

The Massachusetts Experiment

By: David Leo, President of Western Mutual Insurance® & WMI TPA®

On April 12, 2006, Massachusetts Governor, Mitt Romney (R), signed what is commonly being referred to as “landmark” and “groundbreaking” legislation that promises all Massachusetts citizens will be insured by 2009. The legislation, which created a new entity called “The Commonwealth Health Insurance Connector” to allow individuals to purchase affordable health insurance plans on a pre-tax basis, was approved with overwhelming bipartisan support passing the Massachusetts House of Representatives by a 154-2 margin and the Massachusetts Senate by a 37-0 vote. Its hallmark is that it promises to ensure full coverage of all Massachusettsans through private market-based reforms, not through increased taxes.

While most everyone is fascinated by the new Massachusetts law, whether it will deliver on its promise is unclear. One thing is certain: state government officials, corporate executives, and citizens alike are paying close attention to the Massachusetts experiment in hopes that it, or something else (short of socialized medicine), will be the answer to the problem of skyrocketing health care costs, expensive health insurance premiums, and the overwhelming problems plaguing, and created by, the more than 46 million uninsured Americans who lack meaningful access to health care.

So how does Massachusetts intend to realize the dream of universal coverage for all its citizens? Basically, with a very expensive carrot and a big fat stick. The carrot is in the form of health insurance premium assistance. The stick is in the form of a penalty levied in the form of a state income tax refund forfeiture. It is hoped that these two mechanisms will go a long way to eradicate the State’s problem of 500,000 uninsured individuals.

A press release from Governor Romney’s office set forth the basic details of the law which requires every individual in the state to purchase health insurance by July 1, 2007, much like state laws that mandate auto insurance. To help those who cannot afford to pay for health insurance, a portion of the \$1 billion that is currently spent by the state on providing care to these individuals would be diverted from post-illness treatment and applied to pre-illness financing in the form of premium assistance and other subsidies. To “encourage” everyone to participate in the program, the law requires non-participants who do not carry health insurance elsewhere by the end of 2007 to forfeit an amount of their state income tax refund that is the equivalent of 50% of the cost of an affordable health insurance policy.

Although the law is extremely sweeping, its proponents didn’t get everything they had hoped. An additional penalty of \$295 per employee was to be assessed to employers with more than 10 full-time workers who do not offer and contribute to their employee’s health insurance. That provision was vetoed by Governor Romney. The Governor also vetoed a

provision that would have provided dental benefits to adult Medicaid recipients. His reason for rejecting the dental component of the bill was that it would have cost the state \$75 million annually and 60% of employers in Massachusetts don't even provide dental coverage to their workers.

At least one recent poll conducted by ABC News has found that a majority of Americans favor the Massachusetts-type legislation and would like to see a similar law in their state. As we approach the 2006 elections and the 2008 Presidential election (for which Governor Romney is expected to announced his candidacy), politicians should take somber notice that Americans are growing more concerned about the affordability of health care and health insurance, the growing uninsured population, and the drain the uninsured population puts on the health care system in our country. Hopefully, we'll see meaningful reform at both the state and federal level that will address these concerns before it's too late and more draconian measures are pursued.

If you have any questions about this article or would like to discuss your company's insurance programs, please feel free to contact me. If you would like to learn more about WMI's insurance products or would like to apply for insurance with WMI, please contact our Marketing Department. I would also invite you to visit our website at www.westernmutualinsurance.com for specific policy language, conditions, limitations and other interesting articles and helpful information about group health insurance.