmarks.

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