Massachusetts governor leads attack on health care for public and private workers

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Massachusetts Governor Deval Patrick has begun the year by filing bills attacking the health care benefits earned by municipal workers, while advocating capping the amount that health insurance companies pay providers through the establishment of "Accountable Care Organizations." His actions amount to a two-pronged attack, targeting health care services for workers in both the public and private sector.

A report recently released by the pro-business Massachusetts Taxpayers' Foundation backs Patrick's attacks on workers' rights, advocating that retired municipal workers be deprived of the health care benefits they have worked for all their lives.

Patrick, a Democrat reelected last November, is also relying on support from public sector unions to push through these changes. He told Fox News recently that the protests in Wisconsin are a "distraction" because he's "very fond of what we accomplished with our public employee unions instead of turning them into the enemy."

A 2006 law establishing an individual health insurance mandate in Massachusetts, requiring all residents to obtain coverage, also contained provisions for a "health care quality and cost council." However, the state government focused first on instituting the individual health insurance mandate, with fines as high as $1,000 per year for people who did not comply, while companies not providing adequate health insurance to their workers were fined only about one third that amount per worker.

With this system now in place, the state and its local governments—with the full support of business interests—have now set their sights on cutting the cost of providing health insurance to municipal workers.

Last year, Patrick floated the idea of legislation mandating a "capitation" system, under which yearly payments by insurance companies to providers would be capped at a set amount per person. Under capitation, all of the providers seen by a patient during the year would have to split the capped amount, leading to the rationing of care while cutting costs for insurers and employers. Because it would eliminate the risk of large payouts by insurers, it would be a boondoggle for companies like Blue Cross/Blue Shield, which have benefited from increased enrollment thanks to the 2006 law.

In legislation first announced before the Greater Boston Chamber of Commerce on February 17, the governor has now fallen back on the establishment of Accountable Care Organizations (ACOs) to replace the standard fee-for-service model. Under this system, primary care doctors, hospitals, and specialists would be forced into organizations that would be paid a set amount per patient for each course of treatment, rather than on a yearly basis.

ACOs are the brainchild of Dr. Elliot Fisher of the Dartmouth Atlas of Health Care. The WSWS has written extensively about the unscientific methods of the Dartmouth Atlas. (See "The Dartmouth Atlas of Health Care study: Shoddy science in support of health care cuts.") Patrick's legislation would turn the state's doctors into guinea pigs for this largely untested system, the only certainty being that the organizations will be "accountable" to the profits of large insurance companies and hospitals.

Patrick's legislation covers all health care providers in Massachusetts, regardless of whether the payer is a private insurer or government program. While giving lip service to improving the quality of health care in the state, the paramount purpose of the bill is cutting costs and mandating "efficiency." The legislation contains provisions that ACOs be penalized if their costs are too high (i.e., if they provide too much care), but also that they split the savings with insurers if they successfully ration costs. It establishes a coordinating council that is to report annually to the governor and legislature on 16 performance metrics, 15 of which pertain to cost control.

In their assault on the benefits of public sector workers, the preferred tactic of Patrick and his corporate supporters is to paint government benefits as overly generous. The implied threat is that they should be brought down to the level provided to private sector workers, hundreds of thousands of whom are stuck in low-paying retail, restaurant and hotel jobs.

A study released February 15 by the Massachusetts Taxpayers' Foundation—whose executive committee includes representatives from Bank of America, Verizon, Fidelity Investments, Eastern Bank and other large corporations—complains of the cost of providing OPEB (other post-employment benefits) to municipal workers. Using standard capitalist accounting tricks, similar to those used by for-profit private sector companies, municipal governments have underfunded the health plans of retired workers along with their pensions.

Many of the municipalities with underfunded liabilities—including Chelsea, Lynn, Peabody, and Fall River—are heavily working class and have suffered over the last century from the exodus of manufacturing and fishing jobs.

The resulting liability—estimated at $20 billion statewide, according to the report—could be funded in 10 years if Massachusetts taxed corporations at the same rate as the national state average. Instead, the foundation recommends that the state raise the retirement eligibility age, even for current employees and new hires, from age 55 to 62.

At the same time, the group advocates that retired public workers be covered solely by Medicare, while allowing local governments to rip up existing union contracts "outside of collective bargaining." This suggestion comes as the Obama administration and congressional Democrats and Republicans are taking aim at Medicare and other entitlement programs.

Complaining of overly generous "relics" like $5 co-pays, the Massachusetts Taxpayers Foundation report notes that nationally only 28 percent of large private sector employers offered health benefits to retirees as of 2009, and that the number in Massachusetts, 9.6 percent, was even lower. In a further effort to pit private sector workers against the public sector, the report calculates the effect on individual homeowners' taxes of fully funding retiree benefits.

The possibility of increasing corporate taxes to make up the difference is never mentioned. However, a national study of fiscal year 2009 state finances by auditing firm Ernst & Young found that the Commonwealth's business taxes as a percentage of Gross State Product (4.0 percent) were significantly lower than the national average (4.7 percent). Had Massachusetts taxed at the average rate, its fiscal year 2009 tax revenues would have increased by $2.3 billion.

Governor Patrick is only too happy to provide this bargain to businesses. A former corporate lawyer and Coca Cola vice-president, Patrick told the legislature at the beginning of the year that "we must reduce the costs of doing business here, and make it easier for companies to hire people by removing unwarranted barriers," while boasting that "CNBC has moved our state up to the fifth best place in America to do business."

On January 21, the governor filed legislation requiring cities and towns to abrogate existing health benefits and force their workers into insurance provided by the state's Group Insurance Commission (GIC) or a "program of equivalent value"—in other words, a program with equivalent cuts in benefits and costs to employers. While municipalities will have until June 30 to make the change if the law is passed, six have already filed legislation with the state requesting admittance to the GIC.