

Sticker shock for state care plan

Average premium of \$380 outlined

By Alice Dembner, Globe Staff | January 20, 2007

A state panel yesterday outlined for the first time the minimum requirements for coverage under the state's new health insurance law, a package estimated to cost \$380 a month on average for an individual, more than \$100 above recent estimates.

Panel members struggled yesterday to balance affordability with protection from catastrophic medical bills and remained divided on many issues.

"If we're going to mandate this, people need to see that they're getting some value," said panel member Jonathan Gruber, an economics professor at the Massachusetts Institute of Technology. But, he added, the premium is "bad news."

"I'm trying to think of something to get this number down," he said.

The minimum plan would limit annual out-of-pocket expenses to \$5,000 for an individual and \$7,500 for a family and include prescription drug coverage, according to the proposal by a subcommittee of the Commonwealth Health Insurance Connector board, which is implementing the new law. The full board will vote on the proposal Monday.

As proposed, deductibles would run no higher than \$2,000 per individual and \$4,000 per family. Before the deductible kicks in, the plan would have to cover some medical visits and generic drugs to encourage preventive care. Insurers could not set limits on coverage per sickness, year, or lifetime, nor could they set a dollar maximum of coverage for any medical service.

Immediate reaction to the requirements was negative. Advocates for the uninsured were stunned at the price, considerably higher than the \$200 estimated by Mitt Romney when he was governor and first proposed universal coverage. A spokesman for insurers said the requirements were too prescriptive and could undermine the goal of universal coverage.

Under the state's universal health insurance law, all adults must obtain insurance coverage by July 1 or pay a penalty, unless they secure a waiver by proving they can't afford insurance. Individuals earning less than 300 percent of the poverty level, or \$29,400, are eligible for a separate, state-subsidized insurance package. Young adults, ages 19 to 26, must get some insurance, but will be eligible for less comprehensive and less expensive plans.

For the uninsured who do not qualify for the state-subsidized plans, an estimated 160,000 to 200,000 people, the minimum plan probably would be the least expensive they could buy. Some of the premiums probably would be subsidized by employers.

The estimate of \$380 a month in premiums came from a summary of initial bids by insurance companies. Actual premiums will not be set for months.

To meet the state mandate, at least 40,000 people who now have insurance probably would have to buy additional coverage since their plans do not meet the proposed new standard, Connector staff members said. In addition, some employers who now provide more extensive coverage could cut back to the minimum.

The five members of the policy committee argued yesterday about how prescriptive the rules should be. After the 10-member board votes on the requirements Monday, there will be a public hearing on Feb. 16, and then the rules could be revised. However, the board needs to move quickly if new health plans are to be ready for the public by July.

Until Monday's meeting, groups representing residents, insurers, hospitals, and others will be lobbying board members.

"For a large proportion of the folks not eligible for subsidized care, the bare minimum plan is flat-out unaffordable, not only because of the premiums, but the deductibles and out-of-pocket expenses," said John McDonough, executive director of Health Care for All, an advocacy group that supports the health law. "This is a significant disappointment. We think the Connector and particularly the insurers need to go back to the drawing board."

Health Care for All had suggested that the minimum plan cover prescription drugs, and that the drugs not be subject to a deductible. In addition, they suggested a cap of \$3,000 on out-of-pocket expenses, and a maximum deductible of \$1,100.

Eric Linzer, vice president of the Massachusetts Association of Health Plans, said the Connector committee's recommendations were boxing insurers into a corner.

"There's really a limited number of ways you can make premiums affordable," he said. "If the minimum credible coverage is too high and coverage is unaffordable, it runs the risk of not achieving universal coverage." Linzer said there might also be thousands of people satisfied with their coverage whose plans do not meet the proposed standard.

Based on information from actuaries reviewed by the board last fall, the panel had expected to get plans with a premium of about \$260.

But most of the insurers' bids, the details of which have not been made public, came in much higher, according to Connector board staff.

For one group of HMO-type plans, the premiums ranged from \$250 for a 28-year-old to \$500 for a 56-year-old.

In deciding on the proposed minimums, panel members debated how best to serve individuals with high medical expenses, as well as those who are healthy.

"We've got to protect the people" with high costs, said Bruce Butler, an actuarial consultant who chairs the policy committee. "But it's a balancing issue with affordability." Later, he added, "There's no one part of it you feel good about, but it's the best overall."

Panel members were reluctant to strip the plan of benefits to bring down the cost to consumers. "There's not only the issue of affordability, but also what provides legitimate protection," said panel member Dolores Mitchell, executive director of the Group Insurance Commission.

Another member, Celia Weislo, assistant division director of labor union 1199 SEIU, argued for more preventive coverage, including doctors' visits and drug coverage before the deductible applies, and for a lower deductible, saying that high initial costs could prevent people from getting care.

The board's executive director, Jon Kingsdale, who does not vote, urged the panel to consider what rules could be enforced and suggested they not specify every detail of coverage.

"I feel very, very nervous about that," he said. "There's going to be a court challenge" to whatever the board decides, he predicted.

Under the law, anyone without insurance who meets the minimal standard would forfeit their personal tax exemption for 2007, costing them about \$200.

In 2008, they would be fined half of the average premium for the minimal plan.