



## QUICK MASSACHUSETTS STATS

By Dec. 31, 2007, Massachusetts consumers must have health insurance or pay a penalty under the law. They will end up paying more for less health care – an inevitable outcome when individuals are forced to purchase private health insurance and costs are not regulated.

The experience of middle-income consumers in Massachusetts can help project how Californians would fare with a mandate to purchase unregulated private insurance.

Median income, family of four  
Massachusetts: \$89,347  
(California: \$74,801)

Number of uninsured  
Massachusetts: 500,000 to 650,000  
(California: 6 to 7 million) **10X more in California**

Newly enrolled in Massachusetts insurance plans: 122,582 (approx. 20% of uninsured)  
Full Subsidy: 92,884 **76%** **> 94% taxpayer subsidized**  
Some Subsidy: 22,534 **18%**  
Unsubsidized: 7,164 **6%**

Family of four, 300% federal poverty level: \$61,956 (Mass. subsidy cap)  
250% FPL: \$51,636 (proposed Cal. subsidy cap)

Massachusetts cost promise: \$200/mo. for comprehensive coverage  
Massachusetts cost reality: up to \$531/mo. plus co-pays and deductibles for “basic” plan

### **Cheapest “affordable” plans in Massachusetts**

55 year old in Boston: \$4510 premium/yr, 9% of \$50,000 income  
Late-forties couple in small town: \$9,121 premium/yr, 11.4% of \$80,000 income  
Family, mid-fifties, two kids in rural Greenfield: \$13,752 premium/yr, 12.% of \$110,000 income

18% of uninsured automatically exempted from mandate because premiums are unaffordable.

**Exempted:** Anyone, of any age, who earns just above 300% of the federal poverty level  
Singles over 55 making less than \$50,000 a year  
Couples over 50, unless their income is above \$80,000 a year  
Families over 30 making up to \$90,000 a year

### **Annual Premium Range w/o Exemption or Subsidy**

55-year-old in Boston: **\$4,510 - \$10,878**  
Mid-thirties couple on the Cape: **\$7,054 - \$14,280**  
Rural family in their early fifties, one child: **\$11,334 - \$24,723**



1750 OCEAN PARK BOULEVARD, #200, SANTA MONICA, CA 90405 - 4938  
TEL: 310-392-0522 • FAX: 310-392-8874 • NET: CONSUMERWATCHDOG.ORG

## OVERVIEW OF MASSACHUSETTS' INSURANCE MANDATE

In just over two months, Massachusetts citizens will be required to have health insurance or pay a substantial financial penalty under the law.

What happens to the middle-income uninsured in Massachusetts is relevant to how California would fare with a plan requiring mandatory purchase of private insurance.

Massachusetts consumers will end up paying more for less health care – an inevitable outcome when individuals are forced to purchase private health insurance and costs are not regulated.

Massachusetts also faces a simpler problem than California. The state has about half a million uninsured versus our six to seven million. Unlike California, health insurers are primarily non-profit and the state had guaranteed issue and community rating before the mandate. Massachusetts' median income is also \$15,000 higher than California's.

Even so, the state has automatically exempted about 18% of residents as unable to afford health insurance. For example: No one, of any age, earning just above 300% of the federal poverty level can afford to purchase any available insurance plan.

***The timeline.*** Every individual in Massachusetts who does not obtain insurance by December 31<sup>st</sup>, 2007 will be subject to a financial penalty: he will lose his personal income tax exemption next year, and will pay a penalty that can reach \$2000 or more if he has not obtained insurance by 2009, or been exempted from the requirement.

***Subsidies don't guarantee affordability.*** Bay Staters who earn up to 300% of the federal poverty level are eligible for free or subsidized coverage. However an analysis conducted by the Greater Boston Interfaith Organization found that 46% of families interviewed who qualified for subsidized coverage still could not afford the premiums.<sup>1</sup>

Those individuals who do not qualify for free or subsidized care must purchase health insurance in the private market or through the state purchasing pool.

***False cost promises.*** Proponents of the plan (including MIT economist Jon Gruber, who estimated the cost of a mandate for governor Schwarzenegger) promised comprehensive health insurance for about \$200 a month.<sup>2</sup> In fact, health plan premiums for a 55-year-old through the state pool reach up to \$531

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<sup>1</sup> GBIO analysis was completed before free insurance cutoff shifted from 100 to 150% FPL

<sup>2</sup> Julie Appleby. "Mass. residents face required coverage," *USA Today*. April 4, 2006.

per month for “basic” coverage. The same 55-year-old wishing to purchase more comprehensive coverage will pay up to \$906 monthly.

**Consumers aren’t buying it.** As of September 1, 2007, more than 115,000 new enrollees signed up for a subsidized health plan; 80% of these qualified for free coverage.<sup>3</sup> Just 7,164 have enrolled in unsubsidized plans. Although a little over two months remain before the deadline, few are rushing to purchase full-price private health insurance on their own.

Providing free health care to every person and family under 150% of the poverty level is admirable. However, without protection from eroding benefits and rising rates, a mandate will end up forcing many consumers to pay for junk health insurance or purchase a product they cannot afford.

### **AFFORDABILITY**

The Massachusetts law requires mandated health insurance be “affordable” but does nothing to control its cost.

**Extra expenses.** The state assumes that insurance is “affordable” if consumers can pay the premiums. It disregards the sacrifices consumers may be forced to make to pay those premiums and does not consider the deductibles, co-pays and other co-insurance that they must pay in addition.

Health insurance is not affordable if consumers pay the premiums but cannot afford to use the policy when they get sick. High co-insurance costs cause consumers to delay care to the point that it becomes less effective and even more costly – the problems that mandated health insurance is intended to address.

**What it costs.** The cheapest plans offered in Massachusetts come with \$2000 deductibles, co-pays of up to 35% for most health services, separate medication deductibles with up to 50% co-pays, and cap only some out-of-pocket costs.

Premiums are considered affordable up to 10% of a family’s income. Those with “affordable” options include:

- A Boston couple in their late forties with a \$60,001 income can “afford” premiums of \$500 a month. The only plan available to them, for \$468 a month (9.3% of their income), has no drug coverage, as well as a \$2,000 deductible and 20% coinsurance on most health services.
- A single 55-year-old making \$50,001 a year in Boston would pay \$4510 in premiums – 9% of her income – for the cheapest plan available with prescription drug coverage. It includes co-insurance of 20% up to \$5000 a year. If her additional out-of-pocket costs that year are only the plan’s \$2000 deductible she would spend \$6510, or 13% of her income, on health coverage.
- A couple in their late forties living in Barnstable would pay a minimum \$760 a month, or \$9,121 a year, for the cheapest plan with prescription drug coverage – 11.4% of annual income even for a family making \$80,000 a year.

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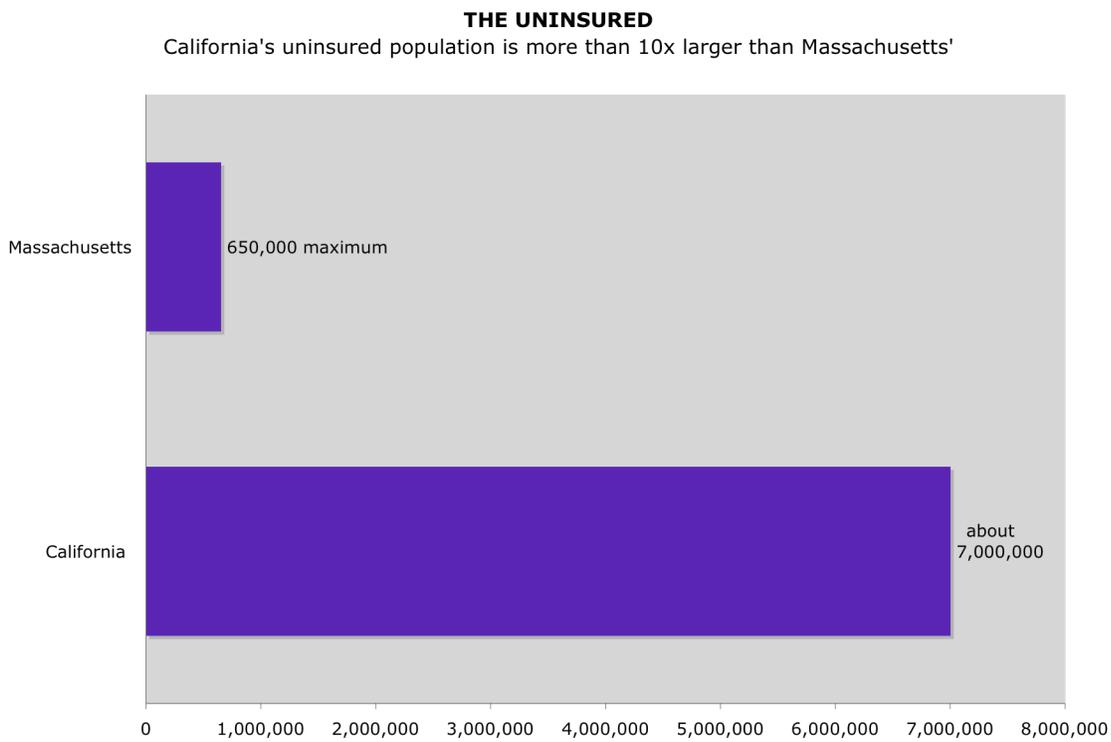
<sup>3</sup> Commonwealth Care and Commonwealth Choice Progress Reports, Sept. 13, 2007.

Such an affordability standard is inadequate. However, waiving the insurance requirement for a large group of people because plans are unaffordable is just as problematic.

**Many left uninsured.** Mandatory purchase of private insurance is meant to lower health costs in the long run by spreading insurance costs across one large pool. The Massachusetts plan, by not ensuring affordability, excludes broad classes of people and abandons the promise of universal coverage.

At current prices (already projected to rise in 2008),<sup>4</sup> Massachusetts' affordability standard estimates that 18% of the uninsured will be unable to afford even the premiums of any insurance plan,<sup>5</sup> including:

- Anyone, of any age, who earns just above 300% of the federal poverty level
- Singles over 55 making less than \$50,000 a year
- Couples over 50, unless their income is above \$80,000 a year
- Families, with parents over 30, making up to \$90,000 a year



<sup>4</sup> Martha Bebinger of WBUR radio reports on the station's health blog, August 31, 2007.

<sup>5</sup> Commonwealth Connector. "Affordability Waiver Summary for Currently Uninsured."

### WHO'S BUYING INSURANCE?

Few of the newly insured in Massachusetts have purchased full-price private coverage

