

Dollars and Sense: Economic Arguments for Medicaid in Massachusetts

Robert Seifert

Massachusetts Medicaid Policy Institute

Health Action 2006

January 27, 2006

Massachusetts Medicaid Policy Institute

- Independent source of information and analysis about MassHealth, the state's Medicaid program
- Diverse board
- Goals
 - Broaden understanding of MassHealth
 - Contribute to a more informed public discussion of the program
- Seed funding from Blue Cross Blue Shield of Massachusetts; broadening funding base
- Subsidiary of BCBSMA Foundation

Background

- Current context: why these arguments are important in Massachusetts today
 - *Roadmap to Coverage*
 - Reform activity – Governor and legislature
 - Employers are central to the debate
 - So is Medicaid
- There is much to be gained through simple communication – “Aha” moments

MassHealth: It's Good for Business

Ten Facts the Employer Community Should Know
About the Massachusetts Medicaid Program

June 2005

A Report from the Massachusetts Medicaid Policy Institute

MassHealth Member Profile: Rachael

Though today she's a highly motivated printing-shop employee who lives for the little boy she's raising, when Rachael found herself pregnant at 16, she was a little nervous about what the future might hold. For one thing, the father-to-be — a young man she had been dating for about six months — shocked her by saying he wanted nothing more to do with her or the child she was carrying. Finishing her education would be a challenge, she knew, and so would being a working single mom. But it didn't take long for her to put her worries behind her in the excitement of bringing a new life into the world.

"The only thing I ever wanted to do was become a wife and mother," she says, adding wryly, "the wife part never came."

Her family helped out where they could. Her mother scoured the local second-hand stores for clean clothes and intact toys. Her sister would babysit occasionally, and her aunt dropped Bally off at preschool for a while, until the early hours began to take their toll. Rachael's father, a machinist, pitched in with expenses as she worked toward her GED, and encouraged her to apply for financial aid so she could enroll in the early childhood development classes offered by the local community college.

"I stayed with that a year and a half," she says. "School was never really my thing."

Over the years there have been a couple of other false starts, from a brief stint as a nanny at \$5 an hour to a grueling job as a certified housekeeper for the elderly. There have also been a few major set backs, including a short time Rachael spent back with Bally's abusive, alcoholic father; a while on unemployment; and a car accident that gave her whiplash. But Rachael persevered, and has finally nailed her dream job.

"I've been at it almost seven months now," she says. "I started as a printer's assistant, and have already moved up to training to be a printer. It's a great job. I love it. It's the people that really make it so much fun."

Unfortunately, sometimes even your dream job doesn't pay enough for life's necessities.

"I only make \$20 a week, take-home," Rachael says of her full-time job, "and that's not always enough to put food on the table, much less pay for health insurance." When Rachael heard the rate for her company's family plan — \$100 a week, "plus like \$30 copays" — she applied for MassHealth. "Thank God I got it," she says. "Thank God."

Because even though she and Bally have never been seriously ill — knock wood — the family plan she is on provides her with a "wonderful sense of security" as her baby grows up.

"He's a very active kid," she says. "Extremely. Everything in God's creation, he likes to do. He goes once a week to acrobatics, and he's a professional couch jumper. He climbs the apple tree at my sister's. He loves the trampoline at my mother's friend's house. It makes me mental, because he jumps high, high, high! But he loves to do it."

"You've got to let kids loose," she continues, "let them do their thing. But if he falls, I know I won't have to worry about the medical bills. Or even if he just gets sick. He's had the croup three times, and scarlet fever. And I didn't have to worry about finding the money for a copay."

Which leaves her more time to spend with her son. "He's such a good boy," she says with pride. "He's got the brightest eyes and the biggest smile." And she knows her choices are paying off when Bally sees other little boys with their fathers and tells her what he wants to be when he grows up. "He always says to me, 'I'm going to be a good daddy just like you, Mommy!'"

Economic Arguments for Medicaid

- Coverage
- Cost
- Economic engine

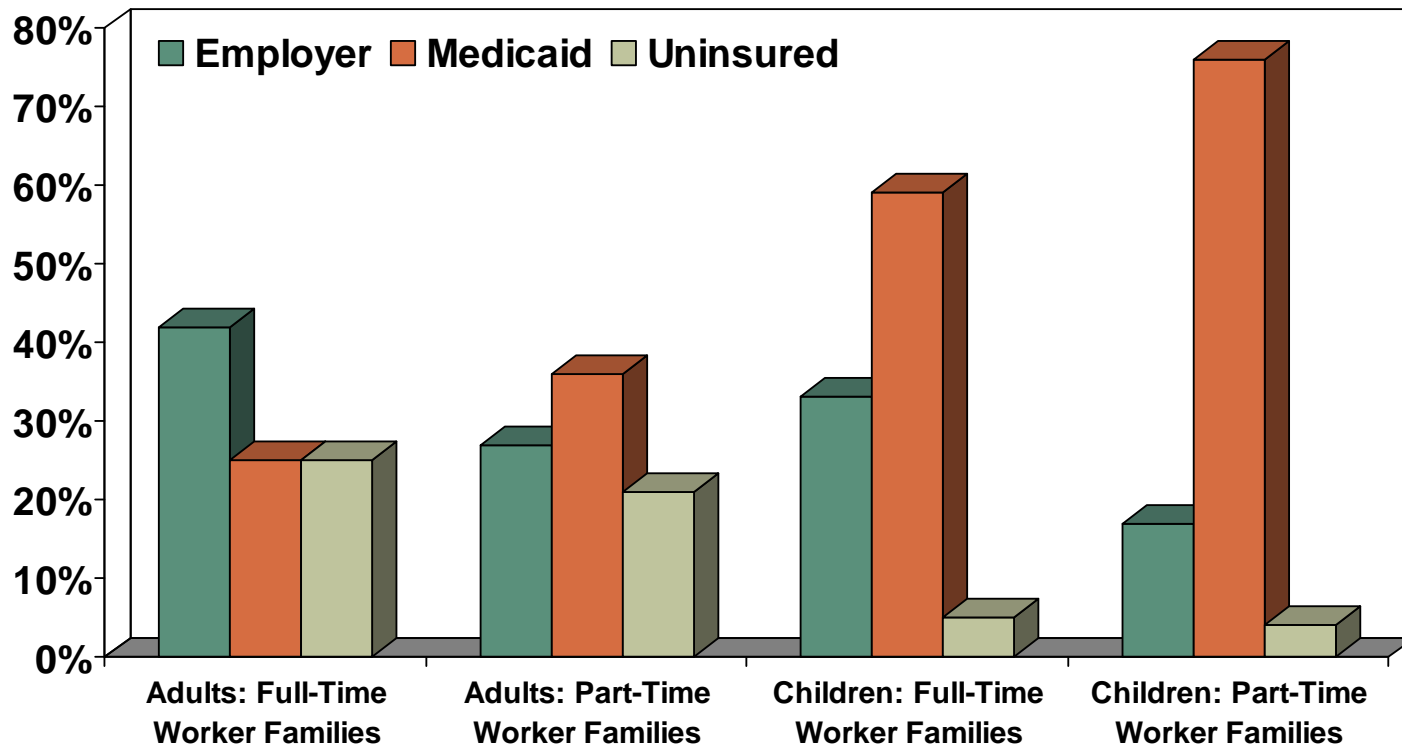
Coverage

The Majority of Non-Elderly MassHealth Members are Workers and Their Dependents

- 437,000 people
- 60% of all non-elderly MassHealth members
- Most are children (60%)
- Two-thirds of these families had at least one full-time worker
- Most work in small firms but thousands are employed by larger businesses and government

For Low-Wage Working Families, MassHealth is at Least As Important a Source of Health Coverage as Employers

Source of Health Coverage: Adults and Children in Low-Wage Families, 2002-03

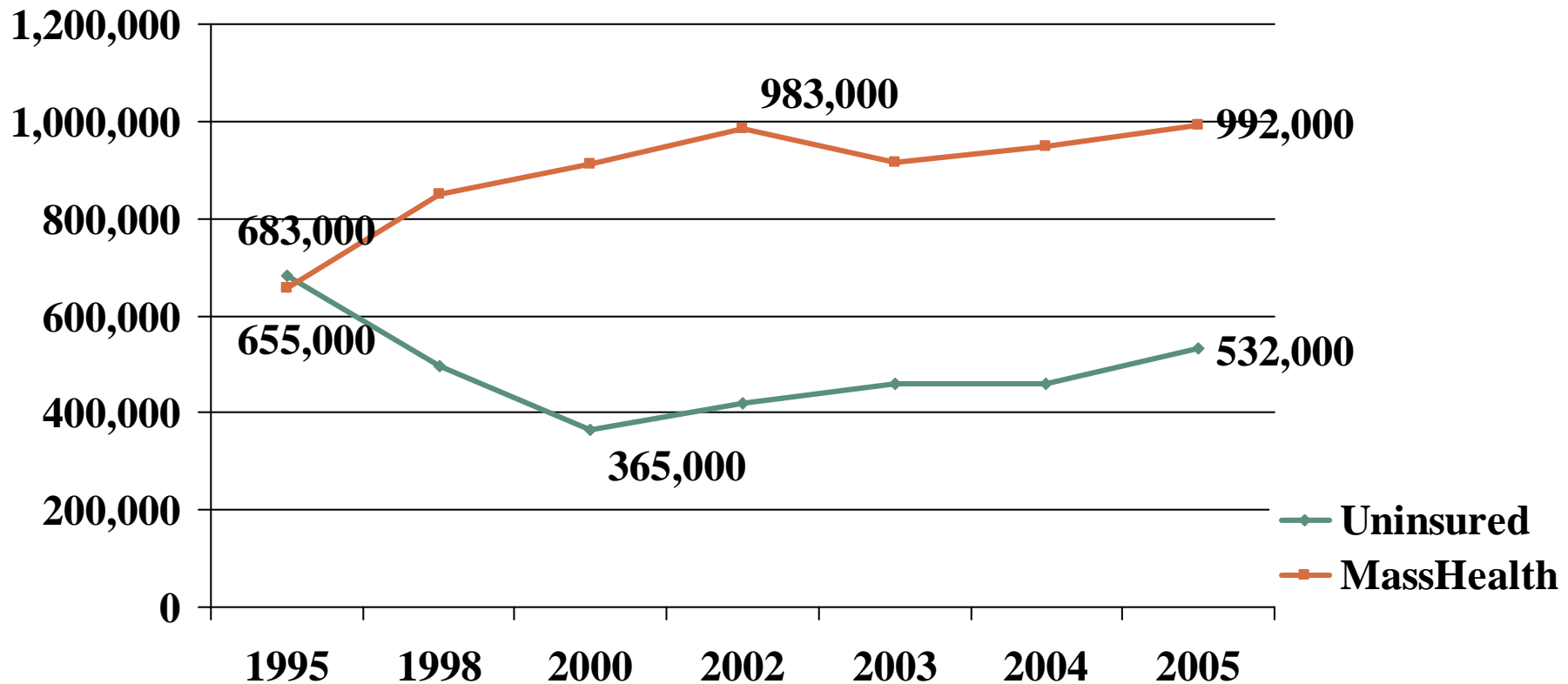


Source: Urban Institute analysis of merged 2003-04 CPS, adjusted for Medicaid undercounting

MassHealth Tries to Complement Not Supplant Employer Coverage for Low-Wage Workers and Their Families

- 110,000 MassHealth members have employer-sponsored coverage (15% of non-elderly members)
- Pays premiums and cost-sharing for MassHealth members who are eligible for employer coverage
- Provides premium subsidies
 - The Insurance Partnership Program subsidizes employer coverage for 5,000 small employers and 13,000 low wage employees

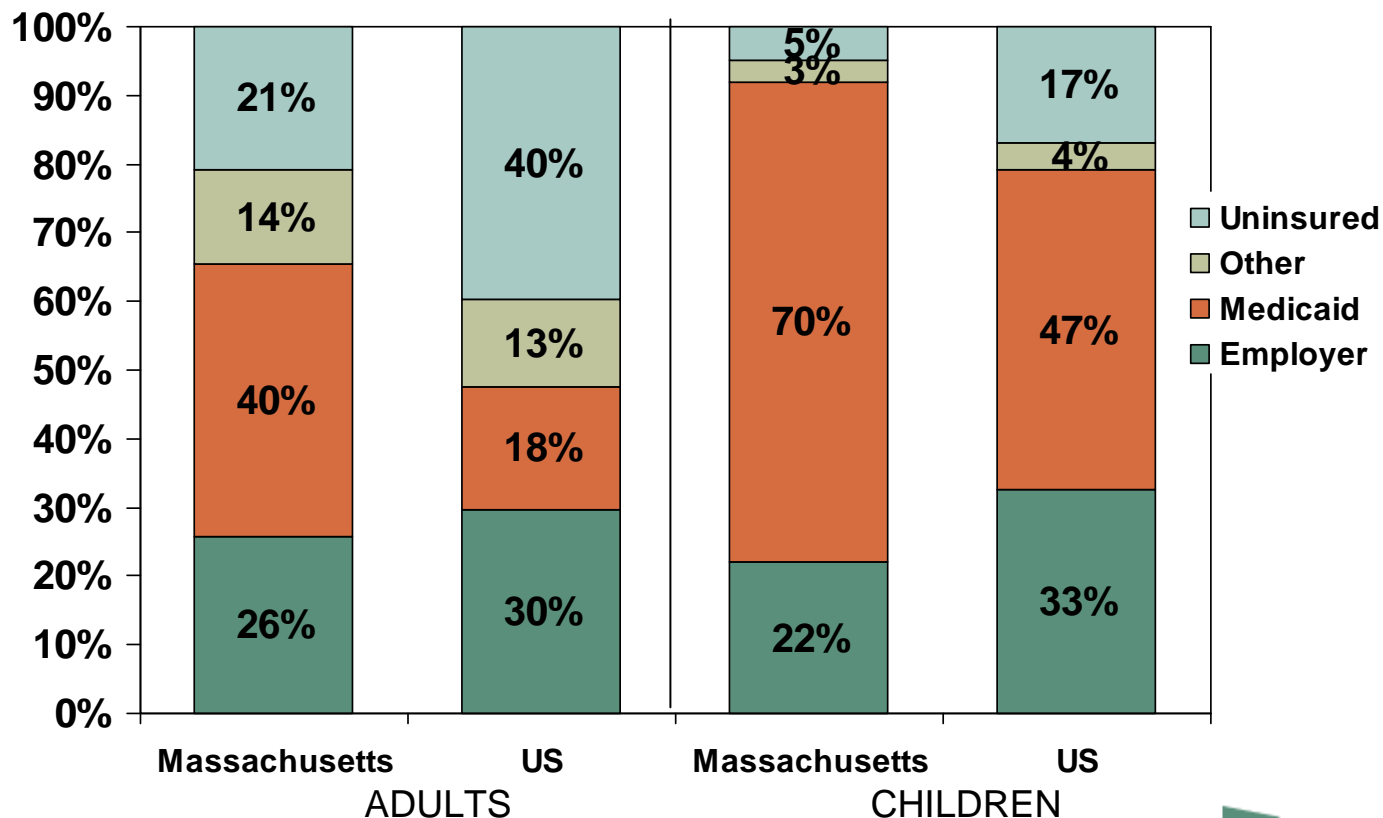
Deliberate Expansions in MassHealth Have Reduced the Number of People without Insurance, Although Progress Has Eroded



Sources: "Health Insurance Status of Massachusetts Residents," 1998, 2000, 2002, and 2004 Massachusetts Division of Health Care Finance and Policy. "Massachusetts Residents Without Health Insurance, 1995," Blendon, et al, Harvard School of Public Health; Executive Office of Health and Human Services; The Urban Institute.

Low-Wage Families are Less Likely to be Uninsured in Massachusetts than in the US because of MassHealth

Health Insurance Coverage for Low-Income People Under 65 by Type of Insurance, 2002-03



Source: Urban Institute analysis of merged 2003-04 CPS, adjusted for Medicaid undercounting

MassHealth Helps Keep People with Disabilities in the Workforce

- 8,500 working adults enrolled in CommonHealth
- Covers community-based supports not ordinarily part of employer-sponsored plans
- CommonHealth covers allows higher income workers with disabilities to “buy into” Medicaid as primary or supplemental insurance
- Enables people with disabilities to contribute to the cost of their care through premiums and as taxpayers

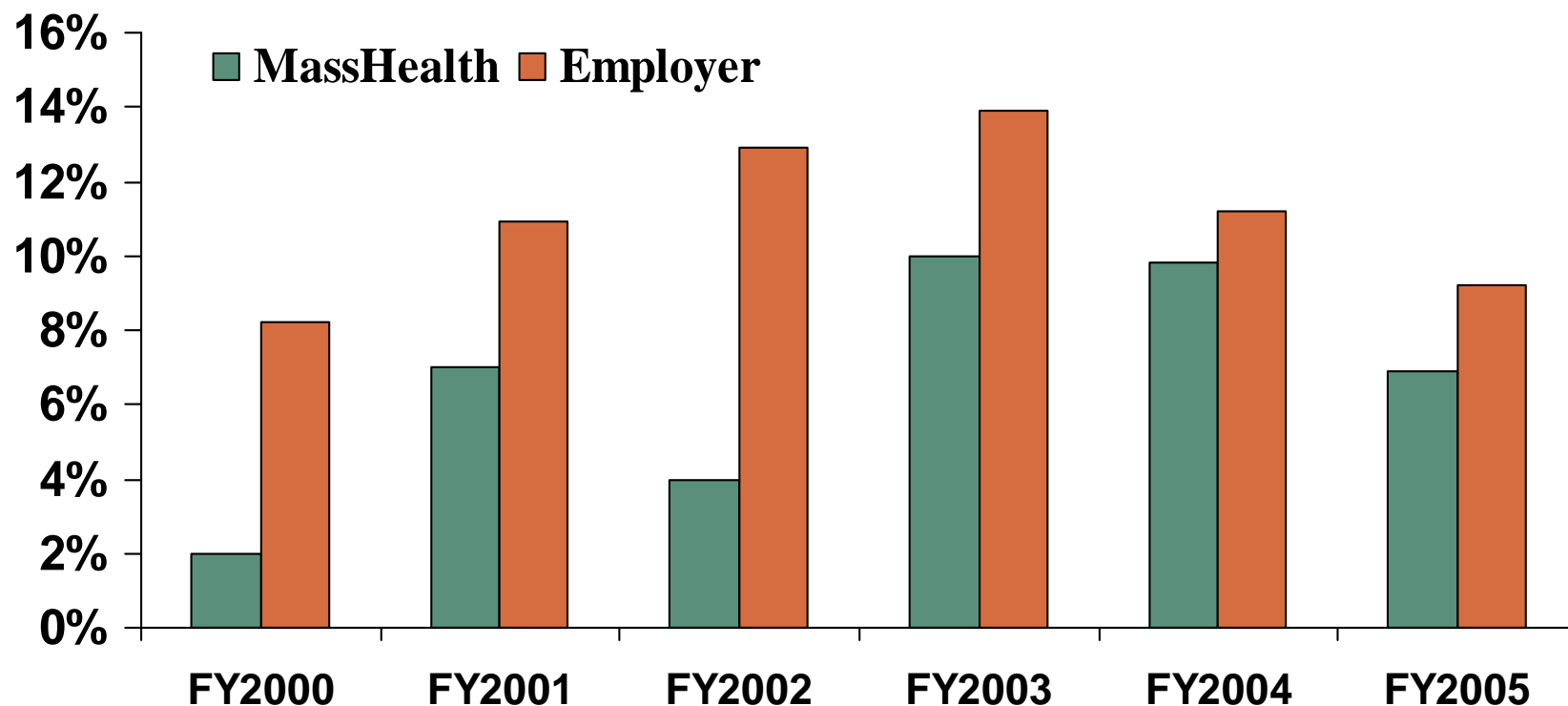
More Health Coverage Translates to a Healthy Workforce, Healthy Families and Healthier Communities

- **Lack of health coverage results in:**
 - Less care, worse health, higher mortality
 - Higher absenteeism, lower productivity
 - Medical debt, damaged credit, bankruptcy
 - Impaired development in children and less success in school
 - Strain on health care providers
- **Societal benefits from expanded health coverage in terms of the improved health of insured people is \$1,600-\$3,200 per person per year**

Cost

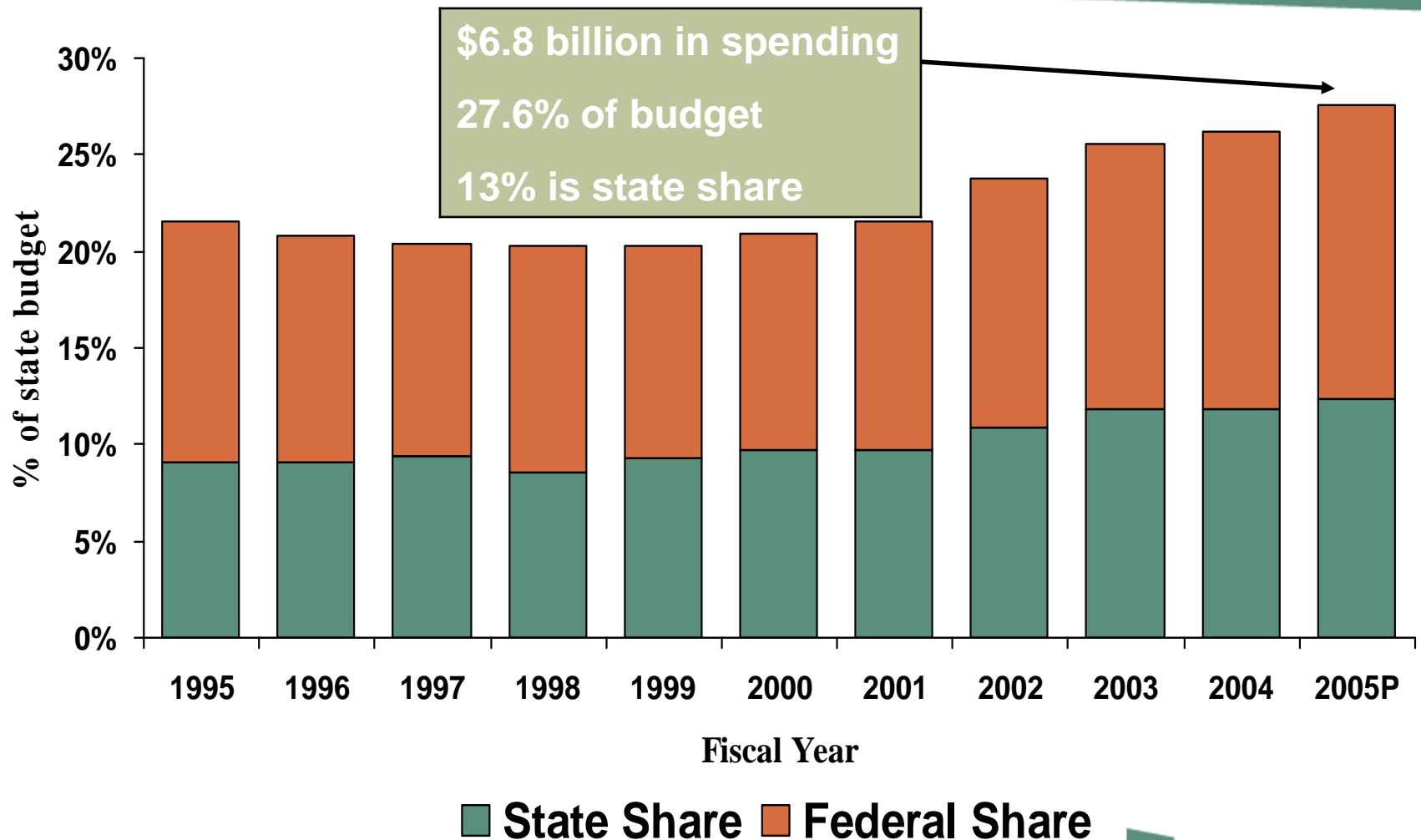
MassHealth Spending Per Person Has Consistently Grown More Slowly Than Employer Premiums

Annual Change in Per Member Costs FY 2000 - 2005



Source: National premium data from Kaiser Family Foundation (national averages)..
MassHealth figures from EOHHS.

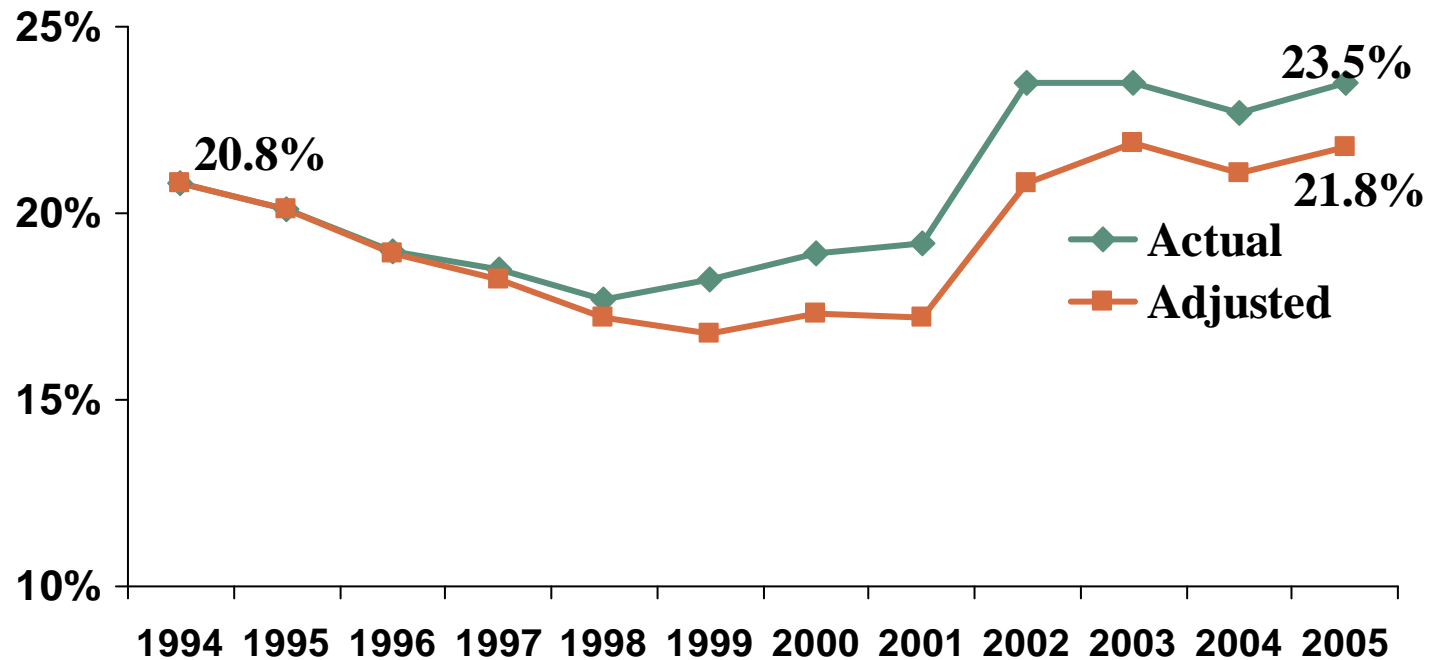
The MassHealth Budget Challenge



Source: Massachusetts Taxpayers Foundation

... but is it a “Budget Buster”?

Medicaid Spending as a Share of Mass. State Revenue



MassHealth Helps Reduce The Level Of Uncompensated Care And Mitigates A Cost That Is Borne In Part By The Business Community

- Private payer assessment/surcharge to Uncompensated Care Pool of \$160 million
 - Paid by employers that provide health coverage
- Most of hospital assessment (~\$160 million) and pool short-fall also likely shifted to employers
- Cost of care provided to uninsured through UCP rising rapidly
- But would be higher without MassHealth expansions

An Adequately Funded MassHealth Program Reduces the Potential and Pressure for Cost Shifting By Providers to Private Payers and Employers

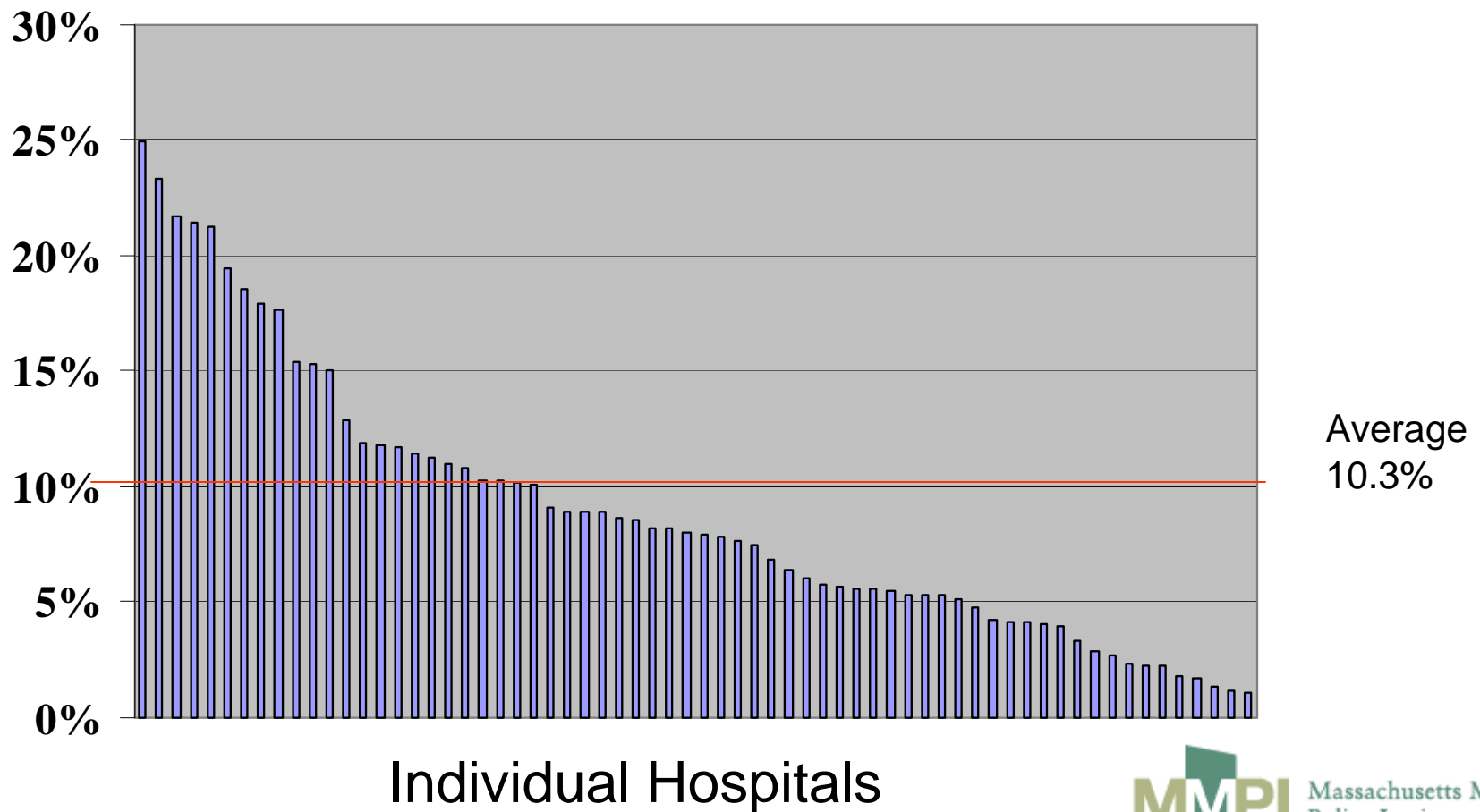
- MassHealth provider payment policies create potential for cost-shifting to private sector
 - For budget and policy reasons, most payment rates < costs
- Cost shifting most likely to occur for hospital and physician services
- Ability of providers to recover shortfalls from the private sector depends on
 - Size of private market share
 - Negotiating power of provider
 - “Willingness” of private sector to accept cost-shifting

Cost shifting from Medicaid likely has limited overall effect on employer premiums

Assuming MassHealth Payment To Cost Ratio of 80% (2003 data)	100% Shift
HOSPITAL: Amount of Cost Shift	\$319 M
As Percent of Total Mass. Group Health Premiums (~\$12 billion)	2.6%
PHYSICIAN: Amount of Cost Shift	\$57M
As Percent of Total Mass. Group Health Premiums	0.5%
Combined Hospital and Physician Cost Shift	\$376M
Hospital and Physician Cost-Shift as Percent of Total Mass. Group Health Premiums	3.1%

But the impact on individual providers may be significant

Medicaid Net Revenue as a Percent of Total Net Revenue, 2003



Medicaid as an Economic Engine

Economic Engine Arguments

- Multiplier effect
 - Families USA: \$2.21 for every Medicaid dollar
- Societal benefits of expanded coverage
 - Urban Institute: \$1,600-\$3,200 per person per year
- Largest source of federal funds
 - Over \$4 billion per year

Conclusion:

The Business Community Has A Vital Interest in Helping To Shape Policies That Affect MassHealth

- Help to reframe the MassHealth discussion
 - Not just a budget problem but a community challenge
- Advocate for adequate MassHealth funding as a way to:
 - maintain coverage options for low wage workers
 - minimize cost shifting to businesses that provide health coverage
 - reduce the cost of free care
 - leverage federal funding to reduce the net cost to the state
- Support a fair health insurance playing field for all employers
 - Cost shift from employers that do not provide health insurance to employers that do is much bigger than the Medicaid cost shift