
Acquired by SCIOinspire Corporation in April 2008.

4 healthcare actuaries; 4 PhDs; healthcare analytics team.

Four primary business segments

1. Disease and Care Management consulting (operations; ROI; outcomes; predictive modelling);
2. Actuarial consulting; state Medicaid plans; healthcare reform (Massachusetts); specialization in risk-adjustment applications and underwriting;
3. Care management support services (Analytics, data management, risk assessment, operational improvement and ROI); and
4. Software Support applications.

Strong research and publication foundation. Adjunct Professor at Georgetown Dept. of Health Admin. and UC Santa Barbara Dept. of Statistics.

Public policy: board member of the Massachusetts Healthcare Connector Authority.
Introductions

Author of several books and peer-reviewed studies in healthcare management and predictive modeling.

Published 2008

Due early-2011
Introductions

Principal Investigator of a study of the Actuarial and Financial results of reform.

• Georgetown University Dept. of Health Administration;
• Sponsored by the Commonwealth Fund and the Society of Actuaries.
• Preliminary results mid-2011.
Agenda

1. Background
2. Health Reform in MA:
   • Key Reform Elements
   • Major Milestones
   • Results So Far
3. Lessons for National Reform
### Context on Massachusetts (MA) and the U.S.

**Background**

<table>
<thead>
<tr>
<th></th>
<th>MA</th>
<th>U.S.</th>
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</thead>
<tbody>
<tr>
<td>Population</td>
<td>6.4 million</td>
<td>300.5 million</td>
</tr>
<tr>
<td>Median Annual Income</td>
<td>$60,038</td>
<td>$51,233</td>
</tr>
<tr>
<td>Median Age</td>
<td>38.6</td>
<td>36.8</td>
</tr>
<tr>
<td>Unemployment</td>
<td>9.3%</td>
<td>9.7%</td>
</tr>
<tr>
<td>Life Expectancy</td>
<td>79.8</td>
<td>78.0</td>
</tr>
<tr>
<td>Infant Mortality</td>
<td>4.9/1,000</td>
<td>6.8/1,000</td>
</tr>
</tbody>
</table>
Prior to reform, Mass. had a low rate of uninsurance.

Source: US Census Bureau, Health Insurance Coverage 2006
http://www.census.gov/hhes/www/hlthins/hlthin06/p60no233_table8.pdf
Pre-reform, Mass. had a high rate of Employer-provided insurance.

**Percentage of Employers Offering Health Insurance Coverage to Employees, 2005**

- **Mass**: 70%
- **US**: 60%

**Sources:**
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3. Lessons for National Reform
Shared responsibility

**Residents:**
- Individual mandate

**Government:**
- Premium assistance

**Employers:**
- Make "fair" contribution
- Set up Section 125
Key Reform Elements

Individual Mandate: *The Tax Form*

Schedule HC Health Care Information. You must enclose this schedule with Form 1 or Form 1-NR/PY.

1. Date of birth
2. Federal adjusted gross income. If married filing separately, see instructions (from U.S. Forms 1040, line 37; 1040A, line 21; or 1040EZ, line 4).
3. Indicate the time period that you were enrolled in a Minimum Creditable Coverage (MCC) health insurance plan(s). The Form MA 1099-HC from your insurer will indicate whether your insurance met MCC requirements. **Note:** MassHealth, Commonwealth Care, Commonwealth Care Bridge, Medicare, and health coverage for U.S. Military, including Veterans Administration and Tri-Care, meet the MCC requirements. If you did not receive a Form MA 1099-HC from your insurer, or you had insurance that did not meet MCC requirements, see the section on MCC requirements in the instructions.
   - 3a You: Full-year MCC Part-year MCC No MCC/None
   - 3b Spouse: Full-year MCC Part-year MCC No MCC/None
**Note:** See instructions if, during 2009, you turned 18, you were a part-year resident or a taxpayer was deceased.

If you filled in the full-year or part-year MCC oval, go to line 4. If you filled in No MCC/None, go to line 6.

4. Indicate the health insurance plan(s) that met the Minimum Creditable Coverage (MCC) requirements in which you were enrolled in 2009, as shown on Form MA 1099-HC (check all that apply). If you did not receive this form, fill in the oval in line(s) 4f and/or 4g and see instructions.
   - 4a Private insurance (complete lines 4f and/or 4g below). If more than two, complete Schedule HC-CS.
   - 4b MassHealth, Commonwealth Care or Commonwealth Care Bridge. Fill in oval(s) and go to line 5.
   - 4c Medicare (including a replacement or supplemental plan). Fill in oval(s) and go to line 5.
   - 4d U.S. Military (including Veterans Administration and Tri-Care). Fill in oval(s) and go to line 5.
   - 4e Other government program (enter the program name(s) only in lines 4f and/or 4g below). **Note:** Health Safety Net is not considered insurance or minimum creditable coverage.
   - 4f YOUR HEALTH INSURANCE. Complete if you answered line(s) 4a or 4e and go to line 5.

1. NAME OF PRIVATE INSURANCE COMPANY, ADMINISTRATOR OR OTHER GOVERNMENT PROGRAM (from box 1 of Form MA 1099-HC)

Fill in if you were not issued Form MA 1099-HC.
Responsibilities for Employers (11+ employees)

1. Fair Share Assessment
Make a “fair and reasonable” contribution to employees’ health coverage or pay state a fair share assessment of up to $295 per employee per year (first year);

2. Section 125 Plan Requirement/Free Rider Surcharge
Give employees option of paying premiums on a pre-tax basis (saves up to 40%).
Key Reform Elements

Establish an Exchange: *The Role of the Health Connector*

1. Establish and administer **Commonwealth Care**, subsidized coverage for low-income, uninsured adults.

2. Establish and administer **Commonwealth Choice**, a commercial insurance “exchange.” Goals are to achieve:
   - Standardized benefit plans; and
   - More affordable coverage options (complements small-group/non-group market merger)

3. Make **policy decisions** as authorized by Health Care Reform Law:
   - Definition of Minimum Creditable Coverage (MCC); and
   - Schedule of Affordability

4. Conduct **outreach and advertising** efforts to inform public of new opportunities and responsibilities.
Merger of the Small Group and Individual Markets

Simultaneously with Healthcare Reform (Chapter 58), Massachusetts merged the small group and individual markets.

Small group was always subject to “no pre-existing conditions” limitation.

Age rating was allowed, by band, but subject to the limited rate range of Small Group Reform law.

Merged Individual insurance and small group into a single pool with single rate basis.
Massachusetts Health Insurance Market

Dominated by a few large local not-for-profit insurers:

...and one for-profit:
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Established Commonwealth Care (subsidized program)

Commonwealth Care:
- Subsidized insurance for low-income uninsured
- Coverage is through a choice of plans
- Sliding scale of enrollee premium contributions:

<table>
<thead>
<tr>
<th>Income (% of FPL)</th>
<th>Income ($)</th>
<th>Min. monthly premium</th>
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<tbody>
<tr>
<td>0 - 150%</td>
<td>$0 - $16,248</td>
<td>$0</td>
</tr>
<tr>
<td>150.1% - 200%</td>
<td>$16,249 - $21,660</td>
<td>$39</td>
</tr>
<tr>
<td>200.1% - 250%</td>
<td>$21,661 - $27,084</td>
<td>$77</td>
</tr>
<tr>
<td>250.1% - 300%</td>
<td>$27,085 - $32,496</td>
<td>$116</td>
</tr>
</tbody>
</table>
Healthcare Reform Alternatives

Massachusetts could have implemented a number of different alternatives, for example:

Support the current uncompensated care system (hospital subsidies).
Tax or voucher subsidies.
Insurance

The Commonwealth chose the insurance route.
Advantage: allows insureds to seek appropriate care from any participating provider.
Disadvantage: Cost. Average 2010/2011 cost is $5,000 PMPY.
Administration, risk and profit are not insignificant components of this cost.
Massachusetts reform was expected to do three things:
- It would provide access to (affordable) individual coverage;
- The new “Exchange” would foster competition among carriers that would reduce the cost of coverage; and
- The mandate would result in a group of new, healthy young people subsidizing the coverage of other members.

Experience on the first of these issues is confounded by the small group/individual market merger. Solucia is starting a research project in January with Georgetown University to look at member cost and risk experience, and how it affected rates.

Experience on the second issue could have been predicted in advance: Massachusetts already has a relatively competitive market place and introduction of the reform has not resulted in hoped-for premium reductions.
Established Commonwealth Choice (unsubsidized program)

The Connector is an “exchange” that brings the market together through its Commonwealth Choice program.
Major Milestones

Consumers purchase via state-of-the-art website

Connect to good health, Massachusetts!

Our online Commonwealth Choice marketplace is the only place where you can compare plans from the state’s major insurers. We're an independent state agency, so you can shop with confidence.

Our Commonwealth Care program offers low-or-no-cost health insurance for people who qualify. It provides comprehensive benefits and a choice of health plans.

Find the plan that's right for you and enroll today!

Glad to be insured

“I was young, healthy, I always thought that I was invincible. It never even crossed my mind that I could get hurt…”

—Andrew Hurlbutf of Malden

Hear Andrew's story and more

Plans from top Mass insurers!

For Commonwealth Care Members Only

If you’ve been accepted for this subsidized health plan:

→ Register to get online access to your account
→ Get Instructions for creating your account
→ Log in to your account
→ Get help with questions
1. Background

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Results so Far

Lowest rate of uninsured in the U.S.

Sources:
United States Census Bureau, CPS, 2003 - 2009
*MA Division of Health Care Finance and Policy, Household Insurance Survey, 2009
Nearly 400,000 Newly Insured (2010)

Source: Mass Division of Health Care Finance and Policy (DHCFP), Key Indicators, May 2010 Health Connector Enrollment as of November 2010
Most employers are doing their fair share.

Mass employers with 11+ FTEs who have filed FSC reports for 2007-2008

Offer insurance 98%
Owe assessment 2%

Source: Mass Division of Unemployment Assistance, March 2009
Decreasing reliance on Free Care

**Volume**
- PFY07 (Oct-Jun): 1,161,000
- HSN09 (Oct-Jun): 738,000

**Payments**
- PFY07 (Oct-Jun): $496m
- HSN09 (Oct-Jun): $293m

**Results so Far**
- Volume: -36%
- Payments: -41%

*Source: MA DHCFP Nov 2009*

UCP: Uncompensated Care Pool
HSN: Health Safety Net
Results so Far

Total FY2010 State Budget = $26.9B

Net new *state* costs ~ $350 million

Total FY2011 Gross Cost (estd.) $850 million (based on 170,000 covered lives). (Offset by Federal Match.)

Commonwealth Care program trend has been running at ≈ 8% annually.

Lack of Federal Match for Legal Immigrants and Commonwealth Budget problems in 2009 resulted in approximately 30,000 Legal Immigrants losing Commonwealth Care Coverage. Legislature provided a slimmed-down plan instead. Legal Immigrant advocates have sued for restitution.

Dental insurance was also canceled, as was the Auto-assignment of new members.
The Connector Authority Board is empowered to approve:

- Minimum Creditable coverage (what must be included).
  - Mandatory Drug Coverage was a controversial decision.
  - Authority administers waivers (e.g. for out-of-state employers).
- “Seal of Approval” process (plans/insurers that are deemed superior).
- Affordability schedule: who is subject to the mandate.
Recent legislation has strengthened the position of the Authority relative to other market participants:

1. Small employers with a wellness program will receive a 5% subsidy if coverage is purchased through the Connector.

2. Six “demonstration” Association Health Plans are permitted (with up to 100,000 members per plan). This move is potentially destabilizing. At the same time the Authority is reviewing options to enter the AHP market.
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Lessons for National Reform

The Patient Protection and Affordable Care Act (PL 111-148)

- Coverage: 32 million of 46.3 Million uninsured.
- Estimated Cost: $938B over 10 years.
### Lessons for National Reform

## Issues for Consideration

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<tr>
<th></th>
<th>Massachusetts</th>
<th>National Reform</th>
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<tbody>
<tr>
<td>Shared Responsibility</td>
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<tr>
<td>Individual Mandate</td>
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<td>✔️</td>
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<tr>
<td>Creation of Exchange</td>
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Lessons for National Reform

Comparison of MA and National Reforms

1. Massachusetts-specific factors kept the cost to the state low. Budget in last couple of years has been slightly less than $1 billion, offset by transfers from uncompensated care pool and Federal match.

2. When budget pressures emerged in 2009, approximately 30,000 members were transferred to a different (lower-cost) insurance arrangement.

3. Massachusetts reform has addressed access; it has not addressed cost. Massachusetts costs are highest in the U.S. Inability of insurers (and Exchange) to contain cost has resulted in action by the legislature: a cap (4.6%) on allowed premium increases this year. This move has implications for future participation and viability of weaker insurance companies.

4. Anecdotally, some unintended consequences emerging, e.g. selection in the small group/individual market.
Comparison of MA and National Reforms

5. Massachusetts did not allow employers to terminate plans and send employees to Exchanges. National reform will allow this. Solucia’s large employer clients are exploring termination options that could significantly increase the number of commercial members in the Exchanges.

6. Massachusetts ensured success with a significant publicity campaign. Its still true that insurance is sold, not bought!

Budget pressures will continue and increase. The keys to future success in this environment:

• Strong capitalization;
• Communication and Enrollment expertise; and
• Ability to engage providers and manage medical costs.
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