

Bringing Down the House

Slate

The Sobering Lessons of Health Reform in Massachusetts

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The debate over achieving universal health care can seem hopelessly confusing. But the issues are actually pretty simple when you consider the lessons of Massachusetts.

In 2006, state lawmakers seeking to broaden health coverage made it illegal to be uninsured. It works like this: Employers have to offer you a health plan. If you are jobless or don't like your employer's plan, you must buy your own. If you don't get one, you pay a stiff fine. This strategy-known as an employer and individual "mandate"-forms the backbone of the national health reform bills now making their way through Congress.

On paper, the experiment was a resounding success. According to an Urban Institute estimate, the number of uninsured residents quickly fell from 13 percent to 7 percent following the law's passage.

And yet, something strange happened. Despite having health insurance, roughly one in 10 state residents still failed to fill prescriptions, ended up with unpaid medical bills, or skipped needed medical care for financial reasons. Hundreds of millions of dollars were spent to insure more Massachusetts citizens, but many people still weren't getting necessary care. What happened?

Assume you're looking to buy insurance. The state has a handy Web site where you can find the cheapest plan. For a young family of four, that plan costs roughly \$9,500 per year, which doesn't include a minimum annual deductible of \$3,500 before many benefits kick in. (The state helps cover some of the premiums for those who make very little money, but many still have to pay the other fees.) And if anyone is hospitalized or needs a lot of specialized care, you also pay 20 percent of that bill. In this relatively cheap plan, the family can be liable for an extra \$10,000 per year of medical costs. This sort of "high deductible" health plan is clearly structured to discourage medical care.

Imagine, for example, that your homeowner's insurance had a \$1,000 deductible. If the faucet leaks, you'll try to fix it yourself instead of calling the plumber. The same thing applies to health care. If your newborn has a fever, you might give her Tylenol and just hope there's no serious infection rather than head to the emergency room and face a hefty co-pay.

Why does a progressive state like Massachusetts strong-arm many individuals and businesses into buying expensive insurance plans that don't encourage actual visits to the doctor and hospital? According to the Kaiser Family Foundation, the average person consumes more than \$5,000 per year in health care resources. No matter how you slice it, some entity-government, business, or the individual-owes a boatload of cash for medical expenses. The annual costs for the 500,000 or so uninsured Massachusetts residents would run more than \$2.5 billion, far in excess of the original state subsidy of \$559 million.

That left billions to be paid by businesses and individuals. So for them, a high-deductible plan was a rational gamble. You (or your employer) front just enough money to get some coverage in case of catastrophe and then hope no one actually gets sick. But someone invariably does. As a result, out-of-pocket medical bills are the leading cause of bankruptcies-even though of most affected families actually have health insurance.

The expensive Massachusetts plan is not well-designed to systematically improve anyone's health. Instead, it's a superficial effort to clear the uninsured from the books and then clumsily limit further costs by discouraging care.

This brings us to the real task facing health reformers in our nation. Atul Gawande recently observed that for too long we've been "arguing about whether the solution to high medical costs is to have government or private insurance companies write the checks." What's more important are the doctors who write the bills. The more procedures they do, the more money they make. To fix medicine, he argues, we have to create better incentives for doctors to do right by patients instead of their own bank accounts.

But that's not the whole story. Health care costs are rising everywhere, even in places like Minnesota, which Gawande cites as a prime example of low-cost, high-quality care that should be replicated nationwide. (Per capita health spending is actually 25 percent higher in Minnesota than in Texas, which has a hospital system that Gawande criticizes for profiteering.) In Massachusetts, some employers offering high-quality plans have annual rate increases of 10 percent to 15 percent. These jumps are certainly due to some overuse of services but also indicate increasingly high-technology care.

The lesson of Massachusetts is that really good health care is also really expensive. The concern isn't who writes the checks or who writes the bills. The real question is who makes the tough decisions about the limits of the checks and bills—in other words, who ultimately rations the money. Not everybody can have everything, and the sooner we admit that, the sooner our health care debate will get realistic.

In the haphazard Massachusetts plan, rationing fell to individuals, who then skimmed on important prescriptions and routine visits. Gawande would leave rationing to properly incentivized doctors, but we have no data about whether this can be done widely. Others advocate for bodies like the Medicare Payment Advisory Commission (an impartial medical Federal Reserve Board), which can make the hard calls to promote and limit certain kinds of medical care. Britain, for example, has a national institute that makes precisely these decisions, like limiting drug-eluting stents for coronary artery disease and certain pricey drugs for kidney cancer. And health insurance executives here are again talking about "capitation," or fixed global budgets in which a group of health providers gets fixed monthly fees to handle all of a person's health needs.

In the meantime, one thing is sure: Without a smart plan to ration our resources well—that is, stick to a budget—and improve health, simply mandating that employers and individuals buy health insurance will only worsen the mess.

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