GETTING READY *for* REFORM

Insurance Coverage and Access to and Use of Care in Massachusetts in Fall 2006

Summary Report

{A REPORT TO}
Blue Cross Blue Shield of Massachusetts Foundation
The Commonwealth Fund
Robert Wood Johnson Foundation

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{GETTING READY FOR REFORM}

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This report is meant to provide a snapshot of Massachusetts' adult population prior to the implementation of new health reform legislation in the state. Using survey responses obtained in Fall 2006 as the Bay State began implementing a landmark effort to bring near-universal health coverage to its population, this report serves as the baseline for an on-going study of the effects of the reform efforts on Massachusetts' working-aged adult population. We focus on the overall adult population aged 18 to 64 years old in Massachusetts, as well as those targeted by specific elements of the state's reform efforts, including uninsured adults and adults with family income less than 100% of the federal poverty level (FPL), between 100% and 300% FPL, and between 300% and 500% FPL. The goal of this report is to provide information to support Massachusetts' efforts to implement the health care reforms. In subsequent work, we will document changes in insurance coverage and health care experiences as Massachusetts moves toward full implementation of its health reform initiative.

In April 2006, Massachusetts enacted a health care reform bill that seeks to move the state to (almost) universal coverage through a combination of Medicaid expansions, subsidized private health insurance coverage, and insurance reforms.[1] The key features of Massachusetts' initiative, entitled *An Act Providing Access To Affordable, Quality, Accountable Health Care* (Chapter 58 of the Acts of 2006), are:

- A Medicaid (called MassHealth in Massachusetts) expansion that extends coverage to children with family income up to 300% of FPL,
- The elimination of enrollment caps for Medicaid coverage for several populations, including long-term unemployed adults, disabled working adults, and persons with HIV,
- Income related subsidies for health insurance (called Commonwealth Care) for adults with family income up to 300% FPL,
- A new purchasing arrangement, called the Commonwealth Health Insurance Connector Authority (or Connector), to link individuals without access to employer coverage and firms with fewer than 51 workers to health plans,2
- Health insurance market reforms that merge the small and non-group markets in an effort to reduce the cost of non-group premiums, and,
- An individual mandate that requires that adults have health insurance if they have access to an affordable health plan (as defined by the Connector) or face tax penalties.

In addition, employers are required to set up a Section 125 plan for their workers, so that employees can pay for health insurance premiums with pre-tax dollars. Employers with more than 10 employees who do not make a "fair and reasonable" contribution towards their workers' health insurance will be subjected to an assessment not to exceed $295 per full-time equivalent worker per year.[3]

To date, the state has expanded Medicaid coverage to higher-income children and as of July 2006, made Commonwealth Care available to adults with income less than 100% FPL as of October 2006, and to adults between 100% and 300% FPL as of January 2007. Initially, adults with family income less than 100% FPL received coverage with a full subsidy; the full subsidy was expanded to adults with incomes less than 150% FPL in July 2007. Health plans under the Connector were made available to higher income adults as of May 2007 (although some provisions have been delayed until January 2009). The individual mandate went into effect in July 2007.

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1 For a summary of the provisions of the legislation, see http://www.bcbsmafoundation.org/foundationroot/en_US/documents/MassHCReformLawSummary.pdf.

2 The Connector would also operate Commonwealth Care, the subsidized health insurance plan for adults with incomes below 300% FPL.

3 The Massachusetts Division of Health Care Finance and Policy defines an employer that makes a fair and reasonable contribution as either (1) covering at least 25% of employees or (2) contributing at least 33% of the total premium for coverage.

{DATA}

The study is based on telephone interviews with a sample of 3010 adults aged 18 to 64 years old in Massachusetts. The survey was conducted by ICR/International Communications Research between October 16, 2006 and January 7, 2007 using a Computer Assisted Telephone Interviewing (CATI) system. The survey is based on a stratified random sample, with oversamples of the low- and moderate-income adults (less than 300% FPL and between 300% and 500% FPL, respectively) and uninsured adults who are the primary focus of Massachusetts' reform efforts. In 2006, the poverty level for a family of three was $16,600 per year, thus 300% FPL would be equivalent to $49,800, and 500% FPL would be equivalent to $80,000. To place these income levels in context, median family income in Massachusetts was $71,655 in 2005.[4]

The overall response rate for the survey was 49%, which is comparable to that achieved in other recent social science and health surveys (Davern et al. 2006).[5]

The survey included questions that focused on insurance coverage, access to and use of health care; out-of-pocket health care costs and medical debt; insurance premiums and covered services (for those with insurance); and health and disability status. We also included two opinion questions drawn from a September 2006 telephone survey in Massachusetts that asked adults about their impressions of Massachusetts' newly enacted health reform law (Blendon, Buhr, Fleischfresser and Benson, 2006). Like all survey-based research, we are relying on self-reported information. The quality of our data depends on the survey respondent's ability to understand the questions and the response categories, to remember the relevant information, and to report it accurately. Our survey instrument is available at: www.urban.org/UploadedPDF/mass_health_survey.pdf.

All tabulations based on the survey data were prepared using weights that adjust for the complex design of the survey and survey noninterview. The final weights are constructed from a base weight for each adult that reflects his or her probability of selection for the survey and a post-stratification adjustment to ensure that the age, sex, race/ethnicity and geographic distribution of our sample is consistent with the characteristics of the population in Massachusetts based on projections by the U.S. Census Bureau. This adjustment is needed since some adults are less likely than others to reside in a household with a telephone and to respond to the survey, resulting in their being under-represented in the sample.

{FINDINGS}

This baseline report provides a detailed overview of the Massachusetts population in Fall 2006.

Estimates of Insurance Coverage in Massachusetts in Fall 2006. Although the goals of this study are much broader than providing an estimate of the uninsurance rate in Massachusetts, we do arrive at an estimate as part of our analysis of insured and uninsured adults in the state. Differences in the estimates of the rate of uninsurance across surveys are common and reflect many factors, including differences in the wording of the insurance questions asked in the surveys, differences in question placement and context, and differences in survey design and fielding strategies (Call, Davern and Blewett 2007).[6] Estimates based on the Current Population Survey (CPS) put the uninsurance rate for adults 19 to 64 years old in Massachusetts at 11.4% in 2005, with a 95% confidence interval that ranges from 9.7% to 13.1%.[7] Based on this survey, we estimate that 13.3% of adults 18 to 64 years old (hereafter referred to as

4 Tabulations based on the 2005 American Community Survey. Available at http://factfinder.census.gov/servlet/DatasetMainPageServlet?_program=ACS&_lang=en&_ts=144603553859 (accessed 3/15/2007). The U.S. Census Bureau defines family as a group of two or more people residing together who are related by birth, marriage, or adoption.

5 The disposition codes used to calculate the response rate are consistent with the American Association for Public Opinion Research (AAPOR) standards and the response rate was derived using the AAPOR response rate calculator.

6 Because of these differences it is not appropriate to compare estimates from different surveys over time to monitor trends in insurance coverage.

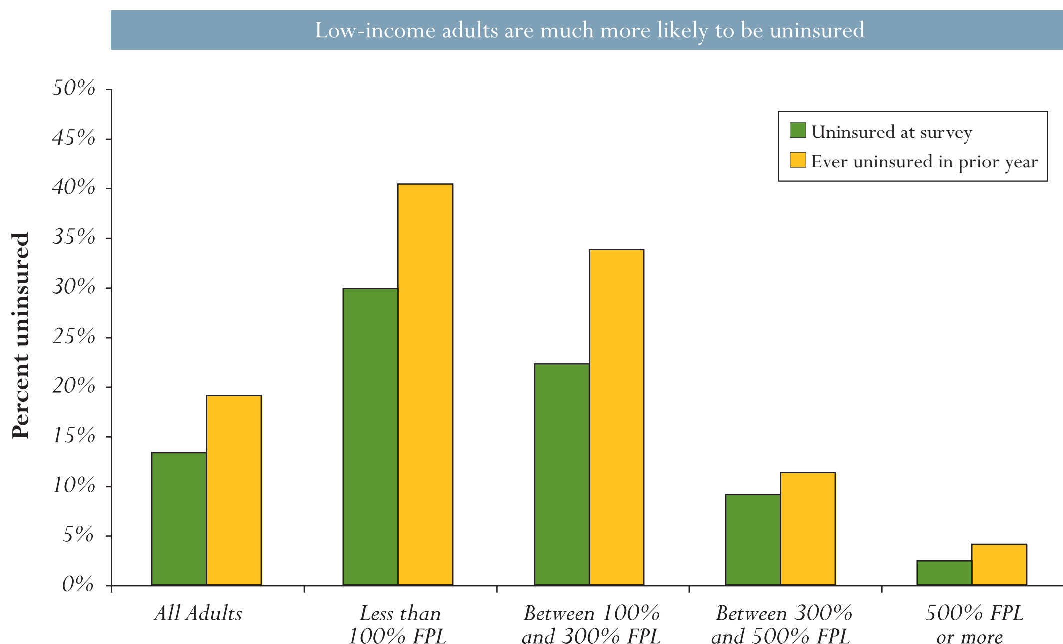
7 CPS estimates are based on tabulations by the Urban Institute.

simply "adults") were uninsured at the time of the survey, with a 95% confidence interval of 12.8% to 13.8%. Thus, although the point estimates differ, our estimate of the uninsurance rate for adults in Massachusetts is not significantly different from the CPS estimate in a statistical sense.

A third estimate of the uninsurance rate in Massachusetts is based on the 2006 Survey of Health Insurance Status sponsored by the Massachusetts Division of Health Care Finance and Policy.[8] That survey puts the uninsurance rate for adults 19 to 64 at 8.7% (95% confidence interval not available). While differences in the estimates across surveys may reflect many elements of survey design and fielding, we hypothesize that another factor may be contributing to the difference between the estimate from our survey and the state's survey estimate—a difference in the use of post-stratification weights. As noted above, we have adjusted the weights for this survey to ensure that the survey sample has the same age, sex, race/ethnicity and geographic distribution as the population in Massachusetts based on projections by the U.S. Census Bureau. We make this adjustment since, as is true in many surveys (including the CPS), our sample underrepresents some population groups, including younger adults, males and members of racial/ethnic minority groups. It appears that the state's survey includes post-stratification adjustments only for the geographic distribution of the survey sample relative to the geographic distribution of Massachusetts' population (Roman 2004). Our post-stratification adjustment increased our estimate of uninsurance for adults from 10.3% to 13.3%, since the populations that are underrepresented in our sample are more likely to be uninsured.

Not surprisingly, we find that the insurance rate increases as family income increases (Figure 1). For those with family income less than 100% FPL, nearly 30% reported being uninsured at the time of the interview, compared to only 2% of adults with family income above 500% FPL. The share of adults who were uninsured at any point in the prior year was also quite high for low-income adults, at 40% for those with family income less than 100% FPL. Again, higher income adults were seldom uninsured: only 4% of adults with family income above 500% FPL were ever uninsured over the year.

{FIGURE 1} *Uninsurance Rate for Massachusetts Adults 18 to 64, by Family Income*



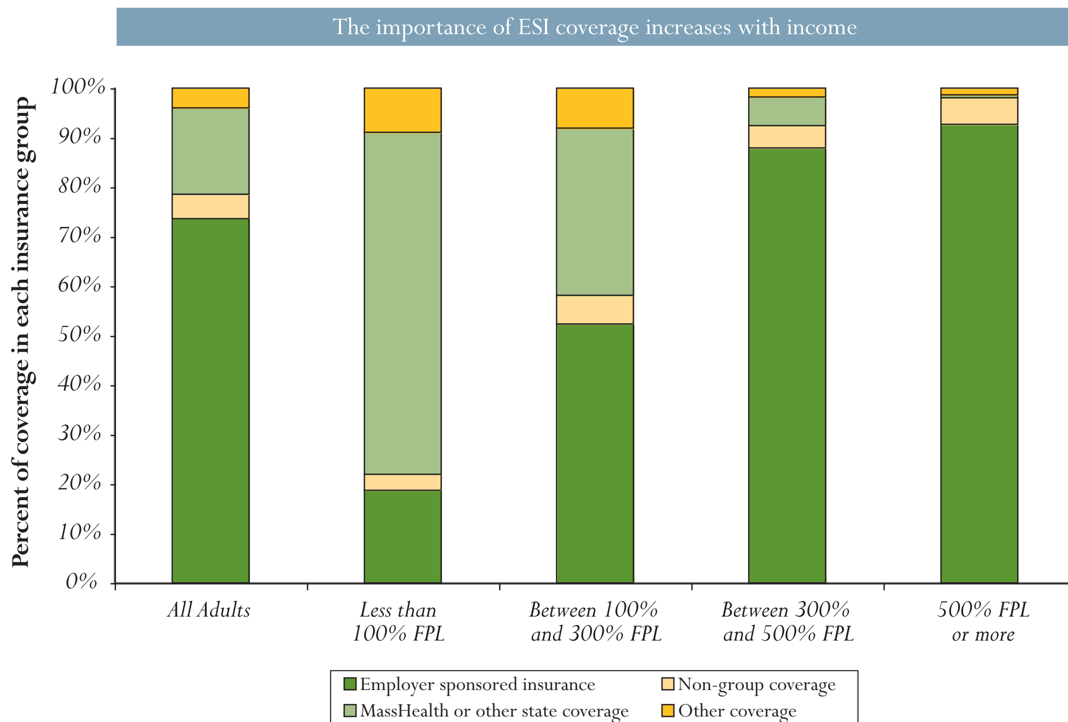
Source: Urban Institute tabulations on the 2006 Massachusetts Health Reform Survey

8 *Estimate for the state survey are from Massachusetts Division of Health Care Finance and Policy (2006).*

For the adults with insurance coverage, most were covered by employer-sponsored insurance (ESI) coverage, although the pattern varies by family income (Figure 2). Overall, about 74% of the insured adults reported ESI coverage, 17% reported being covered by MassHealth or other state coverage, and 5% reported non-group coverage. As is true in other surveys, our estimate of non-group coverage exceeds estimates based on administrative data for the state and, thus, may include individuals who are misreporting other types of coverage as non-group coverage.

For insured adults with the lowest incomes, MassHealth or other state coverage was the predominant type of coverage, at 69%, well above ESI coverage (19%). As would be expected given the eligibility rules for public coverage, ESI coverage increased and MassHealth and other state coverage decreased as family income increased.

{FIGURE 2} *Type of Insurance Coverage for Massachusetts Adults 18 to 64 Who Have Insurance, by Family Income*



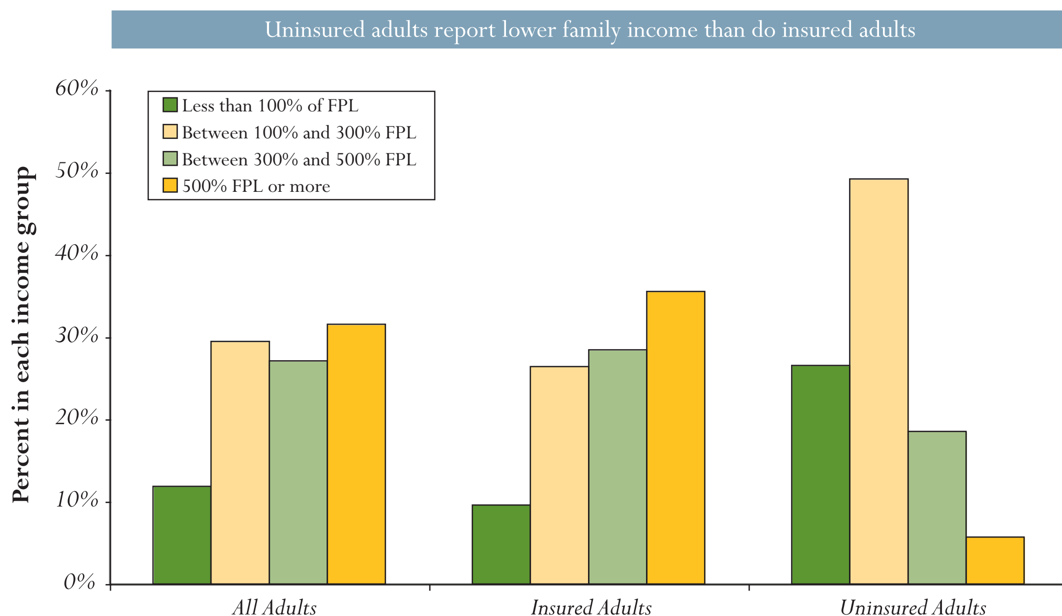
Source: Urban Institute tabulations on the 2006 Massachusetts Health Reform Survey

Characteristics of the Uninsured. Uninsured adults in Massachusetts are disproportionately young, male, Hispanic, and non-citizens. Compared to adults with insurance coverage, they are also more likely to be single, to be childless and to have, at most, a high school degree. While the majority of both insured and uninsured adults are working, uninsured adults are more likely to be working part time or not at all than their insured counterparts. As a result, more than 75% of uninsured adults have family income below 300% FPL (Figure 3).

Uninsured adults are more likely to report their health status as fair or poor than insured adults. However, they are no more likely to report a work limitation or pregnancy, and somewhat less likely to report some chronic conditions. These patterns likely reflect the availability of public coverage for individuals with severe disabilities and for low-income pregnant women.

Health Care Access, Use and Quality. While, overall, access to care is quite good in Massachusetts; there are clear differences in the health care experiences reported by insured and uninsured adults (Figure 4). Uninsured adults are less likely than insured adults to have a regular place to go when they are sick or need advice about their health and

{FIGURE 3} *Family Income for Massachusetts Adults 18 to 64, by Insurance Status*



Source: Urban Institute tabulations on the 2006 Massachusetts Health Reform Survey

are much less likely to obtain care. They are less likely than insured adults to have had a doctor visit in the last year, including visits for preventive and specialty care. They are also less likely to have received dental care or be taking prescription drugs. These differences persist when we control for the differences in the health care needs of the insured and uninsured adults.

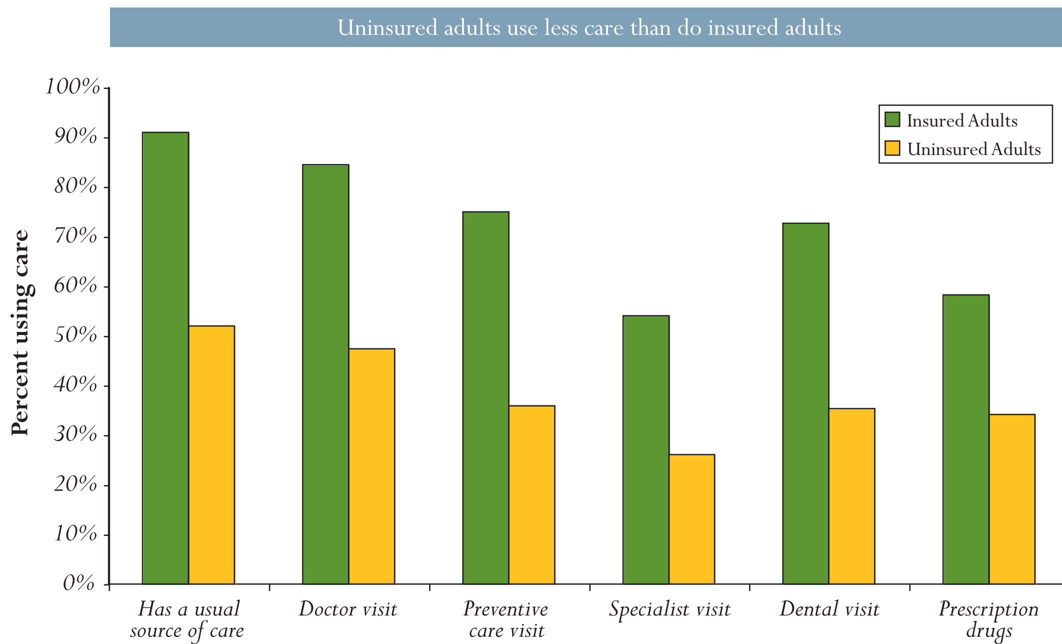
Consistent with their lower levels of health care use, uninsured adults are much less likely to obtain needed care or to obtain care in a timely manner than adults with insurance. Overall, 52% of uninsured adults reported that they did not get needed health care because of the cost of that care, compared to 12% percent for insured adults (Figure 5). Similar differences are reported for unmet need for doctor care, specialist care, medical tests, treatment or follow-up recommended by a doctor, preventive care screenings, prescription drugs and dental care.

Financial Burden of Health Care Costs. Out-of-pocket (OOP) health care costs can be a significant burden on the financial stability of families. Insured adults were more likely than uninsured adults to report high OOP costs, primarily because of greater spending on prescription drugs and dental and vision care (Figure 6). Insured and uninsured adults had roughly equal OOP costs for all other medical expenses. The lower level of OOP costs among the uninsured adults is consistent with their use of fewer medical services and higher levels of unmet health care needs, including unmet need for prescription drugs and dental care.

Although they had lower OOP spending on health care on average, OOP costs represented a greater share of family income for uninsured adults. Using a conservative measure of OOP costs relative to income, we find that almost 14% of low- and moderate-income uninsured adults reported spending 10% or more of family income on OOP health care costs over a year, as compared to about 7% for insured adults (Figure 7).[9] Consistent with that, uninsured adults were much more likely than adults with insurance to have had problems paying their medical bills over the last

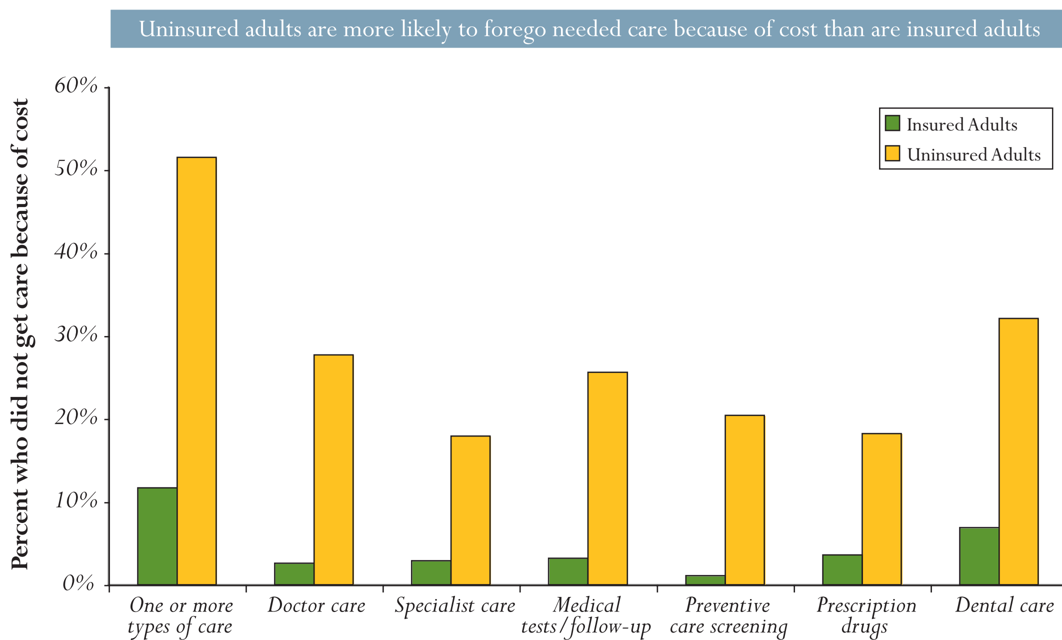
9 *Since family income and, in some cases, OOP costs are reported as a range of values, we have constructed a lower-bound estimate of the share of income spent on OOP costs by using the lower value for the reported range of OOP expenditures (e.g., we use $500 for those who reported OOP costs between $500 and $1000) and the upper value for the reported income range (e.g., we use $20,000 as the income measure for those who reported family income between $10,000 and $20,000).*

{FIGURE 4} *Health Care Access and Use by Adults 18 to 64, by Insurance Status*



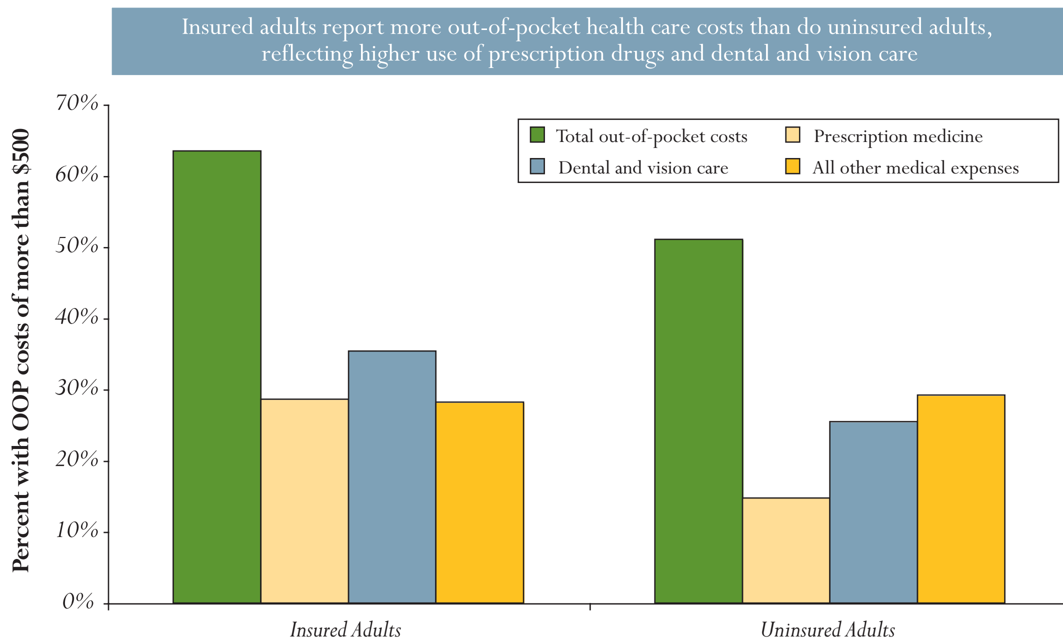
Source: Urban Institute tabulations on the 2006 Massachusetts Health Reform Survey

{FIGURE 5} *Unmet Need for Care Among Massachusetts Adults 18 to 64, by Type of Care*



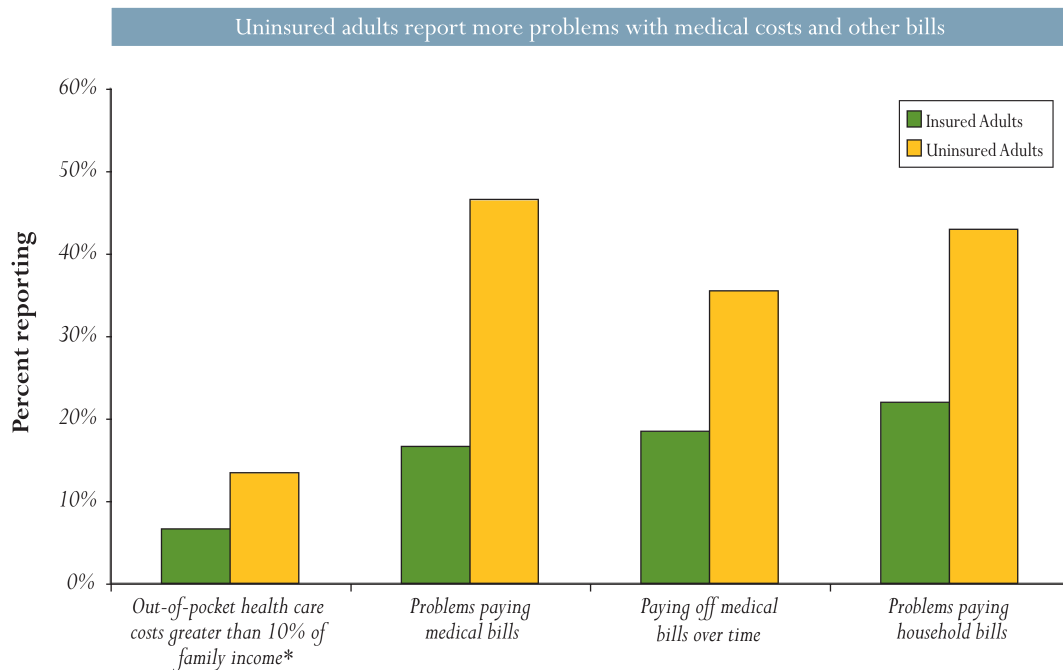
Source: Urban Institute tabulations on the 2006 Massachusetts Health Reform Survey

{FIGURE 6} *Out-of-pocket Health Care Costs for Massachusetts Adults 18 to 64, by Insurance Status*



Source: Urban Institute tabulations on the 2006 Massachusetts Health Reform Survey

{FIGURE 7} *Financial Problems Among Massachusetts Adults 18 to 64, by Insurance Status*



Source: Urban Institute tabulations on the 2006 Massachusetts Health Reform Survey
**Based on adults with family income less than 500% FPL.*

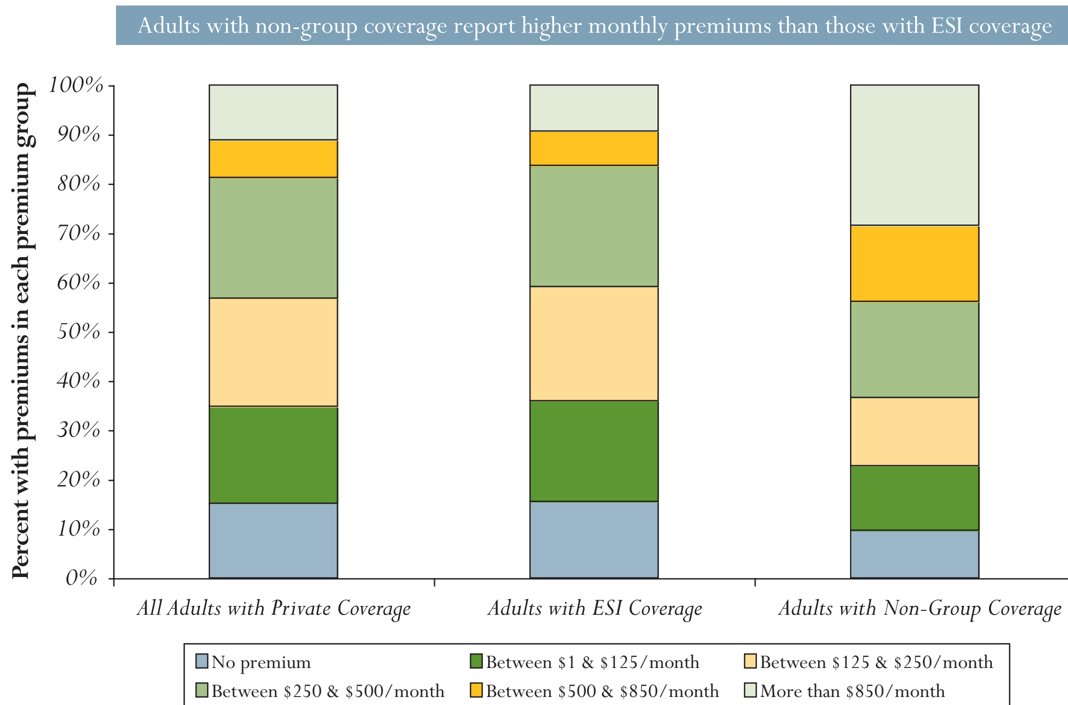
12 months (47% versus 17%) and to be paying off medical bills over time (36% versus 18%). The uninsured were also more likely to report problems paying other household bills (43% versus 22%).

Available Insurance Options for Uninsured Adults. The majority of uninsured adults were working at the time of the survey; however, only 28% of those workers reported access to insurance coverage through their job. These workers would be subject to the individual mandate under Massachusetts' health reform initiative if the ESI coverage available to them meets the standards set by the Connector Board. While we do not have the information necessary to determine whether the coverage would meet those standards, 75% of the uninsured workers who had access to ESI coverage cited high cost as the reason for not taking up that coverage and another 5% reported that the available benefit package did not meet their needs.

For those without ESI coverage, public coverage and the direct purchase of non-group coverage are the alternative insurance options. While many of the uninsured adults had considered non-group or public coverage, high cost was the most important reason given for not obtaining non-group coverage and a lack of eligibility or a belief that they were not eligible were the most important reasons for not obtaining public coverage

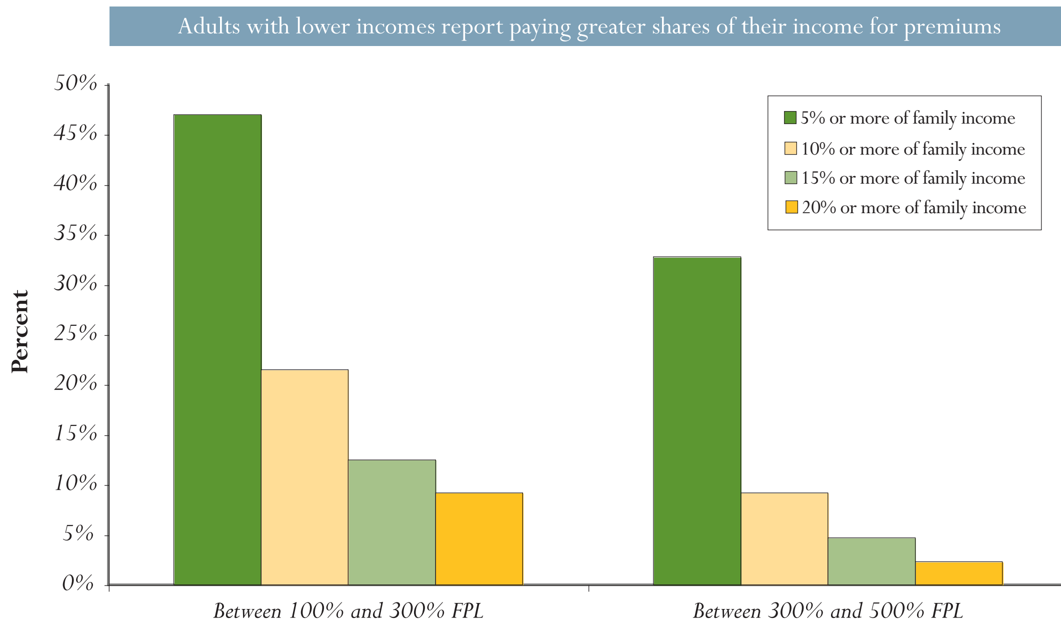
Cost of Private Coverage. The majority (83%) of adults with private health insurance coverage reported paying premiums for their coverage, with the insurance premiums much higher for non-group than ESI coverage (Figure 8). For example, about 16% of adults with ESI coverage reported paying premiums of $500 or more per month, compared to 44% of those reporting non-group coverage. Unlike the differences in premiums between ESI and non-group coverage, we find little variation in premiums for adults with private coverage at different income levels. As a result, adults with lower incomes are paying greater shares of their income for premiums. Among adults with private coverage, 31% of those with family income between 100% and 300% FPL were spending 10% or more of their income on premiums, compared to 11% of those with family income between 300% and 500% FPL (Figure 9).

{FIGURE 8} *Health Insurance Premiums for Massachusetts Adults 18 to 64 with Private Coverage*



Source: Urban Institute tabulations on the 2006 Massachusetts Health Reform Survey

{FIGURE 9} *Health Insurance Premiums as a Percent of Income for Massachusetts Adults 18 to 64 with Private Coverage, by Family Income*



Source: Urban Institute tabulations on the 2006 Massachusetts Health Reform Survey

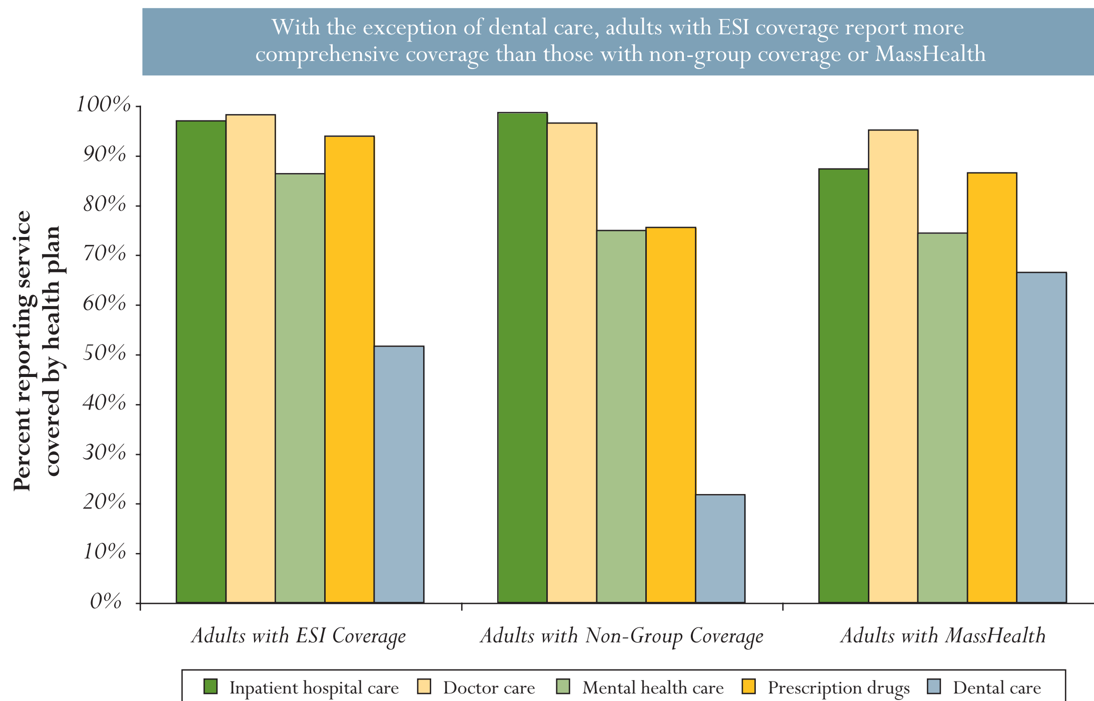
Quality of Coverage and Underinsurance. There are many components of insurance coverage that affect the quality of coverage, including the scope of the services covered under the plan and the plan's cost-sharing provisions. Figure 10 shows the range of covered services reported by adults with ESI coverage, non-group coverage and MassHealth or other state coverage. Adults with ESI report the highest levels of coverage for inpatient care, doctor care, mental health care and prescription drugs, as compared to those with non-group or MassHealth. One area where MassHealth is better than private coverage—both ESI and non-group—is in the provision of dental insurance—67% of the adults on MassHealth reported that dental care was covered under their plan, compared to only 52% of those with ESI and 22% of those with non-group coverage.

While we do not have detailed information on plans' cost-sharing provisions, we do know how much the sample adults are spending out of their own pockets for health care. As shown in Figure 11, when we look at OOP costs as a share of family income for low- and moderate-income adults, we find that adults with non-group coverage and those with MassHealth are spending more of their family income on health care. About 13% of low- and moderate-income adults with non-group coverage and 7% of those enrolled in MassHealth spent 10% or more of their family income on OOP costs, compared to 5% of adults with ESI coverage.

An important issue to consider in assessing the quality of health care for low- and moderate-income adults is whether their health insurance coverage protects them from financial risk in the event of a major illness or injury. Limited benefits and high cost-sharing place more of the financial risk of high health care costs on the individual. While individuals with higher income may have the resources to cover the costs of a serious health crisis, low- and moderate-income individuals may find themselves in financial difficulties if the cost of the care they need exceeds the coverage under their health insurance plan. Similarly, individuals with health problems are at greater financial risk if they are underinsured given their higher expected health care costs.

If we define an individual as underinsured if they have had high health care costs (defined as OOP health care costs greater than 5% of family income for lower-income adults (defined here as adults with family income less than 200% of FPL) and greater than 10% of family income for those with higher incomes, we estimate that at least 14% of

{FIGURE 10} *Scope of Services Covered by Health Plans for Massachusetts Adults 18 to 64, by Type of Coverage*



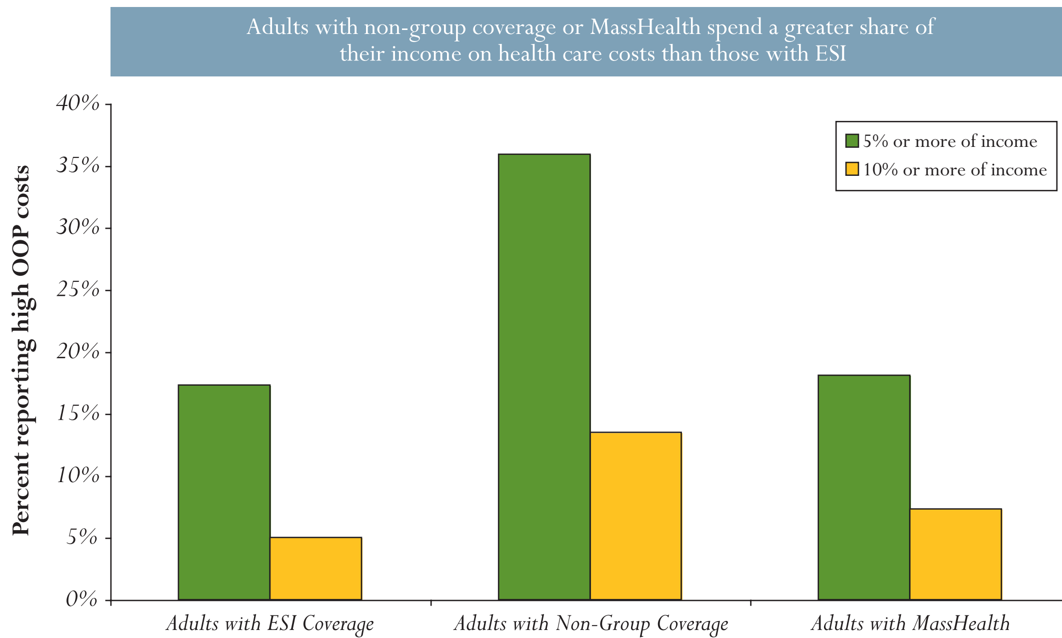
Source: Urban Institute tabulations on the 2006 Massachusetts Health Reform Survey

low- and moderate-income adults with private insurance are likely to be underinsured. The figure is nearly twice as high for those with a health problem: at least 27% are likely to be uninsured. For these adults, their current health insurance coverage may not protect them from financial risk in the event of a major illness or injury.

Other Insurance Options for Adults with Non-group Coverage. Non-group coverage is an expensive purchase for many adults in our sample. Most have few other options for insurance coverage. Only 22% of those with non-group coverage reported that they could have been covered through ESI coverage at their job but chose not to enroll because of high cost and an assessment that the benefit package did not meet their needs. Public coverage is the other potential source of coverage for those with non-group coverage. Most of those with non-group coverage had never tried enrolling, largely because they did not think they would be eligible.

Opinions on Massachusetts' Health Reform Law. We included opinion questions in our study that were drawn from a September 2006 telephone survey of Massachusetts residents (Blendon, Buhr, Fleischfresser and Benson, 2006). As in the earlier survey, we found that that many of the adults in our sample viewed the Massachusetts health care system as either in a state of crisis or as having major problems, with the uninsured taking a slightly more negative view than those who had insurance (Figure 12). Similarly, while the majority of adults are supportive of Massachusetts' new health insurance law (68%), that support is strongest among those with insurance. Support is also strong among those with lower incomes, who will benefit most from the provisions of the new law (Figure 13).

{FIGURE 11} *Out-of-Pocket Health Care Costs as a Percent of Family Income for Low- and Moderate-Income Adults 18 to 64, by Type of Coverage*



Source: Urban Institute tabulations on the 2006 Massachusetts Health Reform Survey

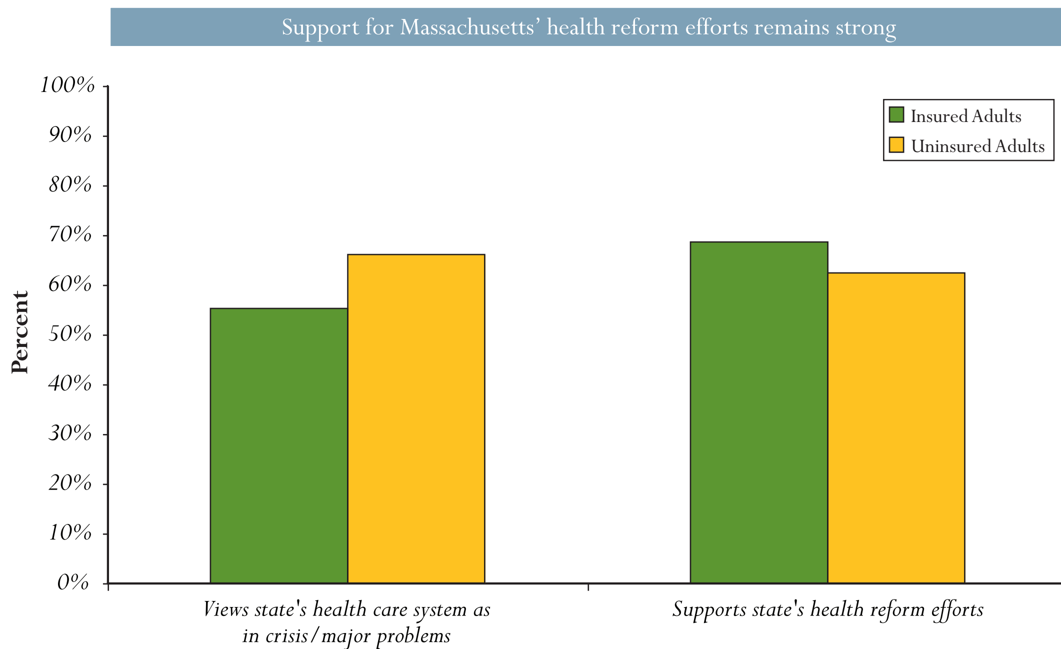
{NEXT STEPS}

Findings from this baseline study highlight the gaps in care faced by uninsured adults, as well as the high cost of care and gaps in coverage faced by many of those with private coverage, (particularly low- and moderate-income adults and those with non-group coverage), in Fall 2006, which was prior to the implementation of key elements of Massachusetts' reform initiative. The next phase of the study will field a second round of the survey in Fall 2007 to assess the early effects of Massachusetts' reform effort, which is intended to address the gaps by "…providing access to affordable, quality, accountable health care" (Chapter 58 of the Acts of 2006). Combining the survey data for 2006 and 2007 will allow us to document changes in insurance coverage and health care experiences as the state moves toward full implementation of its health reform initiative. We will focus on the impacts of the state's health reform efforts on any changes:

- in insurance status, including continuity of coverage over time,
- in the quality and affordability of insurance coverage in the state,
- in access to and use of health care among insured and uninsured adults, and
- in out-of-pocket health care costs and financial stress among insured and uninsured adults.

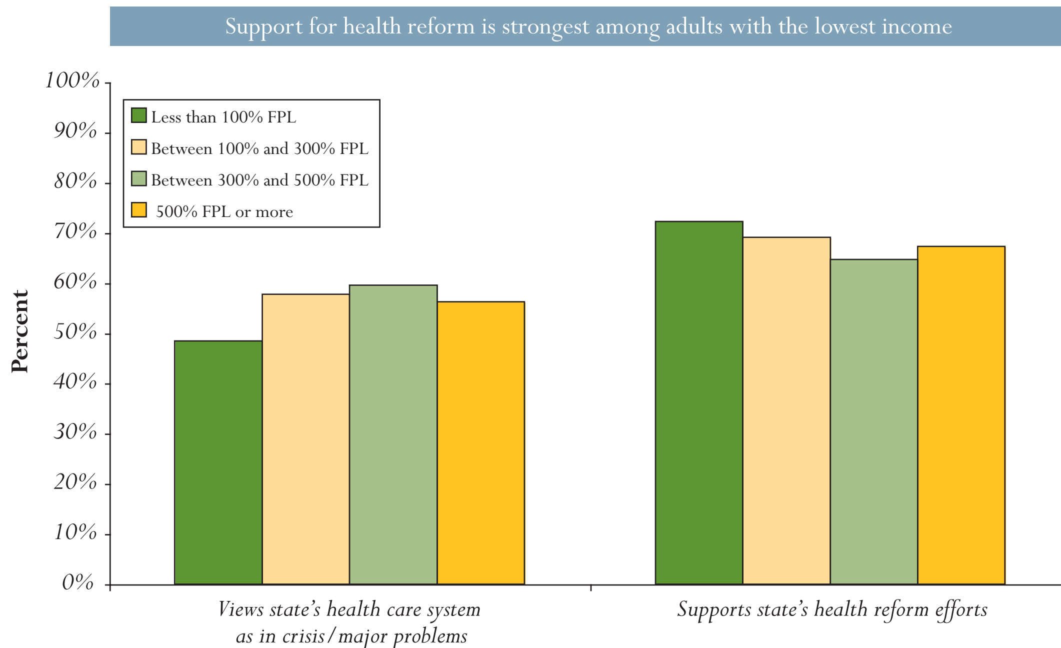
The study will also examine the adults who remain uninsured under health reform in Massachusetts. Findings from the second phase of the study will be available in Summer 2008.

{FIGURE 12} *Attitudes Toward the Health Care System and Health Reform Among Massachusetts Adults 18 to 64*



Source: Urban Institute tabulations on the 2006 Massachusetts Health Reform Survey

{FIGURE 13} *Attitudes toward the Health Care System and Health Reform Among Massachusetts Adults 18 to 64, by Family Income*



Source: Urban Institute tabulations on the 2006 Massachusetts Health Reform Survey

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