

# **Taking Massachusetts National: Incremental Universalism for the United States**

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# Universal Coverage in the United States

- The left: move everyone from their existing insurance arrangements to new pool(s) – BUT
  - Most are happy with what they have
  - Privatizing \$500 billion+ industry
- The right: subsidize existing private insurance products – BUT
  - Does not solve pooling problems in non-group and small-group markets
  - Voluntary approaches will not cover even half the uninsured
- Massachusetts: Cleaving the middle with “incremental universalism”

# The Massachusetts Plan

- Privatized public insurance for those below 300% of poverty
  - Four MMCOs compete to provide benefits
  - Generous benefit package with modest cost-sharing that rises with income
  - Free below 150% of poverty, rising to \$105/adult/month at 300% of poverty
- New and Improved insurance market
  - Merge small group and non-group markets
  - “Connector” as anchor store for this new shopping mall

# The Massachusetts Plan

## ■ Mandates

- Individuals who can afford coverage must buy
- Minimum coverage: \$2000 deductible plan with docs/generic drugs covered before deductible
- Everyone in subsidized range or over median income
- Some exemptions between

## ■ Business responsibilities

- Small assessment on those that do not offer coverage
- Universal Section 125 mandate

# National Version

- Extend subsidies to 400% of poverty – free below poverty, then individuals contribute 2-12% of income
  - Less generous, but further up income scale
- HealthMart for those above 400% poverty
  - State-run purchasing pools with range of plan offerings – minimum same as MA
- Individual mandate
  - Cap premium exposure at 15% of income

# Implications

- Changes in insurance coverage
  - Uninsured: down by 97%
  - Employer insured: unchanged
  - Non-group insured: down by 60%
  - New pool: 54 million covered
- Cost: \$125 billion/year
- Note: no mandate: cover 40% of uninsured for \$95 billion/year

# Financing Reform

- Assessment on non-offering employers
  - 6% assessment raises \$40-50 billion
  - Cut revenues by 1/2 to 2/3 if exclude small firms
- Use the nation's third largest health expenditure: tax subsidy to employer-sponsored insurance (ESI)
  - Wages are taxed, employer-spending (and much employee spending) is not
  - Over \$200 billion/year
  - Regressive
  - Subsidizes excessively generous insurance purchase

# Financing Reform

- Remove the tax subsidy (both income and payroll tax): finance reform with over \$70 billion in extra revenues/year
- ESI falls by 14 million, pool up to 67 million
- Winners: below 200% of poverty
- Losers: above 300% of poverty
- But enough money left over to pay for losses below 500% of poverty
- Bottom line: universal coverage, at no budgetary cost, with no net losses below 500% poverty