

BOGLO PROCLAIMS ROMNEYCARE SUCCESSFUL AT TRANSFERRING WEALTH FROM CONSUMERS TO BIG HEALTH CARE

Okay, I'm getting ahead of myself.

The central thesis of this Boston Globe article is not, in fact, that RomneyCare effected a wealth transfer from consumers to big health care.

Rather, the article proclaims that RomneyCare "achieved its main goals." But nowhere in the 4,600+ word article does it treat "ensuring MA residents get access to health care" as one of RomneyCare's goals. Instead, it reports on RomneyCare's great success at ensuring MA residents get health insurance. And given the article's admission that the cost of the program is unsustainable, the distinction is critical.

Particularly given two of the article's more interesting details. First, there's this passage, which makes it clear that the health insurance exchanges have done little to lower health insurance costs for small businesses.

What group is most unhappy about the changed health care landscape in Massachusetts?

Small business owners, in a landslide.

"I'd give it an 'A' for access and an 'F' for cost and small business fairness," said Jon B. Hurst, president of the Retailers Association of Massachusetts. **"We were supposed to get rid of the free care pool and get all these young folks insured, and that was going to bring costs down.**

“Instead, what we did was a wealth shift from consumers and small businesses to big health care in the state, which is not a surprise given who was pushing the bill all along – the biggest hospital chain and the biggest insurer,” Hurst said, referring to Partners HealthCare and Blue Cross Blue Shield of Massachusetts.

Partners, because of its market clout and ability to negotiate higher rates from insurers, has been blamed by some for helping to drive up medical costs. The company has said its prices reflect the complexity of care provided by its physicians and teaching hospitals.

The retailers association surveys of its 3,200 members showed a 15 percent average increase in recent years in insurance premiums – a ruinous long-term trend.

Plans offered to small businesses through the connector offer no greater savings than those in the broader commercial market and are limited to a few smaller insurers, said Hurst.

Dick Powers, spokesman for the connector, said in an e-mail: “The value proposition we bring to the table is the ability for small businesses to easily shop on our website and make apples-to-apples comparisons among the plans.”
[my emphasis]

Dick Powers sounds an awful lot like Ezra Klein, now backing off the claim that exchanges do anything to lower costs to the consumer. And the problem is one that exists at the national level: sufficient concentration such that the big players can use mandates as an opportunity to jack up costs on captive consumers.

Note too Hurst’s suggestion that part of the problem is that the free care pool has not, as

promised, been eliminated. BoGlo admits there's some funny accounting on this front: while RomneyCare supporters claim the cost of providing care to the uninsured has dropped \$236 million or 36%. hospitals and state fine print say it has dropped only around \$111 million or 17%.

Has the overhaul reduced, as predicted, the quantity and cost of so-called free care provided at safety-net hospitals and health centers?

Yes, but the numbers are rising again.

Before the new law, the cost of treating the uninsured was \$656 million in fiscal 2006, a report by the office of administration and finance says. This year it's carried on the state's balance sheet at a projected \$420 million, which makes it look like there has been a significant drop in this costly category of care.

But it leaves a false impression.

The Massachusetts Hospital Association says those figures do not reflect all the costs they absorb by treating uninsured patients. The real cost was \$70 million more last year and about \$120 million more this year, they say.

In the fine print of its budget submissions, the Patrick administration estimated the Health Safety Net fund shortfall, which hospitals must absorb, at between \$100 million and \$125 million this fiscal year and between \$100 million to \$150 million next. The shortfall represents the cost of services to the uninsured beyond the available funds in the account, which is largely financed by hospitals and insurers with smaller amounts from the state and federal governments.

The full cost of treating the uninsured,

if the hospital group's estimates are accurate, is more like \$540 million this year and \$580 million next, and slightly less if the administration's numbers are on target. In either case, it's a lot more than the \$420 million supporters of the law often point to as evidence of the program's success.

And the total is growing, for reasons not fully understood, though state officials believe the effects of the weak economy have had a significant impact.

If RomneyCare brought the number of uninsured from 530,000 or 6.4% of MA's total population down to 120,000 or 1.9% (these numbers don't add up because BoGlo cites different stats here)—if RomneyCare succeeded in getting three-quarters of the uninsured insurance—then shouldn't the cost of treating the "uninsured" go down more than 17% (even admitting that the remaining uninsured may have the highest medical costs)?

Or is it possible that some of the confusion arises when hospitals provide free care to those with insurance who can't afford to pay for necessary care—as we know is the case for a substantial number of MA residents?

Because if that's the case, then in addition to giving small businesses a mandate but little help in keeping that mandate affordable, RomneyCare also forces people to use their last disposable income to pay insurance companies, while still forcing hospitals to treat those people without full compensation, which in turn means others still have to make up for the hospitals' shortfall.

Again, I don't know whether that's what is going on. I don't know how MA accounts for the care provided to people who have insurance but can't afford to pay for health care (remember, though, that the bulk of these people are still just forgoing medically necessary care).

But it seems like so long as you have a mandate but measure success solely by whether or not people have insurance, than you are going to end up with a wealth transfer to big health care without, at the same time, ensuring people can actually get health **care**.