

## **Doctors Give Massachusetts Health Reform a Failing Grade - Poor Early Outcomes Raise Red Flags, Only Private Insurers Profit**

FOR IMMEDIATE RELEASE January 14, 2008 11:16 AM

CONTACT: Physicians for a National Health Program

(PNHP) Dr. Rachel Nardin, 617.667.4382

Dr. David Himmelstein, 617.665.1032 Todd Main, 312.782.6006

January 14 - Over 250 Massachusetts doctors have signed an open letter to the country warning that the health reform model enacted by Massachusetts is failing and that a single payer program is the only alternative.

"It is urgent that the rest of the country know that Massachusetts is a living laboratory for the health care reforms being pushed in California and by the Obama/Clinton/Edwards campaigns. Right now the Gov. Romney/Massachusetts' plan gets a failing grade on the ground," said Dr. Rachel Nardin, Assistant Professor of neurology at Harvard Medical School.

### **An Open Letter to the Nation from Massachusetts Physicians: Early Outcomes from Massachusetts' Health Care Reform**

We write to alert colleagues and the nation to the disturbing early outcomes of Massachusetts' widely-heralded approach to health care reform.

Although we wish that the current reform could secure health insurance for all, its failings reinforce our conviction that only a single payer program can assure patients the care they need.

In 2006, our state enacted a law designed to extend health coverage to virtually all state residents. Political leaders in other states as well as several Democratic presidential candidates have embraced this model.

Massachusetts' law mandates that uninsured individuals must purchase private insurance or pay a fine. The law established a new state agency to ensure that affordable plans were available; offered low income residents subsidies to help them buy coverage; and expanded Medicaid coverage for the very poor. (Immigrants are mostly excluded from these subsidized programs.) Moneys that previously funded free care for the uninsured were shifted to the new insurance program, along with revenues from new fines on employers who fail to offer health benefits to their workers. In addition, the federal government provided extra funds for the program's first two years.

Starting January 1, 2008 Massachusetts residents face fines if they cannot offer proof of insurance. Yet as of December 1, 2007 only 37% of the 657,000 uninsured had gained coverage under the new program. These individuals often feel well served by the reform in that they now have health insurance. However, 79% of these newly insured individuals are very poor people enrolled in Medicaid or similar free plans. Virtually all of them were previously eligible for completely free care funded by the state, but face co-payments under the new plan. In effect, public funds for care of the poor that previously flowed directly to hospitals and clinics now flow through insurers with their higher administrative costs.

Among the near poor uninsured (who are eligible for partial premium subsidies) only 16% had enrolled in the new coverage. And barely 7% of the uninsured individuals with incomes too high to qualify for subsidies had enrolled according to the official state figures. Few can afford premiums for even the skimpiest coverage; the lowest cost plan offered for a couple in their fifties costs \$8,200 annually, and carries a \$2,000 per person deductible.

Moreover, the state's cost for subsidies is running \$147 million over the \$472 million budgeted for fiscal year 2007. Meanwhile, collections from fines on employers who fail to provide coverage are 80% below the original projections. The funding gap will widen in future years as health care costs escalate and insurers raise premiums. Already, state officials speak of making up the shortfall by forcing patients to pay sharply higher co-pays and deductibles, and by slashing funds promised to safety net hospitals.

While patients, the state and safety net providers struggle, private insurers have prospered under the new law, and the costs of bureaucracy have risen. Blue Cross, the state's largest insurer, is reaping a surplus of more than \$1 million each day, and awarded its chairman a \$16.4 million retirement bonus even as he continues to draw a \$3 million salary. All of the major insurers in our state continue to charge overhead costs five times higher than Medicare and eleven-fold higher than Canada's single payer system. Moreover, the new state agency that brokers private coverage adds its own surcharge of 4.5% to each policy it sells.

A single payer program could save Massachusetts more than \$9 billion annually on health care bureaucracy, making universal coverage affordable. But because the 2006 law deepened our dependence on private insurance, it can only add coverage by adding costs. Though politically feasible, this approach is already proving fiscally unsustainable. The next economic downturn will push up the number of uninsured just as the tax revenues needed to fund subsidies fall.

The lesson from Massachusetts is that we still need real health care reform: single payer, non-profit national health insurance.