

Health law costs aren't the problem

By [Michael J. Widmer](#)

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WE'VE HEARD the claims repeated from the moment the bill was signed three years ago - Massachusetts' health reform law is unaffordable. Those claims have come from a wide variety of ideological and political quarters, but what they have in common is a failure to understand how the law works.

The Taxpayers Foundation recently released an analysis of the costs to taxpayers of achieving near-universal access to healthcare in Massachusetts. The "surprising" conclusion: Between fiscal 2006 and 2010, the annual incremental cost from the state budget is less than \$100 million, a modest sum for this historic achievement. This cost is very much in line with estimates that were made when the bill was passed.

From a base of \$1.04 billion in fiscal 2006, the state is projected to spend \$1.75 billion on healthcare reform in fiscal 2010, an increase of about \$700 million, half of which is supported by federal reimbursements. The \$350 million state share translates into an average yearly increase of only \$88 million.

Compare this with the sweeping education reform law of 1993, that decade's rough equivalent to the 2006 health reform law in terms of scope and scale. Implementing education reform cost an additional \$250 million each year between 1993 and 2000, with an average annual increment of approximately \$150 million in the decade since. In recent years there has been much debate about whether that investment has paid dividends, but few claim we should back off the commitment.

The Legislature's recent decision to cut the fiscal 2010 budget for Commonwealth Care as part of the state's enormous fiscal crisis has led to renewed claims that health reform is unaffordable. In particular, the issue of Commonwealth Care funding for legal immigrants, while important in its own right, has led many observers and critics to conclude mistakenly that health reform is unraveling.

These critics ignore the fact that the fundamental problem is not the costs of Commonwealth Care, but rather the unprecedented collapse of state tax revenues. With the state facing a structural budget gap of \$5 billion in fiscal 2010, virtually every state program has hit the cutting board. And as is always the case during economic downturns, caseload-driven programs like Commonwealth Care experience a temporary increase in enrollment.

Critics also confuse the costs of health reform with spending on Medicaid, which at \$8.5 billion accounts for about 30 percent of the state budget. The relentless increase in Medicaid costs has bedeviled state policy makers for the past quarter century as that program consumes an ever larger share of the state budget.

How has Massachusetts been able to reduce the number of uninsured to less than 3 percent of its population while spending so few new public dollars? To a large degree, the answer can be found in the unique way the law's programs and incentives act in concert to expand access to subsidized coverage for low-income families largely through a reallocation of funds from uncompensated care, while also encouraging enrollment in employer-sponsored and individual health insurance plans.

With individuals required to have health insurance, many have enrolled for the first time in their employer's plan or purchased private coverage on their own. Employer-sponsored enrollment has grown by 150,000 and individuals' private coverage by 40,000 since health reform was adopted. The Foundation estimates that the added cost to Massachusetts employers for newly insured employees and dependents is at least \$750 million - more than double the \$350 million increase in state spending under health reform.

To be sure, Massachusetts, like the nation, must address the escalating costs of healthcare - for government, employers, and individuals alike - and Massachusetts has launched a variety of efforts to deal with this intractable problem. But this persistent problem has little to do with the health reform law. These are extraordinarily difficult times for all of state government, and it is not helpful to advance unfounded allegations about the unaffordability of health reform. We need to stay the course on one of the most important state initiatives of recent times, which has become a beacon for the rest of the nation.

Michael J. Widmer is president of the Massachusetts Taxpayers Foundation. ■