Massachusetts health care bill aims to cut $200 billion over 15 years

Kate Randall
6 August 2012

The Massachusetts state legislature passed a bill last week that aims to cut health care costs in the state by $200 billion by 2028. The 350-page Health Care Cost Control Bill (HCCB), which passed with overwhelming bipartisan support, will be signed into law this week by Democratic Governor Deval Patrick.

The new legislation builds on the 2006 reform of the Massachusetts health care system, which required almost all state residents to obtain insurance or pay a penalty. The state overhaul has served as a model for the Obama-backed Affordable Care Act (ACA), major provisions of which were ruled constitutional by the US Supreme Court in June.

The overall aim of the HCCB—as with the ACA—is to slash costs for the government and reduce care for ordinary people. Governor Patrick predicts that the law will show other states how to "crack the code on costs."

The legislation sets a target of holding the annual increase in total health care spending to the rate of growth of gross state product (GSP) for the first five years. The target would then drop to as much as a half percentage point below GSP through 2022. Health care spending in the state has generally been rising by 6 percent or 7 percent in recent years.

HCCB's main mechanism for cutting costs is the transition to accountable care organizations (ACOs) throughout the state's health care system. In the place of the traditional fee-for-service system, health care providers will be budgeted a specific amount for the care of each patient, referred to as a "global account." Theoretically, when this global account is exhausted, health care services for the patient end.

The new legislation initially requires the state's Medicaid program, the state's employee health care program, and all other state-funded health care programs to transition to this new ACO payment methodology. According to the text of the bill, this payment model will seek to "incentivize the delivery of high-quality, coordinated, efficient and effective health care over quantity of services to reduce waste, fraud and abuse."

Hospitals and doctors will have to cut their rate of increased spending by about half. To chart progress on this cost-cutting, providers will be required to report financial performance, market share and quality measures.

The bill establishes a new oversight agency to monitor how providers are progressing at controlling costs, and can require them to submit a plan for improvement if a provider exceeds its target. The commission can impose a $500,000 fine as a last resort if it finds that the organization has failed to make a good-faith effort to rein in spending. Critics of the bill describe the remedies to hold down costs as toothless and hard to enforce.

The real driving force of the cuts will be a reduction of services and procedures deemed "unnecessary" and "redundant" and "non-critical." Patient advocates and medical professionals warn that the plan will result in a deterioration and rationing of care. Critics of the legislation have also cautioned that hospitals will lay off staff to reduce costs, or increase outpatient care at the expense of inpatient procedures.

"I think it may affect accessibility to physicians," Richard Aghababian, president of the Massachusetts Medical Society, told WBUR radio. "It may mean that some patients can't get to a procedure because there's no one to staff the machine or to do the procedures, at least as quickly as they have been up to this time."

Dr. Jay Fleitman, a pulmonologist in Northampton, told the *Daily Hampshire Gazette*, "I think the citizens

of Massachusetts are going to turn around and be very unhappy with what they have. No one has ever done this at such a large scale. This is nuts. This is way out there."

Fleitman pointed to the experience of several failed small pilot ACO programs in the mid-1990s in Massachusetts. "We didn't like it and the patients didn't like it because physicians at the hospital make money when we don't deliver services," he said, adding, "These plans make physicians do the dirty work of controlling health care dollars by saying no to their patients."

As with the national health care overhaul, the Massachusetts bill claims that a reduction in spending will result in an improvement in health care. HCCB provides for a modest sum—$60 million over the next four years—for a Prevention and Wellness Trust to promote programs to stem chronic illnesses such as diabetes, asthma, and heart disease.

This trust will be paid for by a tax on insurers and an assessment on some larger hospitals. It can be expected that insurers and hospitals will ultimately pass the cost of these taxes and assessments on to patients in the form of higher premiums and increased provider fees.

According to the Commonwealth Fund, the average family premium in Massachusetts was $14,606 in 2010, the ninth highest in the US. As with the Affordable Care Act, there are no meaningful provisions in the HCCB to hold down the cost of premiums charged by the for-profit private insurers.