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How Can Missouri Cover the Low Income Uninsured? Comparing Missouri to Other States' Efforts

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The recommendations made by the state agencies working group and Governor Blunt outline a “transformed” Medicaid program, renamed MO HealthNet. The Missouri Budget Project believes these plans fall short of real Medicaid or health care reform. Real reform in Missouri must do two things.

- 1. It must lay the groundwork for a plan to assure that every Missourian has health insurance.**
- 2. It should first address insuring Missourians with the lowest incomes**, particularly those who lost their eligibility or are paying large sums each month to be insured through the Spend-down program as a result of budget cuts. These individuals are the least likely to:
 - Have opportunities for employer-sponsored insurance
 - Be able to purchase health insurance, even with financial assistance
 - Benefit from cafeteria plans, health savings accounts and tax deductions.

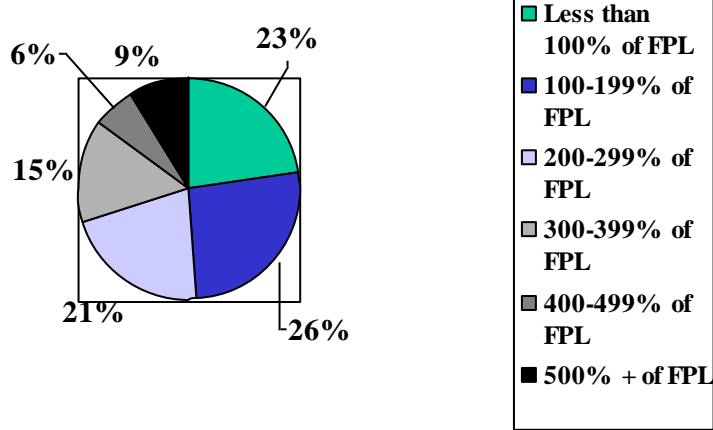
Most of those who are uninsured in Missouri have low incomes. Private market reforms and tax incentives are not likely to help these individuals. Missouri should consider other states' efforts to enact health care reform and follow their lead in providing affordable public health insurance for those with low incomes.

Who Are the Uninsured in Missouri?

Census data released in August 2006 indicate that those with lower incomes are more likely to be uninsured than individuals/families with higher incomes. Nationally, 42 % of individuals in households with incomes less than \$25,000 are uninsured. (Note: \$25,000 is 151% of Federal Poverty Level for a typical family of 3.)

About 18% of households with incomes higher than \$50,000 lack health insurance.¹

The uninsured in Missouri



The uninsured in Missouri are individuals and families with low incomes

In Missouri, about 50% of those who are uninsured have incomes below 200% of the Federal Poverty Level (FPL). Of these, half have incomes under 100% of FPL.²

Doing the math: Low-income families have little discretionary income.

According to the Economic Policy Institute, the basic monthly budget for a family of 4 breaks down into the following expenses. From this chart, it is evident that families with incomes under 200% of the Federal Poverty level have limited discretionary income with which to purchase health insurance.

Basic Monthly Budget for a Family of 4	
Housing and utilities	\$741
Food	\$587
Transportation (car, gas, insurance, public transportation)	\$358
Child care	\$835
Taxes	\$316
Other necessities (clothing, furniture, school supplies, out of pocket health care costs, health insurance)	\$359
Annual budget	\$42,709
Percent of Federal Poverty Level (\$20,000 for a family of 4)	227%

Realistic Plans to Cover the Uninsured Who Have Low Incomes

The states that have developed substantial plans to provide health insurance to all citizens have recognized the difficulty of insuring low-income residents through private insurance. While their plans include a mix of

¹ www.census.gov

² McBride, Tim, St. Louis University School of Public Health, analysis of CPS 2003-2004 data for the non-elderly.

support and mandates for individuals and employers, they are built on a strong foundation of publicly-funded insurance for those with incomes under the Federal Poverty Level (currently \$16,600 for a typical family of 3, \$20,000 for a family of 4).

For example, while Massachusetts did not make the deep cuts in its Medicaid program that Missouri made, part of its health care reform included restoring benefits in MassHealth (its Medicaid program) including dental, vision, prosthetics, chiropractic care and substance abuse treatment. It also expanded eligibility to include long-term unemployed individuals with incomes under the Federal Poverty Level and legal immigrants.³

Comparing Missouri with Other States' New Health Care Expansions			
	MO HealthNet	Massachusetts ⁴	California Governor's Proposal ⁵
Medicaid for Uninsured Parents	16-22% FPL ⁶ Less than \$292/month for a family of 3	133% FPL ⁷	Parents up to 100% FPL
Medicaid for Uninsured Children	(SCHIP) 300% FPL. To be eligible for SCHIP, children must lack access to "affordable" health care and pay premiums if income is greater than 150% of FPL. ⁸ New Transitional Medicaid for youth aging out of Foster Care, up to age 21 ⁹	(SCHIP) up to 300%	Children up to 300% FPL are covered under Medi-Cal, or <i>Healthy Families</i> , the State's CHIP program.
Medicaid for People with Disabilities	85% FPL for seniors and people with disabilities. (\$694/month for an individual) Small restoration of Medical Assistance for Workers with Disabilities impacting 1,800 Missourians with incomes up to 250% FPL is proposed ¹⁰	200% FPL	100% FPL
Medicaid for Seniors	85% of FPL (\$694/month for an individual)	100% of FPL, although they may qualify with higher income if they have high medical expenses	
State Premium Offsets for Private Insurance Buy-Ins for	A pilot program is proposed. ¹¹ Premium offset for small employers for employees earning up to 200% FPL. The State, employer and employee would share the cost. ¹²	Yes: Up to 200% of FPL through the Medicaid (MassHealth) program	Yes- Individuals can buy-in to the new state health pool and receive premium subsidies if their incomes are less than 250% of FPL

³ "Expanding Access to Health Care: Massachusetts Health Care Reform Bill Summary", Blue Cross Blue Shield Foundation of Massachusetts.

⁴ Details taken from the "The Basics of MassHealth, the Medicaid Program in Massachusetts", Massachusetts Medicaid Policy Institute, December 2004 and the "Massachusetts Health Care Reform Bill Summary", Blue Cross Blue Shield Foundation of Massachusetts.

⁵ Details taken from Governor Schwarzenegger's Health Care Proposal released in January 2007

⁶ Federal Poverty Level is \$9,800/year for an individual; \$13,200/year for a two-person household; \$16,600/year for a family of 3; \$20,000/year for a family of 4. Federal Register, Vol. 71, January, 2006, pp3848-3849.

⁷ According to the Kaiser Family Foundation, State Health Facts online at www.kff.org

⁸ Part of MO Healthnet is to ameliorate the current affordability test and premium structure. As of March 19, no specific legislative proposal has been introduced to do this.

⁹ SB577 (Shields) 2007

¹⁰ HS HCS B39 (Portwood) was assigned to the Senate Committee on Health and Mental Health. No hearing has been scheduled at this date.

¹¹ Senate Committee Substitute for SB577, which was voted DO PASS by the S Health and Mental Health Committee on March 13, 2007

¹² *ibid*

Individuals or Employers			
Individual Mandates	No	Yes, based on affordability guidelines	Yes
Employer Mandates	No	Yes for employers with more than 10 Full Time Employees, \$295 per month per employee	Employer "Fair Share" contribution. Employers with 10 or more employees who do not offer insurance will be required to pay 4% of payroll to the state.
Insurance Pooling	Only slight pooling for the new Employer Premium Offset Program	Yes through the "Connector" and other insurance reforms	Yes, new state purchasing pool

Strategies That Will Not Help Reduce the Number of Uninsured

The plans offered by the Missouri Governor and the legislators in 2007 to decrease the number of uninsured are unlikely to have significant impact.

Premium offsets are one option that both the Governor and some legislators propose. Other states have not found this to be successful.¹³ Enrollment in these programs has been relatively low, and those who do enroll tend to have higher incomes.¹⁴ For a fuller discussion of the potential impact of premium offset programs, visit www.mobudget.org to view the Missouri Budget Project's policy brief on this issue.

Another option being considered is to require employers to offer **cafeteria plans** to employees. In these accounts a portion of the employee's salary is placed in an account that can be used for health care related expenses, and the employee does not pay tax on this money. As shown in the table above, families with incomes below 200% of federal poverty level are not likely to have enough discretionary income to make this a viable option.

A third option being discussed is the use of **high deductible health savings accounts**. These tax-exempt savings accounts were established under the 2003 Medicare drug law. A recent study by the Government Accountability Office¹⁵ indicates that slightly more than half of the individuals who made contributions to a Health Savings Account in 2004 (the first year these were available) had adjusted incomes over \$75,000. Only 18% of all tax filers had adjusted incomes over \$75,000, so this obviously is of most benefit to those with higher incomes.¹⁶

The GAO study also indicated that many individuals merely used Health Savings Accounts as a tax shelter. More than half of those who had Health Savings Accounts in 2004 did not withdraw any money from them, indicating that they were using them to avoid paying taxes rather than pay for their health care.¹⁷

Finally, there are suggestions to allow a **tax deduction for the cost of health insurance premiums** and/or other health care costs on individuals' state taxes. These are also unlikely to benefit those with low incomes who comprise the larger portion of the uninsured. The cost of health insurance premiums is simply beyond their reach.

¹³ Krause, B., *Helping the working poor buy insurance: Addressing barriers to premium assistance*. Washington DC: NGA Center for Best Practices, 2006.

¹⁴ Alker, J. *Premium Assistance programs: How they are financed and do states save money?* Kaiser Commission on the Uninsured, Washington DC, 2005.

¹⁵ Government Accountability Office. *Consumer-Directed Health Plans: Early Enrollee Experiences with Health Savings Accounts and Eligible Health Plans*. GAO-06-798, August 2006.

¹⁶ Park, E. and Greenstein, R. *GAO Study Confirms Health Savings Accounts Primarily Benefit High-Income Individuals*. Center on Budget and Policy Priorities, September 2006.

¹⁷ *ibid*

Conclusion

Missourians are concerned about the rising costs of health care for themselves, and for all Missourians. Almost half of the uninsured in Missouri have low incomes. Missouri must follow the lead of other states that have undertaken serious efforts to reduce the number of uninsured and find ways of providing adequate, affordable health insurance for those individuals and families who lack the resources to purchase it. Private market reforms may be options for those with higher incomes, but these must be based on a strong commitment to provide public health insurance for Missourians with lower incomes.

The Missouri Budget Project is a statewide, nonprofit, nonpartisan organization that informs the public about the state's budgetary and tax policy options and their impact on low-income Missourians.