

Massachusetts-Style Reform in California? We Start From Different Places

Early in 2006, Massachusetts enacted a package of reforms intended to assure near-universal health care coverage in Massachusetts. While these reforms are still in implementation and it will be some years before the results can be evaluated, what is known is Massachusetts had a head start – in laws, regulations and number of uninsured – that helped get the state closer to near universal coverage. By contrast, other states -- specifically California – would need to enact major reforms to get to the same starting line.

In California:

- ***Employers provide coverage to fewer people;***
- ***Medi-Cal and other public programs are less well-funded;***
- ***Individually purchased insurance is not available to many individuals who want to buy***
- ***And there are more uninsured, absolutely and proportionally***

Finally, premiums for employers are cheaper in California.

Because California starts from a different place than Massachusetts: our policy solutions will be different.

To get to the same starting place as Massachusetts, California would need:

✓ *More Employer Participation Than Required by SB2/Prop. 72*

Getting to the same starting place as Massachusetts would require MORE employer participation than even the most expansive California employer mandate, SB2/Prop.72, would have required.

In Massachusetts BEFORE the 2006 reforms 69.4% of the under-65 population (employees and their families) receive health insurance through their workplace.

In California, when SB2 was enacted, that proportion was far lower – with only 57.7%¹ (CHIS) to 61.2%² (CPS) receiving employer-sponsored coverage.

Had SB2(Burton 2003)/Prop. 72 (2004) remained law, that would have brought employer-sponsored coverage to approximately 59.7%¹ (CHIS) to 66%²(CPS)– still less than the baseline of 69.4% in Massachusetts

✓ *Medi-Cal Reimbursement: Another \$30 Billion in Spending—Plus Another \$7-\$10 Billion For Subsidies*

Excluding spending on long term care (nursing homes and home care), Medicaid spending per enrollee in California is about 42% of Medicaid spending in Massachusetts. In California, we spent about \$2,250 per Medi-Cal enrollee: in Massachusetts, they spent almost \$5400 per Medicaid

¹ CHIS: California Health Interview Survey, UCLA School of Public Health

² Dube 2003: Dube, Arindrajit, Research Brief: Impact of SB2 on Health Coverage, Institute for Labor and Employment, University of California, Berkeley, September 2003.

enrollee.³ California and Massachusetts have roughly comparable though not identical eligibility for the under-65 population.³

In total, California spent about \$23 billion in state and federal funds on Medi-Cal enrollees for services other than long term care; matching Massachusetts rate of Medicaid spending would require an increase from \$23 billion to almost \$54 billion, an increase of over \$30 billion, half state and half federal.

Additionally, another study estimated that to achieve subsidies comparable to those proposed for the 2006 Massachusetts reforms would cost \$6.8 to \$9.4 billion in California, raising the total to a hefty \$28-\$35 billion to match Massachusetts.⁴

✓ **Insurance Market Protections for Individuals and Small Businesses**

California has a much more lightly regulated insurance market than Massachusetts, particularly in the individual market.

In California, health insurers and health plans can and do routinely reject individuals because of health history: in Massachusetts, this is prohibited. No one knows exactly what proportion of individuals seeking to buy health insurance on their own are rejected. Estimates for other states with regulation similar to California are that 30% or more are rejected.⁵ The proportion may be higher in California because of other features of California law, for example, requiring that insurers continue coverage once issued (guaranteed renewability).⁶

Prior to 2006, Massachusetts precluded rating in the individual market by health status or gender and limited the variation by age to a 2:1 rate band (policies for 60 year olds could not be more than twice as expensive as policies for 20 year olds). The 2006 reforms imported additional regulatory protections from Massachusetts small employer market into the individual insurance market.

In contrast, California does not in anyway regulate pricing in the individual market, except for assuring that insurers will be financially solvent. Insurers can and do price based on health condition, age, gender, geographic region and other variables.

✓ **Massachusetts: Fewer People Than California's Uninsured—and the Rate of Uninsured is Much Lower**

About 12% of people under age 65 are uninsured in Massachusetts while more than 21% of the under-65 population in California is uninsured.⁴ California literally has more uninsured than Massachusetts has people! California has 6.7 million uninsured³ while Massachusetts has only 6.3 million people.³

California starts from a Different Place **Our Policy Solutions Need To Meet Our Needs**

³ KFF: Kaiser Family Foundation: State Medicaid Fact Sheet 2004-2005

⁴ Curtis, Neuschler, CHCF 2006: Richard Curtis, Ed Neuschler: Massachusetts-Style Coverage Expansion: What Would It Cost in California, California Healthcare Foundation, April 2006.

⁵ Turnbull, Kane, CMWF 2005: Nancy Turnbull, Nancy Kane: Insuring the Healthy or Insuring the Sick: the Dilemma of Regulating the Individual Insurance Market, Commonwealth Fund, February 2005

⁶ Kelch, CHCF 2005: Deborah Kelch, Rules Governing California's Individual Insurance Market, California Healthcare Foundation, April 2005.