**Efficacy of Massachusetts Healthcare System**

**Question 1**

It can be argued that the Massachusetts Health Care Plan has partly achieved its goals as it celebrates its sixth anniversary. The most notable achievement that can be observed is the increase in the number of people insured. In this case, more that 98% of the people living in Massachusetts are insured and this includes 99.8% of all children. This makes the state to boast the lowest rate of uninsured people in the United States. Approximately 94% of the people living in Massachusetts got insured before the health care plan became effective in 2006. Under the law, health insurance for adults who earn up to 150% of the federal poverty level as well as children of parents who earn up to 300% of the poverty level are fully subsidized (Porter, 2009). Currently, close to 77% of private companies provide effective health insurance to their employees compared to the 70% before the enactment of the law. The health law in the United States requires that all employers with more than 11 full time employees should contribute towards their health insurance policies. Close to 97% of the taxpayers comply with the requirement of obtaining health insurance (Bush, 2007).

However, the law has completely failed to control increasing health care costs. According to the Massachusetts Taxpayer Foundation, the implementation of the health care plan has not led to an increase in the state budget as evidenced by the only 1% increase in the 2010 fiscal year. The Massachusetts Division of Health Care Finance and Policy reports that personal spending grew by 15% while premiums for full insurance increased by 12.2% (Berwick & Hackbarth, 2012). Those supporting the law argue that it was mainly designed to expand coverage and not to reduce general health costs. In this case, the larger premiums are spent on medical expenses (Berwick, Nolan, & Whittington, 2008). The opponents on the other hand shift cost burden from employers to individuals revealing the weakness of the law. In addition, small businesses have not benefited from the law as evidenced by the rising premiums being charged. Despite the law being supported by 2 out of 3 adults, 88% of the doctors argue that it did not improve the quality of health care.

**Question 2**

By November 2012, the total number of professionally active physicians in Massachusetts was 30000 physicians. About 45% of the number is primary care physicians while the remainder is specialty physicians (Woolhandler & Himmelstein, 1991). In 2010, Massachusetts had 79 hospitals which had a bed capacity of 16000. However, firms are currently fleeing the industry due to the undesirable health care plan. Companies have stopped doing business in this industry although one is not expected to find a large number of firms that have ceased operations in the health care industry. For example, close to all the OB/GYNs left Massachusetts healthcare system. It is unlikely that one encounters such a huge number of firms or health car providers refusing to do business within the healthcare system. In a normal functioning industry, firms will not be willing to quit the industry. However, in this case, companies are not willing to serve the large groups of customers due to the shortcomings of the Massachusetts health care plan (Berwick & Hackbarth, 2012).

The health care plan is causing a large percentage of firms in the industry to lose profits. In a healthy industry, firms are in a position to survive and thrive as there are incentives for growth. However, in the case above, firms are becoming bankrupt and insolvent. For instance, in 2010, the total hospital admissions were 125 admissions per 1000 people living in Massachusetts. The reduction in the number of clients is leading to the decline of major firms in the industry (Iglehart, 1992). Due to this consistent exit of firms in the industry, patients are experiencing a shortage of products and services. This is usually not the case in a healthy free-market system whereby a company can hardly adjust output in order to accommodate demand without imposing any form of rationing. The emergency visits in 2010 were 481 visits per 1000 people in the population. The increasing use of emergency room services is indicative of a shortage of primary care physicians’ services. Research indicates that the government is imposing or erecting barriers to entry and exit of firms in the industry which explain the trend.

**Question 3**

The Massachusetts health care plan does not seem as an improvement of the current healthcare system because costs are actually increasing more slowly. For example, the costs for health insurance premiums are increasing constantly. According to the Massachusetts Division of Health Care Finance and Policy, personal spending grew by 15% while premiums for full insurance increased by 12.2% in 2012. As a result, the overall healthcare costs per person relative to the previous cost levels relative to other groups of Americans are increasing significantly (Wachter & Goldman, 1996). In addition, the out of pocket costs for families within the healthcare system are increasing indicating the inefficiency of the health care plan. If the system is out-performing the current US healthcare system, then there should be significant usage of emergency room services. The cost for ER services as a percentage of the total healthcare costs per person in increasing and hence the Massachusetts health care system is not efficient.

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