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Massachusetts Health Care Reform Gets a “B” for Administrative Efficiency: Concerns about Competition and Costs Remain

BOSTON – Massachusetts health care reform receives a “B” for administrative efficiency from the third part of Pioneer’s [Interim Report Card](#). The report finds that premium rates for individuals were reduced dramatically post-reform through the market merger, but there is only weak evidence that the reform has increased competition in the Massachusetts. In addition, it has added administrative costs overall, and policymakers elsewhere should consider whether the infrastructure costs of a Connector-like structure outweigh the benefits.

“While there is some evidence that aspects of reform have worked to improve efficiencies in the system overall,” says Amy Lischko Senior Health Care Fellow at Pioneer Institute and Assistant Professor of Public Health at Tufts School of Medicine. “We should monitor these metrics moving forward to determine if further efficiencies can be gained.”

“The question of efficiency—of how much value the Connector is adding—is important on the administrative cost side,” says Pioneer Executive Director Jim Stergios. “But the real value of an exchange lies in how much it can leverage competition to create cost savings. If the Connector isn’t leveraging competition, then costs will continue skyrocketing. If they do, our progress increasing access to insurance will prove short-lived.”

Pioneer’s four-part *Interim Report Card Series* is authored by Amy Lischko. This third installment, which covers administrative efficiency, is co-authored by Kristin Manzolillo. The final part of the *Interim Report Card Series* will assess the impact of health care reform on the cost and quality of health care provided.

The overall grade of “B” that the [Interim Report Card](#) gives to the Massachusetts health care reform’s administrative efficiency is based on the following findings:

- Metric 1: How do the premiums and medical loss ratios in small and non-group markets compare to the large group market? There is a moderate level of confidence that the goal of reduced premiums for individuals due to the market merger occurred as have some modest increases in efficiency. Grade: B
- Metric 2: How do adverse selection and competition in the market rate before and after reform? Data on adverse selection is not yet in and overall evidence that the reform has increased competition in the Massachusetts marketplace is small. However, some competition is apparent in the Connector. Grade: B
- Metric 3: How do distribution costs as a percent of total costs over time compare to distribution costs in plans outside the Connector? Although the Connector is managing the

programs it oversees efficiently, this new infrastructure has added administrative costs to the overall health care system in Massachusetts. Grade: C



Pioneer's Position on Health Care Reform

Regarding health care reform in Massachusetts, Pioneer has not yet taken a position on the reform act. We seek first to understand and measure its performance empirically.

Pioneer believes that national health care reform efforts are premature. State-level experimentation is at an early stage. We will need a variety of experiments to test ideas and policy frameworks. This is the proper role of the states to act as laboratories, which ultimately drive sensible federal debates on reform. As occurred with welfare reform in the eighties and nineties, robust experimentation at the state level allowed federal officials to draw important lessons from the successes and failures of a number of states as they sought a thoughtful national welfare reform bill.



[Pioneer Institute](#) is an independent, non-partisan, privately funded research organization that seeks to change the intellectual climate in the Commonwealth by supporting scholarship that tests marked solutions against the conventional wisdom of more governmental involvement in Massachusetts public policy issues.