



*The Beacon Hill Institute for
Public Policy Research*

News Release

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BHI Study: Massachusetts Health Care Reform drives up insurance costs both public and private

(BOSTON) The landmark Massachusetts Health Care Reform law is responsible for a dramatic increase in health care spending over the period since it was enacted. The law did not bring about a promised reduction in health care expenditures. Rather, it permitted the state legislature and governor to expand health insurance coverage to almost all residents, while imposing more than \$8 billion in new health care costs to the federal government and on state residents and businesses.

Other studies have attempted to document the rise in health care costs attributable to Massachusetts Health Care Reform. The BHI study is the first to attempt a comprehensive examination of HCR's impact on cost, taking into account the underlying trends in health care spending, as well as the effects of the law on federal Medicare spending.

Specifically, the Institute found that:

- State health care expenditures have risen by \$414 million over the period;
- Private health insurance costs have risen by \$4.311 billion over the period;
- The federal government has spent an additional \$2.418 billion on Medicaid for Massachusetts;
- Over this period, Medicare expenditures increased by \$1.426 billion.

The Institute also calculated the cumulative cost of HCR to be \$8.569 billion over the period.

"Our estimates take into account the fact that Health Care Reform came on top of an underlying pattern of rising health care costs," said David G. Tuerck, Executive Director of the Institute and a co-author of the study. "What we find is that the law caused costs to rise even faster than they would have in its absence."

Tuerck further predicted that the federal Affordable Health Care Act, which was closely modeled after the Massachusetts law, will also force costs to rise rather than fall.

“Massachusetts voters were sold Health Care Reform as a device for controlling costs. What it turned out to be was a costly new entitlement, the bill for which was passed on to the federal government and to Massachusetts insurance companies, hospitals and rate payers. The question now is just who will pick up the tab for Obamacare.”

“The promise of expanded coverage at lower costs contradicts basic economic theory,” says co-author Paul Bachman. “By increasing demand for health care services without an equal increase in their supply, Health Care Reform in Massachusetts all but guaranteed that the price of health care services and health insurance would increase.”

The study entitled, *The High Price of Massachusetts Health Care Reform*, is available at www.beaconhill.org.