Health Reform in Massachusetts: Lessons & Implications for the ACA and for Connecticut

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Overview of Massachusetts Reform and the ACA Impact on Coverage Research Papers

I. Impact on Hospital and Preventive Care
II. Impact on the Labor Market
III. Impact on Adverse Selection in the Individual Health Insurance Market
Key Provisions
Massachusetts Reform and ACA

Massachusetts Reform, April 2006
• Individual mandate
  – Penalty is up to 50% of basic plan by months without coverage
• Employers mandated to provide coverage
  – >10 FTEs
• Medicaid expansions
  – Up to 100% of FPL for adults
  – Up to 300% of FPL for children
• Subsidized private plans through exchanges
  – Subsidies up to 300% of FPL
• Insurance exchange
  – Administered by the “Connector”
  – Benefit tiers Bronze-Gold and Young Adult Plans (YAPs)

National Reform, March 2010
• Individual mandate
  – Penalty is higher of 2.5% of income or $2,085
• Employers mandated to provide coverage
  – >50 FTEs
  – >200 FTEs automatically enroll
• Medicaid expansions
  – Up to 133% of FPL
• Subsidized private plans through exchanges
  – Subsidies up to 400% of FPL
• Insurance exchanges
  – State level administration
  – Benefit tiers Bronze-Platinum and Catastrophic
• Cost control measures

Reference: Kaiser Family Foundation
First Order Impact of Reform: Coverage in MA Increased

- Significant decline in uninsurance
  - 49% reduction relative to MA pre-reform
- Magnitude of increase after reform was similar for ESHI and Medicaid coverage
Paper I. Impact on Hospital and Preventive Care


- Approach: Compare Massachusetts to other states before and after reform
Findings

- Length of stay decreased
- Hospital admissions from the ER decreased
  - Biggest decreased for low income patients
- Some measures of prevention improved – reflects access to primary care
  - Perforated appendix, adult asthma, lower-extremity amputation
- Rate of growth of hospital costs in MA unchanged relative to other states
Expansions to near universal coverage

- Likely to reduce LOS, reduce admissions from ER, and may improve preventive care
- Unlikely to raise hospital costs beyond predicted growth rate
Paper II. Impact on the Labor Market


- Approach: Develop theory of how individual mandate, employer mandate, and subsidized coverage affect the labor market
  - Test the theory in Massachusetts
Findings and Implications for National Reform

- If anything, aggregate wages increased in MA relative to other states, aggregate hours were unchanged, and employment increased
  → Little overall impact on the labor market
- For people who switched to ESHI, wages decreased by almost the full cost to employers ~$6,000, and hours changed little
  → Individuals value ESHI
  → Could explain why we see crowd-in to ESHI
- Estimates suggest mandate-based reform is efficient
Paper III/IV. Impact on Adverse Selection in the Individual Health Insurance Market


Approach: Develop theory to quantify impact of an individual mandate on adverse selection in the individual health insurance market
  - Apply the theory in Massachusetts
Coverage increased by 20 percentage points, starting from 70% in individual market

Premiums decreased by ~20%, starting from ~$6,000/year

Insurer expenditures decreased, indicating adverse selection
Implications for National Reform

- MA already had community rating and guaranteed issue regulations, which will be established by national reform
  - CT also has these regulations
- The individual mandate mitigated adverse selection in the presence of these regulations
- Reform made participants in individual market better off by $442 per person per year – approximately $93 million overall
Overall Conclusions and Implications for National Reform

- Impact on hospital and preventive care
  - Reduction in LOS, admission from the ER
  - Increase in preventive care in outpatient setting
  - No change in hospital cost growth
- Impact on wages and employment
  - No impact on overall wages or employment
  - Newly insured saw wages decline by $6,055 annually, but very little reduction in employment
  - People value health insurance they receive through employers ($0.75 to $1 for every $1 of health insurance)
- Impact on adverse selection in the individual health insurance market
  - Reduced adverse selection – coverage increased, premiums decreased
  - Demonstrates role of mandate with community rating/guaranteed issue