

Insurers slice rates on health premiums Patrick's deals called key to universal plan

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Governor Deval Patrick yesterday unveiled significantly lower prices for the health insurance plans that uninsured residents will be required to buy starting July 1.

Patrick said six weeks of intense negotiations, in which he personally called the chief executives of Blue Cross and Blue Shield of Massachusetts, Harvard Pilgrim Health Care, and Tufts Health Plan, resulted in lower prices that will make the plans more affordable for uninsured residents.

Neighborhood Health Plan, a small Boston-based insurer that primarily serves Medicaid patients, will offer the lowest-priced plan for residents in the Boston area. Its basic plan for individuals between 35 and 39 years old, which covers preventive care, office visits, hospitalization, and prescription drugs, will cost \$175.15 a month. As with other plans, the premium increases with age; individuals older than 56 would pay \$347 a month.

The annual deductible for the basic plan would be steep: \$2,000 for an individual and \$4,000 for a family. Similar plans from the three major health plans range from \$241.68 a month for Tufts to \$288.31 for Harvard Pilgrim, for residents between 35 and 39.

"This brings us an important step closer to universal coverage," Patrick said. "Affordability has always been a critical feature of the healthcare reform plan."

Under the state's healthcare legislation, which was signed into law in April 2006, all residents must obtain health insurance beginning July 1 or face penalties, starting with the loss of the personal state income-tax exemption.

When the law was taking shape 12 months ago, Governor Mitt Romney and legislative leaders predicted that affordable coverage would cost about \$200 a month for those who do not receive healthcare benefits from their employers.

But in January, a first set of bids by insurers came in sharply higher, with a range of prices that one board member said would average \$380 a month across all age groups. Healthcare advocates said the insurance would be unaffordable for many residents.

"The whole range of quotes is lower now," said Jon Kingsdale, executive director of the Commonwealth Health Insurance Connector Authority, which oversees much of the implementation of the healthcare law.

Performing a calculation similar to the one the board member conducted shows an average monthly premium for residents of Eastern Massachusetts of \$305. That indicates a decrease of nearly 20 percent in premiums from the earlier bids.

Healthcare advocates and administration officials at a State House press conference yesterday said they were pleased with the revised plans.

"We give credit to the Patrick administration and the connector board for pressuring the insurance companies and telling them to go back to the drawing board," said John McDonough, executive director of Health Care for All, a group that helped shape the law.

"We're back in the ballpark," said Thomas P. Glynn, chief operating officer at Partners HealthCare, the large Boston-based hospital chain. "At \$380, people were worried that healthcare reform wasn't going to work. I think this should reassure people that we have a workable plan."

Last fall, the state began providing free health insurance for those earning less than the federal poverty level, about \$9,800 a year for an individual. In January, a second phase of the plan was rolled out, offering subsidized insurance coverage for those earning between one and three times the poverty level.

The latest step provides healthcare options for Massachusetts residents who are not offered health coverage by their employers but who earn too much money to qualify for subsidized insurance. As many as 200,000 residents could fall into that category.

Prices for the new health plans will vary according to age, location, and whether a subscriber selects basic coverage or a more comprehensive plan. The administration focused on plans for residents ages 35 to 39 because the average age of an uninsured resident in Massachusetts is 37.

But each plan offers a range of prices based on age. Plans for young adults with more limited coverage are much less expensive. Residents older than 56 will pay more for coverage. The highest-priced plan for those in Eastern Massachusetts, for people ages 56 to 64 with prescription coverage, is from Blue Cross Blue Shield and has a proposed monthly premium of \$504.69.

In general, coverage will be less expensive in Central Massachusetts compared with the eastern and western parts of the state.

Patrick yesterday turned the spotlight on Deborah Enos, chief executive of Neighborhood Health Plan. Enos said the insurer was able to offer low-cost premiums in part because it relies on community health centers to provide care, instead of hospitals, which are more expensive. The Neighborhood plans also use copayments and deductibles to share costs with members and keep down premiums.

"We plan to earn a reasonable return on these new products," she said.

The governor's intervention played a role in getting the big health plans to lower their prices, according to two of the plans' chief executives.

"The governor basically said: 'We're interested in seeing more affordable options. Can we work together to try to pursue a course that gets us there in a month or so?' " said Charles Baker, chief executive of Harvard Pilgrim Health Care. "My answer was yes."

Throughout February, Harvard Pilgrim worked with officials at the state and the Connector Authority. They were able to loosen actuarial guidelines -- the arcane demographic data and risk assumptions that underlie insurance pricing. That enabled Harvard Pilgrim to lower prices, said Baker. The insurer's lower-cost products will still make a profit of between 1 and 2 percent, roughly in line with the firm's other insurance plans, he said.

James Roosevelt Jr., the chief executive of Tufts Health Plan, said Patrick urged him to submit "the most competitive bid" possible to achieve affordable coverage. Tufts was able to lower prices in part by limiting its hospital network to those that could provide lower-cost, high-quality care.

"For example, for cardiac care, we have Mount Auburn Hospital in Cambridge rather than Massachusetts General Hospital," Roosevelt said.

"We are close to break-even" on the low-cost products, he said.

The state's healthcare law was developed by Romney, who worked with Senate President Robert E. Travaglini and House Speaker Salvatore F. DiMasi. Business lobby groups, healthcare advocates, and health insurers also participated.

In addition to Blue Cross, Harvard Pilgrim, Tufts, and Neighborhood, the Connector Authority also recommended health plans provided by Fallon Community Health Plan, Health New England, and Connecticare. The Connector Authority board will vote Thursday to formally give the seven plans a state seal of approval. The Connector Authority will help market those plans that receive the approval.

Initially, the Massachusetts plan was not seen as a template for other states to extend coverage to the uninsured. Unlike most states, Massachusetts has a relatively low number of uninsured residents, and it had a large pool of money to pay for free care at hospitals that could be redirected to fund universal healthcare.

But since April 2006, other states have considered adopting facets of the Massachusetts law. Government officials and others who worked on the Massachusetts law have been invited to speak at events around the country.

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