



Questionable Cure for a Questionable Crisis: The Massachusetts Health Plan Takes Shape

By Sally C. Pipes

MASSACHUSETTS MADE HISTORY when it passed a law requiring residents to purchase health insurance or face fines beginning in July 2007. The bipartisan plan has been hailed as an innovative way to achieve universal health insurance coverage. It places responsibility on the individual to purchase health insurance under threat of fine, asks employers to subsidize insurance or pay a fee, and puts the government in charge of brokering plans that it promises will be affordable. Former Health and Human Services Secretary Tommy Thompson predicts that at least 20 states will soon follow Massachusetts' lead and pass health care legislation with individual mandates.

A close examination of the program calls into question the premises underlying its passage and its ability to deliver on its promise of near universal coverage at affordable cost.

- The plan is unlikely to achieve universal coverage. There is already a strong push to exempt everyone under 300 percent of the poverty level from the mandate because even the new, highly subsidized plans rolled out by the state are unaffordable.
- As the program's cost explodes, tremendous pressure will build to increase taxes on both individuals and the businesses employing them to fund the program. The governor originally advertised the program at a cost of \$125 million. In a bond filing a few months after passage, the administration revealed that the program would actually cost \$276 million. The program will also provide \$386 million in rate increases for "hospitals, physicians, and managed care organizations."
- The Massachusetts health plan was also designed to help address the problem of the voluntary uninsured, those who could afford insurance but choose not to purchase it. However, this group does not drive health care costs, spending, or taxpayer subsidies in Massachusetts. The state's own data show that a mere six percent of the state's subsidy for the uninsured is devoted to people living in households with incomes greater than twice the federal poverty limit. Young healthy people don't purchase health insurance because regulations that proscribe gold-plated benefits and prevent medical underwriting make certain costs far outstrip the expected benefits.
- The average family plan in Massachusetts costs \$10,126, compared to \$4,424 nationally. The solution to this problem is to deregulate the insurance market, not force people to purchase something they don't value at artificially high prices.
- The legislation's most promising feature is the health care Connector, a government-created clearinghouse that will allow most individuals employed in Massachusetts to purchase individual health insurance policies with pre-tax dollars. If successfully implemented, this will effectively reduce the cost of insurance for individuals subject to the income tax, prompting some to purchase insurance even in the absence of a mandate.

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