



*The Beacon Hill Institute
for
Public Policy Research*

News Release

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BHI: Massachusetts health care reform mandates invited gaming, costing taxpayers and ratepayers millions.

(BOSTON, MA) Approximately 2,600 individuals in Massachusetts “gamed” the individual mandate at an estimated cost to insurance carriers of between \$29.3 million and \$37.3 million. This is one of the findings of a new report from the Beacon Hill Institute at Suffolk University, entitled, “The Massachusetts Health Care Reform Mandates: The Gaming Gamble.”

The study also found that the private insurance market only grew modestly and not enough to enroll all the newly-insured residents, suggesting that businesses may be dropping or declining coverage to offer insurance to their workers.

The landmark Massachusetts health care law requires that individuals with sufficient means purchase health insurance and that businesses with more than ten employees make a “fair and reasonable” contribution toward their employees’ health insurance. Individuals and businesses face fines if they fail to comply with the mandates. Businesses can likewise game the mandate by canceling their health insurance plans and shifting their employees to newly subsidized state plans. Massachusetts taxpayers and health insurance policyholders pick up the tab for these “jumpers and dumpers.” In July 2010 Commonwealth tightened its open enrollment period to curb such abuses.

The Beacon Hill Institute (BHI) has estimated the prevalence and cost of gaming the mandates. We find that:

- In tax year 2008 (the latest data available) 26,000 individuals paid a total of \$16 million in fines, while 758 businesses paid \$7.1 million.
- In 2009, between 2,089 and 2,659 individuals gamed the individual mandate at an estimated cost to insurance carriers of between \$29.3 million and \$37.3 million.

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- Between June 2006 and June 2010 enrollment in state subsidized insurance plans increased by 319,000, while the private group (employer) market was flat and the individual market increased by 83,000.

In an attempt to stem the number of gamers, the Massachusetts legislature recently limited the time period for individuals to purchase coverage and imposed higher individual fines. However, it is unclear if these changes will discourage individuals from skirting the mandates in the face of surging insurance premiums.

The federal Patient Protection and Affordable Care Act (PPACA) of 2010, faces similar challenges of individuals and businesses gaming the mandates. While the Massachusetts law has cost the state and policyholders tens of millions of dollars, the cost to taxpayers under the PPACA will surely be several times larger.

“The inability to sharply curtail jumping and dumping is going to affect the national health care law on a grand scale,” said Bachman. “Nationally, restricted enrollment periods will help, but that will be offset by the greater number of people who will be getting health insurance for the first time.”

The study is available at www.beaconhill.org.

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