

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

Amanda Kowalski  
Assistant Professor of Economics  
Yale Department of Economics

September 2013

# What We Have Learned From Massachusetts And Implications for National Reform Overview of My Research (Many Papers)

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

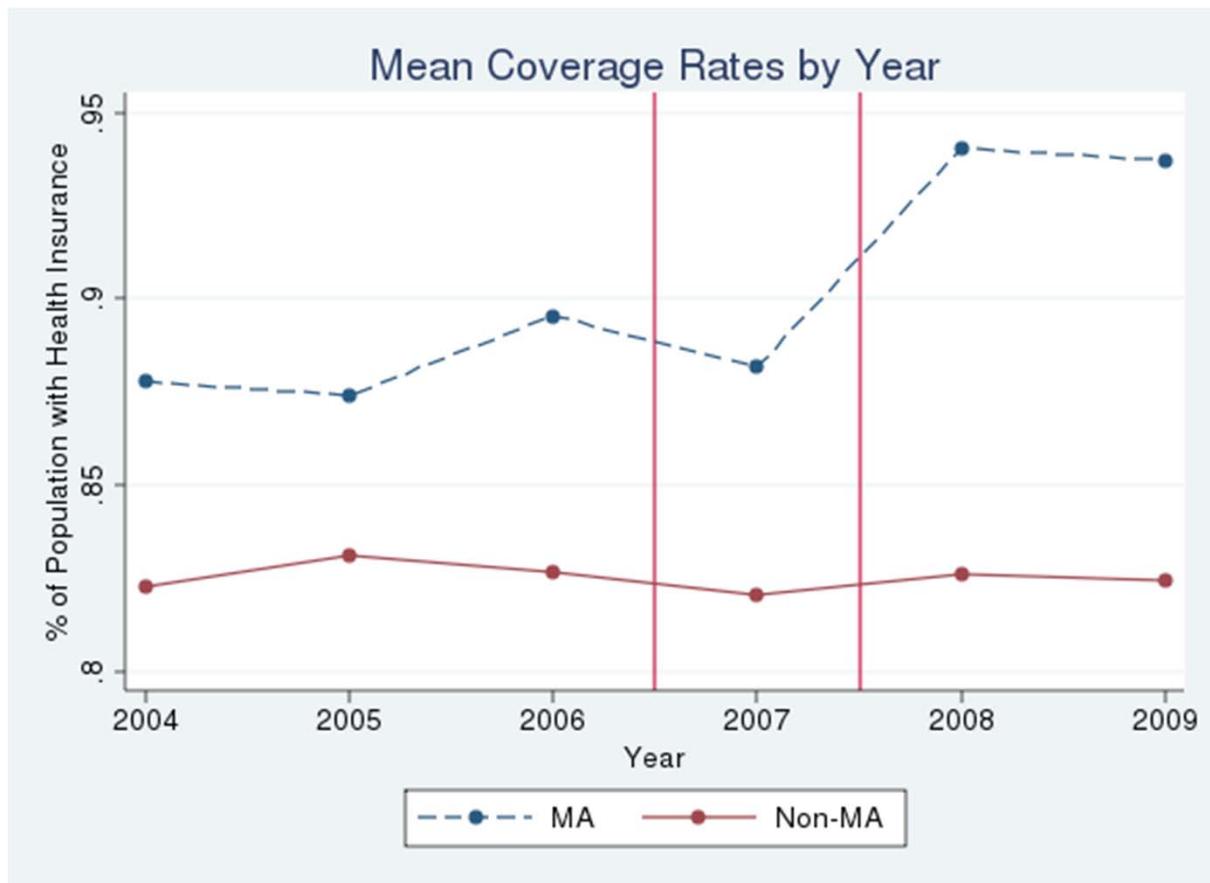
- Individual mandate
  - Penalty is up to 50% of basic plan by months without coverage
- Employers mandated to provide coverage
  - >10 FTEs
- Medicaid expansions
  - Up to 100% of FPL for adults
  - Up to 300% of FPL for children
- Subsidized private plans through exchanges
  - Subsidies up to 300% 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

# 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

- *Kolstad, Jonathan and Amanda Kowalski "The Impact of Health Care Reform on Hospital and Preventive Care: Evidence from Massachusetts." Journal of Public Economics December 2012. Vol. 96. 909-929.*
- 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

# Implications for National Reform

- 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

- *Kolstad, Jonathan and Amanda Kowalski "Mandate-Based Health Reform and the Labor Market: Evidence from Massachusetts." NBER Working Paper #17933 (newer version on our websites)*
- 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

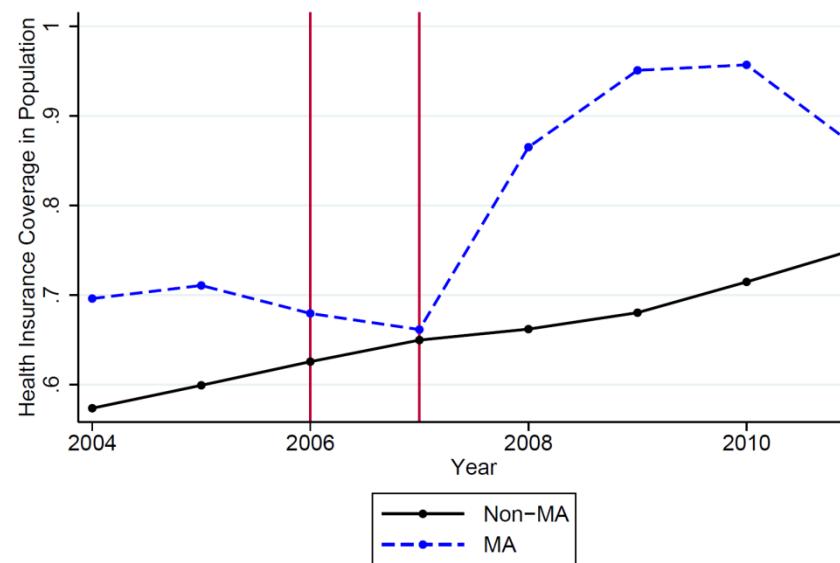
- If anything, aggregate wages increased in MA relative to other states, aggregate hours were unchanged, and employment increased
  - ➔ Little overall impact on the labor market
- For people who switched to ESHI, wages decreased by almost the full cost to employers ~\$6,000, and hours changed little
  - ➔ 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

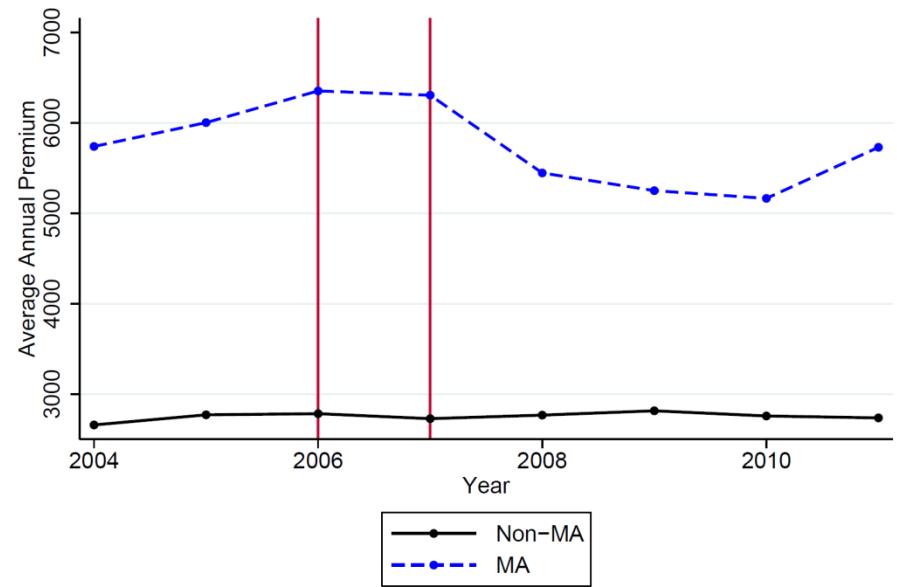
- *Hackmann, Martin, Jonathan Kolstad, and Amanda Kowalski "Testing for Adverse Selection Using Regulatory Changes" American Economic Review (Papers and Proceedings). May 2012.*
- *Hackmann, Martin, Jonathan Kolstad, and Amanda Kowalski "Adverse Selection and an Individual Mandate: When Theory Meets Practice" NBER Working Paper 19149.*
- Approach: Develop theory to quantify impact of an individual mandate on adverse selection in the individual health insurance market
  - Apply the theory in Massachusetts

# Findings: Coverage Increased, Premiums Fell in Individual Market

Impact on Coverage: SNL



Impact on Premiums



- 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 (\$.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