A new prescription

Washington wants universal health care coverage — but not the Massachusetts plan BY SHAWN ZELLER

BEFORE THE YEAR is out, Congress and the Obama administration will try to do for the entire nation what only one state, Massachusetts, has been able to do for its residents: pass a law that attempts universal health insurance coverage.

On its face, the Bay State's success—more than 430,000 newly insured residents since the 2006 plan's adoption and an overall uninsured rate of less than 3 percent—would seem to fulfill nicely Supreme Court Justice Louis Brandeis's vision of the states as "laboratories of democracy" that develop best practices for the national government to emulate.

But few expect Congress to go the Bay State route on health care this summer, chiefly because of the political calculus that led Massachusetts lawmakers and the Romney administration to take an insure-first, worry-about-cost-later approach. Even as that decision was in some ways the genius of Massachusetts's plan—enabling a deal to be made—partisans on both sides in Washington say it simply won't fly when Congress takes on federal reform. Massachusetts has only begun to wrangle with the cost issue, three years after its law went into effect. But given the trillions of dollars at stake in any federal overhaul, Washington health care experts warn that federal legislation should deal both with coverage levels and cost from the outset.

At a Harvard forum this spring, Robert Reischauer, a former director of the nonpartisan Congressional Budget Office, was asked for the most important lesson federal policymakers might take from the Massachusetts plan. He couldn't help but joke: "Undertake reform when the economy [is] terribly strong, and don't pay for it." With more seriousness, he added, "There's limited applicability of this lesson at the federal level," with the economy in shambles and Congress facing a trillion-dollar federal deficit this year.

Neither President Barack Obama nor Massachusetts Sen. Ted Kennedy—whose views will figure prominently in the coming debate—has indicated any intent of ignoring cost. Indeed, they've focused on the cost issue before laying out strategies for expanding coverage, the opposite of Massachusetts's approach. Obama, for example, says that adopting new technologies to reduce medical errors, pressuring drug makers to cut costs for people on Medicaid, and slashing Medicare payments to private health insurance companies and hospitals can save billions.

Kennedy wants to cut costs by offering doctors incentives to focus on quality of treatment over quantity, and on preventative medicine.

Even then, everyone expects the overhaul to be expensive. In his 2010 budget proposal, Obama requested $634 billion to cover the upfront costs of setting up a new health care system. But advocates for universal coverage say Obama and Kennedy must wring savings out of private insurers before sending more business their way. "If you're putting money into the system and insurers are going to be better off as a result of additional government funding, isn't that the time to secure, in return, steps toward cost containment?" asks Diane Archer, co-director of the health project at the Institute for America's Future, a liberal-leaning advocacy group in Washington. Archer says Massachusetts lawmakers missed a golden opportunity when they decided to let that opportunity pass. (See "Cost Unconscious," *CW*, Summer 2007.)

Architects of the Massachusetts plan defend the state's decision. "We did not hold the uninsured hostage to first reforming the payment system and making it efficient," says Jon Kingsdale, executive director of the Commonwealth Health Insur-

ILLUSTRATION BY ALISON SEIFFER

ance Connector Authority, a state body charged with negotiating insurance rates on behalf of individuals.

Kingsdale believes that the moral imperative of maintaining the state's progress toward universal coverage will make insurers, doctors, hospitals, and politicians more willing to negotiate cost solutions. But, he admits, it hasn't happened yet.

And costs are skyrocketing. Massachusetts will spend 42 percent more on health care in 2009 —nearly an additional $600 million—than the state did in 2006, and state officials acknowledge that the rising costs will prove unsustainable if new cost controls aren't imposed.

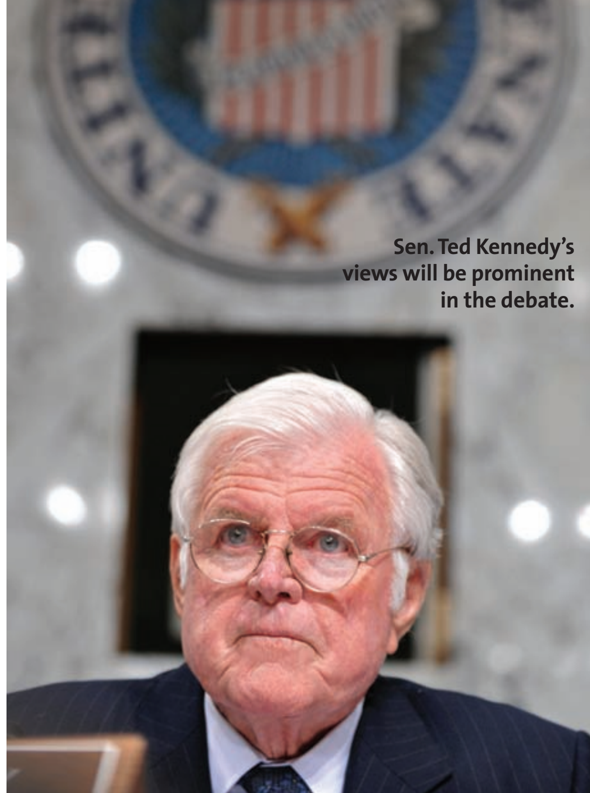
At the same time, federal lawmakers' insistence on dealing with the cost issue on the front end presents a potential Catch-22. Political fights will be far more intense than they were in Massachusetts—delaying or even forestalling a deal since neither conservatives nor liberals are likely to ever agree on what cost containment measures should be adopted.

MASSACHUSETTS'S HEALTH CARE reform resulted from a fortuitous, and unlikely, coming together of political objectives. A Republican governor, Mitt Romney, wanted to make a mark before embarking on a presidential bid, and a Democratic legislature, encouraged by Kennedy, saw a chance to achieve a longtime progressive goal. "It's not at all clear that such a situation does, or can, exist in Washington," says Reischauer.

In other words, expect a partisan battle that will either kill the dream of federal reform yet again or result in a plan far more partisan than the one in Massachusetts. At the center of the divide is the idea—endorsed by Obama and many congressional Democrats, including Kennedy—of creating a government-run health insurance plan that would provide competition to private insurers on both quality and price.

Republicans have pledged to stonewall any government-run plan, which many of them see as a stalking horse for a single-payer health system. But universal coverage advocates insist that cost containment is impossible without a public plan, and Democrats say they'll use controversial procedural tactics to prevent a filibuster, if necessary, in order to create such a plan.

"The market is broken, and there is no competition among health insurers that's meaningful, except in driving prices up," Archer says. The public plan could be funded with a new payroll tax, and individuals would pay for coverage on a sliding price scale based on their incomes, she says, eliminating the heavy burden now faced in Massachusetts by families with incomes just above the subsidized levels.



Sen. Ted Kennedy's views will be prominent in the debate.

But Republicans liken the idea to socialized medicine, and private insurers, who can marshal considerable lobbying firepower in Washington, say it's a dead letter. They'd prefer a Massachusetts-style system and have promised to cease their current practice of denying individual coverage to people with pre-existing conditions if Congress were to require that everyone buy insurance.

Kingsdale argues that even with a public insurance option, the federal plan will owe a debt to Massachusetts if it includes a penalty for those without insurance. A federal bill may also include other parts of the Bay State plan, such as sliding-scale subsidies for people in low-income brackets or a health insurance exchange that allows individuals who buy their own coverage to enjoy the same tax benefits as people who get their coverage from their employer.

Republicans fear a single-payer health plan.

Many moderate Democrats believe the Massachusetts approaches are the way to go. The Bay State plan "remains a seminal political and policy achievement, and the federal debate is focused on many elements that were also found in Massachusetts," says David Kendall, senior fellow for health policy at Third Way, a moderate Democratic think tank.

But Kingsdale and Kendall can't count on the same type of bipartisanship that Romney and Kennedy achieved in Massachusetts. While many Republicans were early endorsers of the Bay State plan, citing it as a good example of state policy experimentation, they aren't likely to push

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Washington to go that route precisely because they prefer that states take the lead on reform. "We learn a lot of things from state experiments, and not always that they are perfect. It's better to encourage states to take what Massachusetts has done and refine it more," says Stuart Butler, a vice president of the conservative Heritage Foundation think tank, in Washington, who advised Romney during the Massachusetts health care debate.

And many Democrats insist the Massachusetts system is a non-starter because it is too burdensome for the middle class. Massachusetts brought down its uninsured rate by subsidizing insurance for individuals and families with incomes up to three times the federal poverty level ($32,490 for an individual; $66,150 for a family of four). But the state also requires all residents with incomes above 300 percent of the federal poverty level to obtain health coverage, with fines of $1,068 this year for those who don't. By contrast, employers who fail to provide coverage to their workers pay only a $295-per-worker assessment.

In February, even before the health care debate in Congress had begun, the Leadership Conference for Guaranteed Healthcare—which is affiliated with the AFL-CIO, the country's largest union organization—held a forum on Capitol Hill in which it condemned the individual mandate as overly burdensome.

A month later, Archer released a report arguing that Massachusetts's plan was no model for federal reform, since it guaranteed neither quality insurance coverage nor reasonable premiums. The idea that the quality of insurance would vary widely among participants, as it does in Massachusetts, is anathema to many liberals. "To require people to buy costly coverage that may not protect them from financial risk is not the solution," Archer says.

And while Kingsdale argues that his office ensures that all participating plans provide a baseline of care, even he admits that the costs to middle-income families can be enormous. When one spectator at last spring's Harvard forum complained that he and his wife paid $13,000 a year for their insurance, Kingsdale admitted that was "an incredibly high amount" and "outrageously expensive."

That's not the type of universal coverage advocates want from Washington, according to Nathan Newman, interim executive director of the Progressive States Network, a New York City–based group that lobbies state legislators to expand health-care coverage. "It's sort of a fake way to get to universal coverage," he says of the Massachusetts universal mandate. "It takes what should be a universal right and makes it a universal burden." CW

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