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## State health plan underfunded

Finance secretary seeks proposals on closing gap

The Boston Globe



panel voted to raise premiums for some enrollees. (David L. Ryan/Globe Staff)

By Alice Dembner  
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The state's new subsidized health insurance program will cost "significantly" more than the \$869 million Governor Deval Patrick proposed in his 2009 budget just two months ago, the state's top financial official said yesterday, after insurers were granted an increase of about 10 percent.

To close the gap, the Patrick administration has asked insurers, hospitals, healthcare advocates, and business leaders to propose ways to cut costs and raise revenue. During two closed-door meetings in the last two weeks, several dozen proposals have been put forward, including raising assessments on insurers, hospitals, and businesses. The goals are to solve the short-term funding problem for next year and ensure the long-term survival of the state's near-universal health insurance initiative.

Leslie Kirwan, secretary of administration and finance, declined yesterday to discuss specifics of the proposals or the size of the budget gap, but said that without changes, the state doesn't expect "to be able to live within" the proposed budget.

A state panel yesterday approved a contract to pay insurers about 10 percent more for each person enrolled in the subsidized insurance program, starting July 1. The insurers had asked for about a 15 percent increase, but agreed to take less after weeks of negotiations. Still, the state's cost is higher than was included in the governor's budget. Under the contract, the state also would assume more of the financial risk if the enrollees were to use more medical care than expected.

To partly offset the increased costs, the panel yesterday also voted to raise premiums by 10 percent for some of the 176,000 people enrolled in Commonwealth Care, and to increase copayments for many more. Starting July 1, the lowest premiums will range from \$39 to \$116 per month.

"We have closed some of the fiscal gap here, but we have not closed most of it," Kirwan said during the meeting at which the Commonwealth Health Insurance Connector approved the contract and premium increases.

Kirwan said the gap also is because of increased enrollment, now expected to exceed projections for both the current fiscal year and the next, which will begin July 1. Paradoxically, enrollment dropped slightly last month, because the state has begun disqualifying people who became ineligible because of changes in income or access to other insurance. But that is expected to be a temporary downturn. The budget figure of \$869 million already was significantly higher than projected by legislative architects of the plan because of the enrollment boom.

Healthcare advocates vehemently had opposed increased premiums and copayments for enrollees, which were first proposed in February. They argued that the insurance would become unaffordable for many of the low-income people it was designed to serve and that it was unfair to ask enrollees to pay more without also asking more of businesses, hospitals, and insurers.

The administration muted its criticism by negotiating slightly smaller premium and copay increases, and by agreeing to seek similar but unspecified "sacrifices" from other parties.

"We're still disappointed that, at this point, the only ones making the sacrifices are enrollees and taxpayers," said the Rev. Hurmon Hamilton, president of the Greater Boston Interfaith Organization, a group of congregations that advocates for healthcare access. "But the administration is very committed to seeing all the stakeholders do their share. That's where the fight goes now."

Hamilton and other advocates pointed to private health insurers and some hospitals that they said are benefiting greatly from healthcare reform through additional members and insured patients. Some suggested that both insurers and hospitals should contribute more than the \$160 million each they now pay annually to the state's free-care pool, which pays for hospital care for the uninsured. Money is being shifted from the pool to help pay for subsidies.

Advocates also said the state needs to get more money from businesses that are not providing insurance for their employees. A penalty on those businesses - of up to \$295 per uninsured employee per year - has raised only about \$6 million this year, far less than originally expected.

"Healthcare reform is not sustainable financially and it's also not sustainable politically if the best we can do is more taxpayer money and shifting costs to consumers," said Nancy Turnbull, an associate dean at the Harvard School of Public Health and member of the connector board. "We have to find other ways [to raise money and control costs] and we have to find them very quickly."

Kirwan declined to say that the state was targeting any particular sector for help. Most of the groups that helped the state pass healthcare reform two years ago are participating in the administration-led discussions about addressing the cost of Commonwealth Care. Yet, convincing them to cough up more money will not be easy.

Organizations representing insurers, businesses, and hospitals said yesterday they were already doing a lot. "The employer community is picking up its fair share," said Richard Lord, president of Associated Industries of Massachusetts and a member of the connector board. More than 85,000 employees were newly insured by employers last year, according to data released yesterday by the Massachusetts Association of Health Plans.

"This is successful because everyone has done something," said Tim Gens, senior vice president for

policy at the Massachusetts Hospital Association. "We're willing to consider doing more," if everyone else is.

For members of Commonwealth Care, the premiums will go up 10 percent on average. For example, people with incomes between \$21,000 and \$26,000 who are now paying \$70 per month, will pay \$77. Only those with incomes more than about \$15,000 pay any premiums.

Copayments will rise \$5 for a primary-care doctor's visit, to \$10 for some patients and \$15 for others. Copayments for drugs also will rise. For enrollees at the highest income levels covered in the program - individuals making between \$26,000 and \$31,000 a year - copayments for use of the emergency room and for outpatient surgery also will rise. For the first time, there will be caps on out-of-pocket expenses for all medical care, excluding medicines, of \$750 or \$1,500, depending on the individual's income. They placed a separate cap on medication expenses.

The copayments and premiums originally proposed would have raised about \$30 million in revenue, according to Celia Weislo, assistant division director of labor union 1199 SEIU and a member of the connector board. She said the revised schedule shaves off nearly \$10 million, which she called a substantial concession to the concerns raised by advocates.

Underlying the discussions yesterday was the issue of rising healthcare costs statewide. State Medicaid director Thomas Dehner, also a connector board member, said the healthcare reform law had accelerated the increase by providing care for more people and increasing the rates the state pays hospitals and doctors.

Board member Dolores Mitchell, who manages health insurance for state workers, said the state has to focus on "wringing the excess costs . . . out of the system. Everybody wants an omelet, but nobody wants to break some eggs."

*Alice Dembner can be reached at [dembner@globe.com](mailto:dembner@globe.com). ■*