A model for Obama's health care plan

Massachusetts proposes rationing of health care for workers

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In the current debate on health care in the US, much attention has been focused on the program adopted by Massachusetts three years ago. In a move that could have wide-ranging implications for any restructuring of the national health care system, the state has now proposed to scrap "fee-for-service" payments and impose dollar limits on health care for working people.

Massachusetts' Commonwealth Health Insurance Connector Authority, or Health Connector, mandates all residents to obtain health insurance or pay a penalty unless they meet low-income requirements for a waiver.

Employers with 11 employees or more are also required to provide their workers with insurance or pay a nominal fee. Those individuals or families whose income falls below a certain level are eligible for a state-run program that is underwritten in full or partially subsidized by the state.

In the three years since its adoption, the number of uninsured in Massachusetts has dropped to 2.6 percent from a previous high of about 10 percent, far below the 15 percent national average. This low figure, however, does not provide an accurate picture of the real state of health care in the Bay State.

As with Obama's vision of health care restructuring, the authors of Massachusetts' health care program placed protection of the profits of the giant health insurers and providers at the center of their legislation. The result is a system where the vast majority of state residents still pay thousands of dollars in premiums for private plans, which they are required by law to purchase, and where the more affordable plans offer inferior care with sizeable deductibles and out-of-pocket fees.

In the first two years, the number of insured in Massachusetts increased by 200,000, at least 40,000 more than had been predicted. One result of this has been a shortage of providers, particularly primary care physicians and so-called "safety net" facilities. A study by the Urban Institute found that one in five adults in the state has been turned away by a doctor's office or clinic.

Even with this deteriorating quality of service for many state residents, medical costs have continued to soar, accounting for a combined $9 billion gap in the state's 2009 and 2010 budgets. A third of the budget goes to pay the state's Medicaid program, MassHealth. Compared to three years ago, the state will spend $595 million more on health insurance this year, a 42 percent increase.

Last year, the state legislature created a "payment reform" commission comprised of delegates from hospitals, doctors' groups and insurers to "investigate reforming and restructuring the system to provide incentives for efficient and effective patient-centered care and to reduce variations in the quality and cost of care." Three years into Health Connector, changes in the health care program are focused on cutting costs—not on providing improved medical care.

The ten-member Special Commission on the Health Care Payment System released its recommendations on July 16. A key target of the panel has been the traditional fee-for-service (FFS) payment system, in which providers are reimbursed for individual patient visits, procedures, tests, etc.

As in the debate in Washington, the commission argues that reducing costs will actually lead to better

care: “In Massachusetts, as elsewhere, high health care costs do not mean that patients are consistently receiving effective, evidence-driven, preventive care that produces the best outcomes for their health.” They write with respect to hospital care that “performance on quality of care is not associated with the intensity of their spending.”

The commission is recommending that Massachusetts eliminate fee-for-service insurance payments to doctors and hospitals. In its place, they propose phasing in a “global payments” system, whereby providers would be compensated “for all or most of the care that their patients may require over a contract period, such as a month or year.” The change must be authorized by the state legislature.

The panel has assured the state’s insurers and providers that they won’t be left holding the bag for any unexpectedly high medical costs. Certain very high-cost drugs and specialized treatments would be exempt from the global payment system.

Obama has pressed for scrapping FFS payments as part of his vision for “cost-effective” health care delivery. As the Massachusetts plan has served as a model for much of the health care legislation being drafted on a federal level, the state panel’s recommendations could have a major impact on any federal bill that may eventually emerge from Congress.

The adoption of a “global payments” system on a statewide basis will have a devastating effect on the quality and attainability of quality health care for the vast majority of Massachusetts residents. Under such a system, doctors and hospitals would be compensated for treatment and procedures performed over a period of time—not for individual services.

For example, if a patient arrives at a hospital complaining of chest pain, emergency room doctors would be less likely to order a full range of tests and procedures to determine the cause of the symptoms. The likelihood of missed diagnoses would increase.

Similarly, booking routine physicals and screening tests would become increasingly difficult. In Massachusetts, the average wait time for people enrolled in the state-subsidized program to see a primary care physician is 50 days.

As *BusinessWeek* reported in its July 27 issue (“Radical Surgery in Massachusetts”), “Providers would instead [of fee-for-service] get a yearly fee for each patient, thus eliminating financial incentives to overtreat.”

Terms such as “overtreat” are euphemisms for limiting the tests, medicines and treatments available to the general population. The result will be a more openly and directly class-based health care system, in which the working class receives second-rate care while the wealthy have access to the most expensive and sophisticated medical treatments and procedures.

The role of Massachusetts as a model for Obama’s health care proposals was underscored in a column by economist Paul Krugman published in Friday’s *New York Times*. Krugman, who supports Obama’s cost-cutting drive, praised the Massachusetts program and called it “a dress rehearsal for national health reform.”

The entire health care debate is framed by the drive to reduce costs, including over half a trillion dollars in Medicare cuts. Obama is pushing for the establishment of a Medicare Advisory Council with the power to determine how much the medical program for the elderly and disabled pays hospitals for services.

This would turn the existing Medicare Payment Advisory Commission (MedPAC) into an independent executive branch agency with policy-setting powers. Congress currently sets Medicare reimbursement rates. Again, the motive is clear: To turn the Medicare program into a cut-rate system for providing substandard care for retired workers and the poor.