

overview: moving forward with an eye on cost

With many provisions of health care reform having become effective on July 1, 2007, discussion at the state level turned to cost control in order to preserve the gains under the new law. Legislators hinted that a cost-control bill may be forthcoming in the new year and that other measures are being considered. Meanwhile, activities continued towards wrapping up remaining components of the original health care reform law and making adjustments for 2008.

At the beginning of 2008, 183,000 individuals were enrolled in Commonwealth Care and Commonwealth Choice combined. For residents still without insurance, the tax penalty increases this year. As people begin to enroll for 2009, they'll be required to have prescription drug coverage and other benefits to meet the stricter minimum creditable coverage requirement.

The Division of Health Care Finance and Policy released its new quarterly report, Health Care in Massachusetts: Key Indicators, which reviews the progress of statewide efforts to expand health insurance coverage. Also, the Health Care Quality and Cost Council's data collection project is underway, with the goal to improve the availability of information related to cost and quality in health care.

On the federal level, MassHealth will seek a re-procurement for its managed care organization program for the first time in several years. Meanwhile, it continues its extensive implementation of Rosie D., now know as the Children's Behavioral Health Initiative. The Centers for Medicare & Medicaid Services recently issued for public comment its draft 2009 Plan Year Guidance to Medicare Advantage and Part D Plans. At the end of December, President Bush signed a law extending the controversial State Children's Health Insurance Program into 2009.

in this issue ...

health care reform update—

■ [round three of technical corrections](#)

A third corrections bill offered clarifications and minor changes that were requested since implementation of the law. Be sure to read about a few noteworthy changes.

■ [consequences pending over individual mandate](#)

Higher tax penalties go into effect this year and stricter minimum creditable coverage standards drive plans for 2009.

■ [connector activities](#)

Enrollment is positive for both Commonwealth Care and Commonwealth Choice products, which are up for renewal on July 1. Commonwealth Choice programs are still under development for contributing employers.

■ [cost on everyone's minds](#)

Now that more people are insured, how do we control health care costs? Several ideas are being tossed around.

■ [... and speaking of cost](#)

The Massachusetts Association of Health Plans introduced several measures to combat rising health care costs and promote greater transparency in the system.

stateside—

- [new report summarizes health care in commonwealth](#)
Report features data reported by providers, health plans and state agencies, as well as collected through surveys of Massachusetts residents and employers.
- [council collecting data on cost and quality](#)
Health Care Quality and Cost Council's data collection project is underway
- [limited-service clinics approved](#)
Department of Public Health approves limited-service medical clinics

the feds—

- [medicaid](#)
MassHealth recently announced that it will seek a re-procurement for its MCO program, and it is continuing its implementation of the *Rosie D.* settlement.
- [medicare](#)
The process for developing 2009 Medicare Advantage plans is underway.
- [federal legislative activity](#)
New law addresses Medicare reimbursement, extends SCHIP

coming soon—

- [what's next?](#)

health care reform update—

■ round three of technical corrections

In November 2007, the legislature passed, and Gov. Deval Patrick signed into law (Chapter 205 of the Acts of 2007), a bill clarifying and modifying provisions of the original health care reform law. This is the third such “technical corrections” bill since the initial passage of health care reform—Chapter 58. Most of the changes made were very minor, or codified changes or improvements that had already been adopted as implementation unfolded. There were a few changes of note, however:

- The minimum age for **Young Adult Plans** was lowered from 19 to 18.
- A number of clarifications were made concerning the **dependent age mandate**. The bill clarified that the standard for dependent coverage—“two years after loss of IRS dependent status”—is based on the last calendar year in which an individual qualified as a dependent *under the IRS code section related to the tax-free status of funds used to purchase health insurance for dependents*. It’s not based on the code section governing who may be claimed as a dependent on an income tax return. This is a broader definition that lacks an income requirement.
- The bill also established that **funds spent to provide health insurance to a dependent** who is in the two-year continuation period (i.e., once the dependent has ceased to meet the IRS definition referenced above) are not taxed as income under state law, although they remain taxed as income under federal law.
- The **Health Care Quality and Cost Council** was given greater authority to release data publicly, but the law still limits the circumstances and purposes for which the council may do so.

■ consequences of individual mandate will increase

Penalties became effective as of December 31, 2007, under the law’s individual mandate that requires residents to have health insurance. Most individuals filing 2007 Massachusetts resident income tax returns must demonstrate proof of health insurance coverage as of December 31 or face the loss of their individual exemption (approximately \$215). FCHP and other insurers mailed 1099-HC forms to subscribers during January, to be used in completing the new Schedule HC of the tax form. For more details about the 1099-HC, see FCHP’s [Frequently Asked Questions](#) (FAQ) on our Web site, www.fchp.org.

Requirements will ratchet up for both 2008 and 2009. **In 2008**, the individual mandate will apply for the entire year, with any gap in coverage of greater than 63 days subject to a penalty. The penalty also will increase, to an amount to be determined by the Department of Revenue, but not to exceed 50% of the premium of the lowest-cost plan available through the Connector when the individual had no coverage. A 2008 penalty schedule is currently under development by DOR (estimates place the average annual penalty at around \$900). The Health Connector will issue 2008 affordability guidelines within a few months.

On January 1, 2009, stricter minimum creditable coverage (MCC) standards take effect (e.g., prescription drug coverage and caps on certain deductible and out-of-pocket costs). In order to avoid a penalty, an individual must demonstrate he/she has coverage that meets certain minimum benefit levels determined by the Health Connector. (For 2007 and 2008, individuals only need to demonstrate that they have any type of health insurance that may be legally offered under state and federal law, with no specific minimum benefits mandated).

Due to the one-year cycle on most insurance products, employers and individuals currently enrolled in direct Commonwealth Care or Commonwealth Choice plans that don’t meet the January 1, 2009, MCC requirements might consider moving to plans that do upon February 1, 2008, renewals.

(Fallon Community Health Plan currently offers plans that meet the MCC standards and some that do not. **Prior to the end of the year, FCHP will provide solutions that will allow employers to switch to plans that fully meet the requirements.** This opportunity will enable our employer groups to offer a wider range of cost-effective plan options through the year while ensuring that they are compliant with the law at year's end.)

Two prominent business groups, the Associated Industries of Massachusetts and the Retailers Association of Massachusetts, oppose the stricter MCC mandate. Rick Lord, President and CEO of AIM, originally supported the prescription mandate as a member of the Connector board. Lord explains that he changed his mind, however, after learning that some businesses will face health insurance hikes of more than 25% this year if they have to follow the mandate.

■ **employee 2008 HIRD form now available**

Massachusetts employers of 11 or more FTE employees must also disseminate and collect an Employee HIRD form from each employee that declines to enroll in employer-sponsored insurance or declines to use the employer's Section 125 Cafeteria Plan to pay for health insurance. The employer must retain the signed Employee HIRD for a period of three years. [This year's form](#) is now available on the www.mass.gov Web site.

■ **connector activities**

The Health Connector has sent out for bids its **renewals for both Commonwealth Care and Commonwealth Choice**, effective July 1, 2008. (Fallon Community Health Plan currently participates in both programs and has submitted bids to remain in them for the upcoming fiscal year.) The Connector board is expected to decide on renewals for both programs at its March 20 meeting. In keeping with the current climate around cost control, both renewal Requests for Proposals contained provisions intended to restrict rate increases.

As of January 1, 2008, more than 168,000 individuals had enrolled in **Commonwealth Care** plans, which are subsidized plans for individuals with incomes below 300% of the federal poverty level. Membership in **Commonwealth Choice** plans was an estimated 15,000. Commonwealth Choice plans are for (1) individuals not employed by a large-group employer offering MCC-compliant health insurance or (2) for employees of groups of any size who are eligible for their employer's Section 125 plan but not for health benefits (e.g., part-timers).

Both programs saw significant membership increases in November and December, likely due to individuals seeking to meet the penalty deadline. *Commonwealth Choice group plans are still available only to groups who don't make a contribution to the cost of their employees' coverage. Options for contributing employers remain under development.*

■ **cost on everyone's minds**

Now that many more Massachusetts residents have access to health insurance, thoughts are turning to finding ways to pay for it, especially with the current budget tightening and the slowing economy. According to a recent *Boston Globe* article (by Alice Dembner, February 3, 2008), "spending on the healthcare initiative will total about \$1.95 billion this year. Slightly less than half of that will be funded by the federal government, with the rest coming from state taxpayers and other sources."

Gov. Deval Patrick's proposed fiscal 2009 budget reflects an increase of approximately \$400 million in health care spending. Nearly \$160 million of that increase is expected to come directly from state taxpayers, while the federal government covers the rest. Legislators are considering tax increases to ensure that health care reform succeeds. Some cost-cutting and cost-revenue ideas being talked about are:

- Introducing a \$1-per-pack increase in the cigarette tax to raise an estimated \$152 million a year.
- Senate President Therese Murray is reportedly looking at strategies that include streamlining of billing, expansion of primary care services and hearings on insurance rate increases.

- Legislators say they will examine the penalties that businesses must pay if they don't provide health insurance for many of their workers.
- Attorney Gen. Martha Coakley told the Greater Boston Chamber of Commerce that her office will become increasingly involved in efforts to control spending, including payment reform, reducing administrative costs and possibly even regulatory oversight of health insurance rates.

... and speaking of cost

The Massachusetts Association of Health Plans (MAHP) unveiled in early December a series of measures designed to combat rising health care costs and promote greater transparency in the system so that these costs can be better understood.

The proposal contains proposed statutory changes and voluntary measures that are being adopted by member health plans, including FCHP. Among the measures included in the proposal:

- Public hearings on cost drivers requiring health plans and providers to explain health care cost increases
- Enhanced public reporting of health care revenues and expenses
- Public forums to find solutions to rising health care costs
- A 17-point legislative package addressing many issues associated with rising health care costs

MAHP-backed legislation reflecting this initiative was filed in the House by Rep. Robert Spellane (D-Worcester). It's called, *An Act to Reduce Health Care Costs and Promote High Quality Health Care*.

stateside—

■ new report summarizes health care in commonwealth

In mid January 2008, the Division of Health Care Finance and Policy released a new quarterly report, *Health Care in Massachusetts: Key Indicators*, which reviews the progress of statewide efforts to expand health insurance coverage. It features data reported by providers, health plans and state agencies, as well as collected through surveys of Massachusetts residents and employers. According to DHCFP Commissioner Sarah Iselin, "For the first time, we have a comprehensive document that details the key metrics of the financial health of the industry, trends in access and coverage and current indicators across key programs." The report is available online www.mass.gov/dhcfp.

Some findings from the report:

- Nearly three-quarters of Massachusetts employers offer health insurance to their employees—a rate that has remained steady over several years.
- An estimated 78% of employees eligible for health insurance enrolled in their employer's health plan in 2007—a figure below the 82% national rate.
- Most state employers contribute at least 75% toward their employees' health insurance premium.
- The four largest health plans in the state spent between 85% and 91% of their total revenue dollar on medical services provided to members in the first six months of 2007.

■ council collecting data on cost and quality

The Health Care Quality and Cost Council's data collection project is underway, with insurance carriers in various stages of the process. (Fallon Community Health Plan has been working with the Council's vendor, the Maine Health Information Center, and has finalized its initial file submissions.) The Council, an agency created by the health care reform law, will use this data to establish a consumer health information Web site and undertake other projects to improve the availability of information related to cost and quality in health care. The Council also has indicated that it may expand its scope into cost control initiatives in the upcoming year.

■ limited-service clinics approved

In early January, changes to Department of Public Health regulations were approved, effective immediately, allowing for the licensure and operation of limited-service medical clinics in Massachusetts. (CVS plans to put such clinics in some of its stores.) The proposed changes had generated some controversy over the principles of accessibility, quality of care and continuity of care, as well as affordability, potential conflicts of interest in a retail environment and ability to protect patient confidentiality.

In its [January 9 press release](#), the DPH noted: "Today's approval comes at the end of a long review process that included two public hearings and the submission of hundreds of pages of testimony in favor of and in opposition to the regulations. DPH's Bureau of Health Care Safety and Quality will process applications for licensure and enforce rules established by the new regulations."

the feds—

■ medicaid

- **MassHealth recently announced that it will seek a re-procurement for its managed care organization (MCO) program**, through which FCHP participates in Medicaid. This is the first time in several years that participation in this program has been reevaluated. The Request for Proposals hasn't been released yet, but MassHealth has indicated it expects responses to be due by May 31, 2008, for a January 1, 2009, effective date.
- **MassHealth continues with its implementation of the *Rosie D.* settlement**, which is now being referred to as the Children's Behavioral Health Initiative. A key milestone achieved at the end of 2007 was the implementation of primary care screening and assessment trainings. The state identified eight screening instruments for all MassHealth PCPs to use during well child visits to refer children to behavioral health services. On the behavioral health side, MassHealth has adopted the Child and Adolescent Needs and Strengths (CANS) tool as the mandatory assessment tool and will conduct training in the coming months. The CANS tool will be fully implemented in November 2008.

■ medicare

- The process for developing 2009 Medicare Advantage products has begun. **Health plans must submit applications to CMS by March 10, 2008**, for all 2009 products they wish to pursue.
- CMS also recently issued for public comment its draft **2009 Plan Year Guidance to Medicare Advantage and Part D Plans**. This Call Letter focuses attention on Special Needs Plans, providing insight into what CMS would like to see in terms of appropriate models of care for special-needs beneficiaries. CMS also has taken this opportunity to reiterate that private fee-for-service plans, which have been criticized widely for marketing abuses, will be subject to increased CMS oversight in 2008.

■ federal legislative activity

new law addresses medicare reimbursement, extends SCHIP

In December 2007, Congress passed a bill, which President Bush then signed into law, designed to stave off the scheduled cuts to **Medicare physician reimbursement**, actually increasing payments by 0.5 percent through June 30, 2008. The amount of physician reimbursement beyond next June is still to be determined.

The bill didn't include any of the anticipated cuts to Medicare Advantage plans. However, it did impact product design and expansion options for Special Needs Plans by **placing a moratorium on new SNP plans and related service area expansions for 2008 and 2009**.

Known as the Medicare, Medicaid and SCHIP Extension Act of 2007 (S.2499), this bill also **extended the State Children's Health Insurance Program** (SCHIP) in its present form through March 2009, resolving the stalemate over the program's funding and future by deferring consideration until after the presidential election. SCHIP is a subsidized program for children, which is administered as part of the MassHealth program in Massachusetts.

coming soon—

- The Connector board is expected to decide on renewals effective July 1 for Commonwealth Care and Commonwealth Choice programs at its March 20 meeting.
- The Health Connector will issue 2008 affordability guidelines within a few months.
- A 2008 penalty schedule is currently under development by the Department of Revenue.

for more information

For more details on health care reform and FCHP products, turn to our Web site, www.fchp.org, and click on our home page link. You'll also find past issues of [Eye on Government](#) for easy reference.

Eye on Government is published quarterly to help FCHP brokers and employers keep up with the latest developments related to the state and federal governments' oversight of health care. Please e-mail your questions or comments to either broker.services@fchp.org or Employer.Edge@fchp.org, or call your sales executive or account manager at 1-800-333-2535.