

## **SUMMARY**

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**The Effect of Unbundling in Health Insurance Contracting in Massachusetts**

**Prof. Fiona Scott Morton**

### **Description of project**

A Massachusetts law passed in fall 2010 imposed new restrictions on contracts between health insurers and healthcare providers and established new health insurance plans that increase cost-sharing when patients seek care at high-cost providers or exclude high-cost providers altogether.

We believe that this law will significantly alter competition in Massachusetts. This project sought to understand how competition in the healthcare market has changed as a result of this law and whether

Massachusetts' government suffers from significant delays in releasing information, so strictly analyzing the numbers so soon after the change was not feasible. However, we were still able to find a substantial amount of empirical evidence and commentary for a preliminary analysis.

We found that these new provisions are certainly shaking up the market, and that payers, providers, and government expect these new plans to have a significant effect on the market. We found expensive hospitals worrying about their future business and negotiating lower prices, inexpensive hospitals more heavily marketing themselves as a good-value option under the new tiered plans, insurers supportive of and excited about the new plans, and government, one year later, cautiously optimistic about the effects of the changes.

### **Student responsibilities and experience**

I was primarily tasked with gathering information. After reading the attorney general report that sparked the new law, my first task was to summarize the 73-section law, during which I discovered other, less-known provisions, such as one that established a loan program underwritten by the commonwealth to help community (i.e. non-teaching) hospitals make capital improvements in response to an anticipated surge in demand under the new provisions.

I then gathered data on tiered and limited plans and contracting restrictions. I specifically looked for public positions various players in Massachusetts' healthcare market have taken on the issue, as this would be a good indication on the provision's impact on that player. I also identified sources of data on insurance premiums and provider prices for future use. The project culminated in a report on the dynamics of the Massachusetts' healthcare.

I have learned quite a bit about starting a research project from scratch: identifying a topic and pursuing a foundation of data upon which one will build. The project also offered good practice synthesizing data from a many sources into one coherent report. The 160-hour time frame was too short to pursue the project in as much detail as I had hoped, but it certainly was a great experience working with Professor Scott Morton on this project, and it has prepared and excited me for my senior thesis this year.