

# News Release

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## **MTF Report: Massachusetts Health Reform Spending, 2006-2011: An Update on the “Budget Buster” Myth**

Massachusetts has achieved near universal health care coverage with only modest additional costs to state taxpayers, according to a new study released today by the Massachusetts Taxpayers Foundation (MTF).

The report, *Massachusetts Health Reform Spending, 2006-2011: An Update on the “Budget Buster” Myth*, found that state spending directly attributable to the health reform law grew from \$1.04 billion in fiscal 2006 to \$1.95 billion in fiscal 2011. The state’s share after accounting for federal reimbursements was \$453 million, which equates to only 1.4 percent of the state’s \$32 billion budget in fiscal 2011.

Over the five full fiscal years since the law was implemented, the incremental additional state cost per year has been \$91 million, an amount that is well within projections made prior to the law's enactment. These figures are consistent with the findings in MTF's 2009 report, *Massachusetts Health Reform: The Myth of Uncontrolled Costs*. As anticipated, health reform has been largely funded by shifting spending away from uncompensated care and supplemental payments and towards traditional health insurance coverage for individuals.

“Despite the claims of critics, the health reform law has not posed an undue burden on state taxpayers,” said MTF President Michael J. Widmer. “Because the cost increases have been modest, the Commonwealth has been able to pay for the reforms even during this global recession that has placed enormous pressures on the state’s finances.”

The vast majority of the state’s increased spending between fiscal 2006 and fiscal 2011 has been on Commonwealth Care, the program created by the reform law to provide premium subsidies to low-income adults. Most of the program’s enrollment and spending growth occurred in the first three years, although a 2011 Supreme Judicial Court decision requiring the state to reopen enrollment for legal immigrants will expand the program by some 40,000 members in 2013.

The table on the following page tracks federal and state spending on health reform annually, and highlights the state’s share of the spending changes since fiscal 2006. As detailed in the table, the reform law’s other major shifts in state spending from fiscal 2006 through fiscal 2011 include:

- A \$196 million increase to restore and expand coverage for certain Medicaid-eligible populations, including people living with HIV/AIDS, residents with disabilities, and the

long-term unemployed, as well as raising the family income ceiling for the Children's Health Insurance Program (CHIP) from 200 percent to 300 percent of the federal poverty level. The fiscal 2011 total of \$391 million (before federal reimbursements) is a decline from \$569 million in 2009, largely because the state has cut reimbursements to hospitals that had been increased as part of the health reform law.

- A \$118 million decline in state spending on uncompensated care as previously uninsured residents enrolled in Commonwealth Care or other coverage. Health Safety Net spending fell by one-third from 2006 through 2008 but has increased slightly since then as a result of the economic downturn and the curtailing of coverage for legal immigrants.
- The elimination of \$193 million in supplemental payments to the Medicaid managed care organizations (MCOs) operated by Boston Medical Center and Cambridge Health Alliance. The MCO supplemental payments, which totaled \$385 million in fiscal 2006, were eliminated as part of the waiver renewal that preceded the reform law, but Massachusetts was allowed to retain the federal dollars to help fund expanded insurance coverage for low-income, previously uninsured individuals.
- \$125 million in supplemental payments to two safety net hospitals, Boston Medical Center and Cambridge Health Alliance. Under the reform law the two hospitals received \$287 million in annual supplemental payments for three years, including the federal share. Under the most recent federal MassHealth waiver those supplemental payments continued in fiscal 2010 and 2011 at approximately \$300 million, with a state share of \$125 million.

#### **Spending on Health Care Reform (Fiscal 2006-2011, in millions)**

<b>Program</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>Total Change 2006-2011</b>	<b>State Share of Change</b>
Commonwealth Care and Commonwealth Care Bridge	\$0	\$133	\$628	\$805	\$749	\$835	\$835	\$442
MassHealth Coverage Expansions, Benefit Restorations, and Rate Increases	\$0	\$224	\$355	\$569	\$399	\$391	\$391	\$196
Health Safety Net Trust Fund	\$656	\$665	\$416	\$417	\$420	\$420	\$(236)	\$(118)
Supplemental Payments to Medicaid MCOs	\$385	\$0	\$0	\$0	\$0	\$0	\$(385)	\$(193)
Supplemental Payments to Safety Net Hospitals	\$0	\$287	\$287	\$287	\$307	\$301	\$301	\$125
<b>Total</b>	<b>\$1,041</b>	<b>\$1,309</b>	<b>\$1,686</b>	<b>\$2,078</b>	<b>\$1,875</b>	<b>\$1,947</b>	<b>\$906</b>	<b>\$453</b>

Alan G. Raymond is the principal author of this report which was funded by the Blue Cross Blue Shield of Massachusetts Foundation.

The Massachusetts Taxpayers Foundation is a nationally recognized, nonprofit research organization whose purpose is to promote the most effective use of tax dollars, improve the operations of state and local governments, and foster positive economic policies. Our credibility is based upon independent, objective, and accurate analysis of state and local spending, taxes, and the economy. Over the past decade the Foundation has won fourteen national awards for our work on transportation reform, business costs, capital spending, state finances, MBTA restructuring, state government reform, and health care.