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

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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 each year. However, Missouri can already expand coverage through appropriations without enacting a statutory change.
 - a. If adequate funds are not appropriated, enrollment in the *Show-Me Health Coverage Plan* would be capped. This means that eligible individuals are not guaranteed coverage. Therefore, unlike traditional Medicaid, the *Show-Me Health Coverage Plan* is not an entitlement program.
 - b. During Senate debate of the measure it was acknowledged that SB 306 would cover less people than traditional Medicaid because the administrative cost is higher.
- 2. Low-income families are only allowed to be healthy for three years.** SB 306 includes a three-year time limit for families with incomes between 20 percent (the current Medicaid/MO HealthNet eligibility limits) and 50 percent of the FPL. The time limits can only be extended for two years if participants meet educational and/or vocational training requirements. This harsh provision is inconsistently applied *only* to the poorest income group covered under SB 306.
- 3. 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

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>.

cover individuals. Over time, the *Show-Me Health Coverage Plan* will cost the state more money: as the cost of healthcare increases each year, federal funding remains capped at the same amount.

- 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.

4. The eligibility criteria for the *Show-Me Health Coverage Plan* excludes many of the individuals who would be eligible if the family income eligibility limits were simply raised in Medicaid.

- 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.

5. 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 ranges from 1 to 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 great.⁵
- Participants will have to learn to navigate systems that are more complex than those in private insurance.

6. 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 month.⁷
- Requiring 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

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

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.