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Health Care Coverage for Low Income Missourians: *Show-Me Health Coverage Plan* Misses the Mark

Ruth Ehresman, Director of Health & Budget Policy

In 2008 there were 729,000 Missourians who lacked health insurance¹. In the past year, unemployment rates have risen steadily, and undoubtedly many of the unemployed are swelling the ranks of the uninsured.

SB306 proposes the *Show-Me Health Coverage Plan*², which creates a framework to expand coverage to individuals who meet the eligibility criteria in years in which the General Assembly appropriates necessary funding. Modeled on the *Healthy Indiana* plan, it requires participants to enroll in high deductible health plans and contribute to health savings accounts. This approach could likely cost the state more for coverage that provides fewer services, while increasing administrative costs.³

Why the *Show-Me Health Coverage Plan* is neither efficient nor cost effective

The Missouri Budget Project believes that the *Show-Me Health Coverage Plan* has five primary flaws that prevent it from being an efficient and cost-effective way to insure low income Missourians.

1. **It doesn't guarantee coverage to anyone.** SB306 sets up a framework for coverage if funds are appropriated. However, Missouri can already expand coverage through appropriations without enacting a statutory change
2. Missouri would need a federal waiver to implement most components of the *Show Me Health Coverage Plan*. **Waivers present risks to the state, beneficiaries and providers.**
 - Waivers are subject to budget neutrality requirements: in “regular” Medicaid, federal funds are available as an entitlement. Under a waiver federal contributions are capped, and the State has to re-direct existing Medicaid funds (such as disproportionate share payments) to cover individuals
 - Beneficiaries, providers and the state budget are at risk under a waiver. Because of these risks, there must be a public and open process in developing the waiver.⁴ SB306 does not provide for this
3. **The eligibility criteria for the *Show Me Health Coverage Plan* exclude many of the individuals who would be eligible if the family income eligibility limits were simply raised in Medicaid**

¹ Ehresman, R. What the Census Indicates About the Uninsured in Missouri, October 2008 available at http://www.mobudget.org/uninsured_census_data_20081.pdf.

² SB306, available at <http://www.senate.mo.gov/09info/pdf-bill/intro/SB306.pdf>.

³ Solomon, J. *Paying More for Less: Healthy Indiana Plan Would Cost More Than Medicaid While Providing Inferior Coverage*, available at <http://www.cbpp.org/1-24-08health.pdf>.

⁴ Ferber, J. *Summary of SB306: Bill Would Establish “Show-Me Health Coverage Plan”*. February, 2009.

- It limits unearned income to the current temporary assistance eligibility limit (\$292/mo for a family of three) and requires individuals to have earned income that is greater than this eligibility limit (\$292/mo for a family of three).
- Under these eligibility criteria, many individuals who receive child support, unemployment compensation and/or disability for a family member will be ineligible
- SB306 places undue hardship on those with unearned income. Eligibility should be based on family income, regardless of its source.
- Unlike Medicaid, the *Show Me Health Coverage Plan* requires individuals to be uninsured for 6 months before being eligible
- Individuals with access to employer-sponsored insurance are ineligible, regardless of pre-existing conditions, the affordability of the insurance or whether the benefit package meets the health needs of the individual

4. Health savings accounts, deductibles and participant contributions increase administrative cost

- The *Show Me Health Coverage Plan* creates new layers of bureaucracy. The bill requires monitoring of: contributions to individual savings accounts; deductibles paid from the account; and the use of \$500 of “free” preventive services. Federal law requires that the individual’s total cost sharing does not exceed 5 percent of income, so this must also be monitored
- Some states have abandoned trying to collect premiums from low income families because the administrative burden was so great⁵
- Participants will have to learn to navigate systems that are more complex than those in private insurance

5. Health savings accounts and cost sharing are barriers to coverage and may encourage adverse selection

- Research in private insurance shows that high deductible plans with health savings accounts are most useful to people with higher incomes that benefit from the tax breaks that come from the health savings accounts⁶. Participants in *Show Me Health Coverage* will get little, if any, tax benefit from the health savings account.
- Even small cost sharing requirements are barriers to participation by individuals who are strapped to meet basic needs each month⁷
- Requiring very low income individuals to make up front contributions for health care coverage means that individuals with health problems would be more likely to participate than healthy individuals. Healthy individuals are more likely to use their limited resources on food, rent and other basic needs, rather than purchasing health insurance. This kind of adverse selection is likely to drive up the cost for the state.⁸

The Mission of the Missouri Budget Project is to advance public policies that improve economic opportunities for all Missourians, particularly low and middle income families, by providing reliable and objective research, analysis and advocacy. Contact the MBP through our website at www.mobudget.org

⁵ Ku, L and Wachino, V, *The Effect of Increased Cost Sharing in Medicaid: A Summary of Research Findings*, revised July 2005. Center on Budget and Policy Priorities

⁶ Park, E. and Greenstein, R., *GAO Study Confirms Health Savings Accounts Primarily Benefit High-Income Individuals*. Center on Budget and Policy Priorities, September 2006; Fronstein, P. and Collins, S., Findings from the *EBRI/Commonwealth Fund Consumerism in Health Survey*, March 2008.

⁷ Ku, L. and Wachino, V. Ibid

⁸ Ferber, J. *Summary of SB306: Bill Would Establish “Show-Me Health Coverage Plan”*. February 2009.