

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

Amanda Kowalski

Assistant Professor of Economics

Yale Department of Economics

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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)

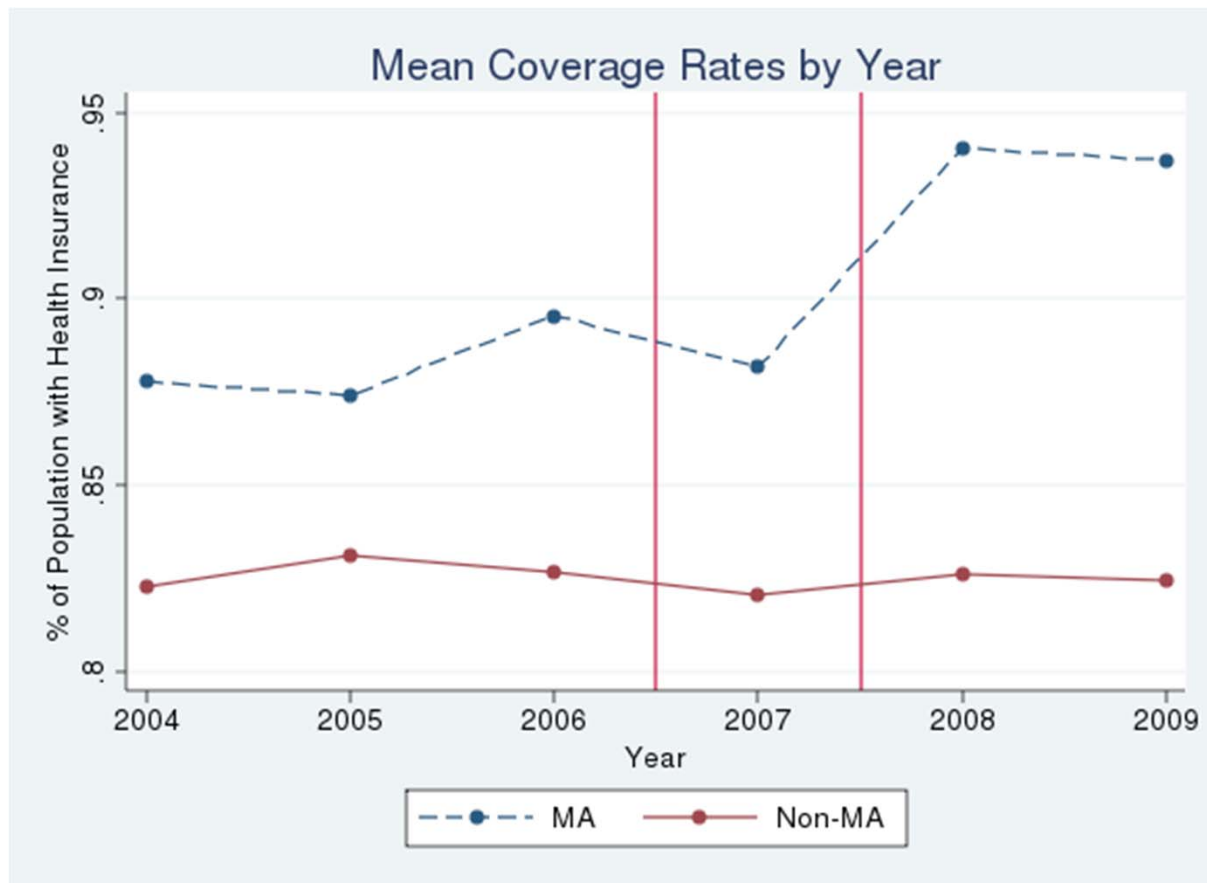


National Reform, March 2010

- 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

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

- *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

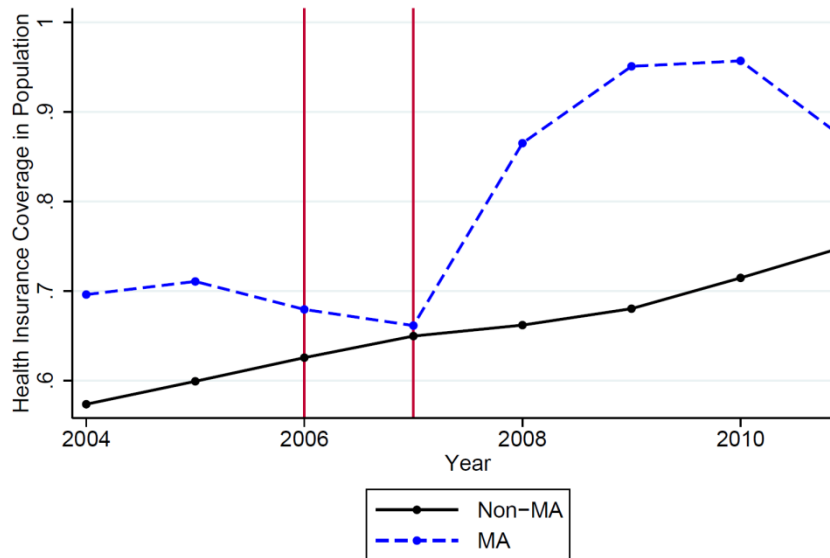
- If anything, aggregate wages increased in MA relative to other states, aggregate hours were unchanged, and employment increased
 - ➔ Little overall impact on the labor market
- For people who switched to ESHI, wages decreased by almost the full cost to employers ~\$6,000, and hours changed little
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

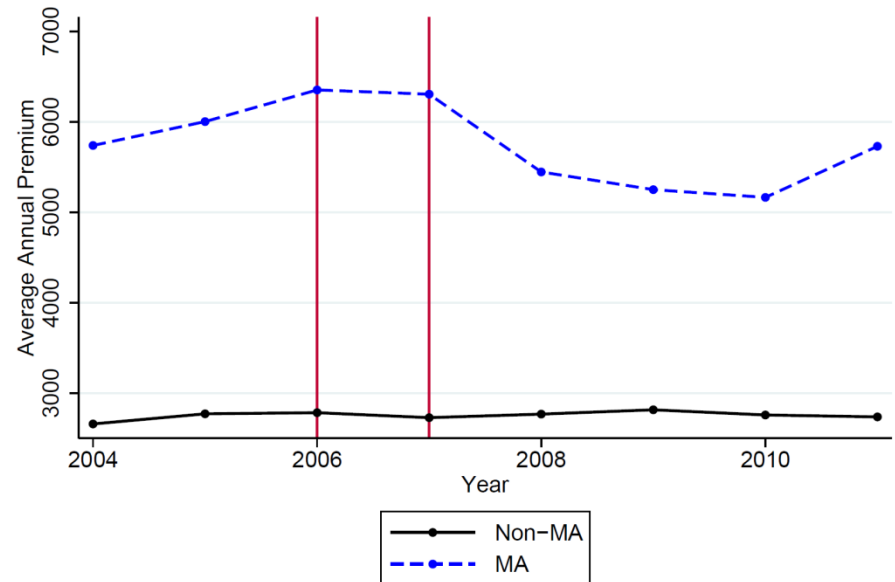
- *Hackmann, Martin, Jonathan Kolstad, and Amanda Kowalski "Testing for Adverse Selection Using Regulatory Changes" American Economic Review (Papers and Proceedings). May 2012.*
- *Hackmann, Martin, Jonathan Kolstad, and Amanda Kowalski "Adverse Selection and an Individual Mandate: When Theory Meets 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