

Alternative State Coverage Initiatives for Uninsured Workers and Families

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**“Exploring Realistic Coverage
Option for the Uninsured”**

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IHPS

Distribution of All U.S. Workers NOT Covered Through Their Own Employer, 2003 *

Number of Employees in Firm:		All	<=50	50+	Memo <10	Unin- sured Rate**
% Dist'n of Ees NOT COVERED (thru own job)	100%	39%	61%	20%		
Ees Who DECLINED Coverage Offered	30%	7%	23%	2%	22.3%	
Ees NOT ELIGIBLE for Coverage Offered	41%	8%	33%	2%	41.6%	
Er DOES NOT OFFER Coverage to Any Workers	29%	24%	5%	16%	46.6%	

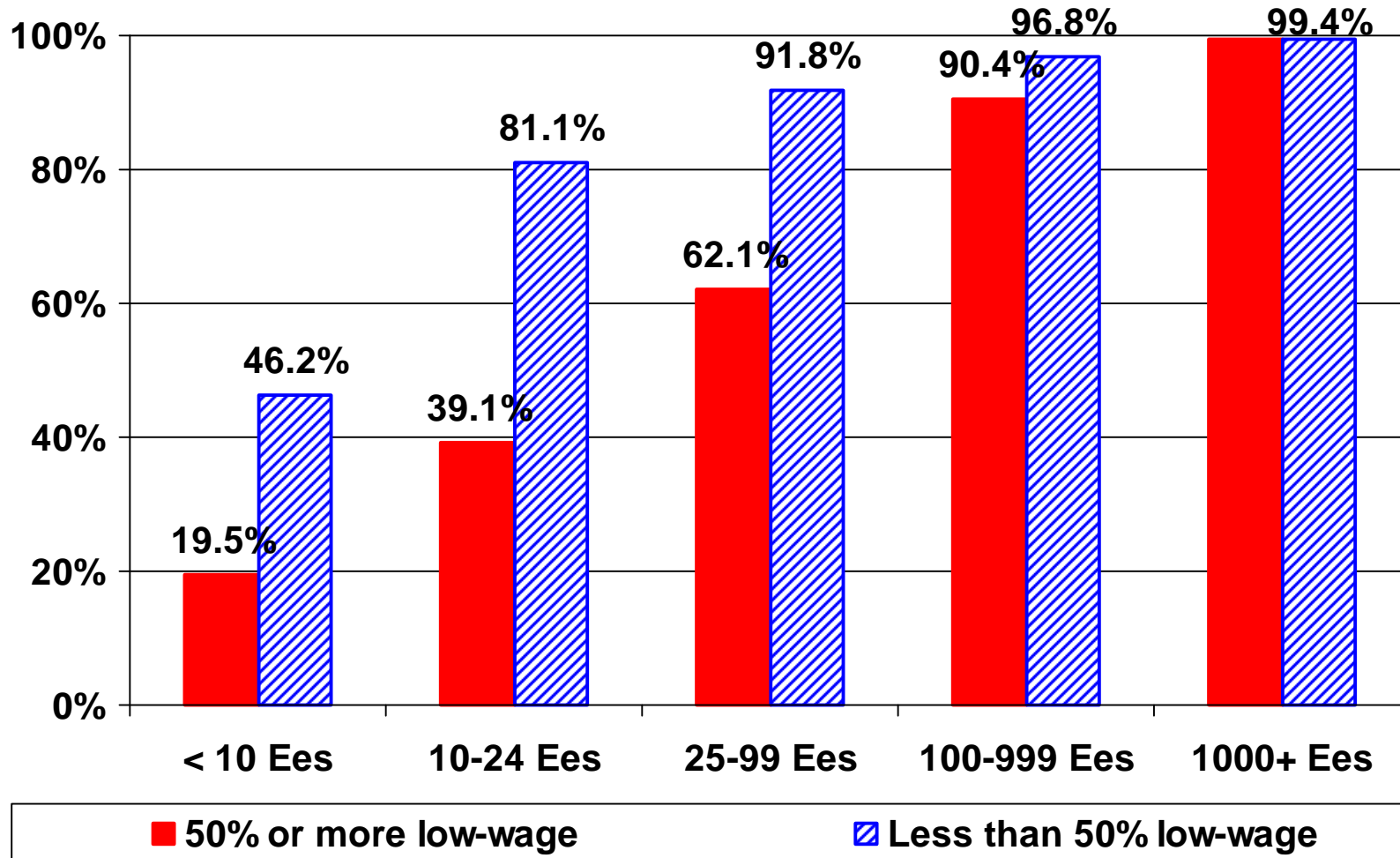
* These workers may receive coverage through a spouse or other sources.

** Indicates the approximate percentage of workers not covered through their own employer's plan who are actually uninsured, based on the 1996-97 Community Tracking Survey from the Center for Studying Health Systems Change.



Source: Institute for Health Policy Solutions analysis of 2003 Medical Expenditure Panel Survey – Insurance Component Data published by the U.S. Agency for Healthcare Research and Quality. <http://www.meps.ahrq.gov/MEPSDATA/ic/2003/Index103.htm>.

Percent of Private-Sector Establishments That Offer Health Insurance, by Firm Size and Wage Profile, 2003



“Low-Wage” = earns \$9.50 per hour or less (about \$19,800 per year @ 40 hours/week).

Source: U.S. Agency for Healthcare Research and Quality, 2003 Medical Expenditure Panel Survey – Insurance Component, Table I.A.2. <http://www.meps.ahrq.gov/MEPSDATA/ic/2003/Index103.htm>.



State Uninsured / Low-Wage Small-Firm Worker Initiatives Involving Premium Assistance

Examples:

- **Montana** (purchasing pool begins ops 1/2006)
- **Massachusetts** (“Insurance Partnership”)
- **Michigan** (“Three-Share” local initiatives)
- **New Mexico – State Coverage Insurance (SCI)**
- **(Healthy) New York** (Subsidized via reinsurance)
- **Maine** (“Dirigo”)
- **West Virginia** (State Discounts, No PA)

Critical Characteristics

for reaching uninsured low-wage small employer groups.

Experience to date indicates:

- **Affordable, predictable and easily understood employer contribution requirements** (e.g., \$60 per worker per month);
- **A stable source of subsidies for low-income workers that will not leave employers “holding the bag” for coverage they otherwise cannot afford to maintain;**
- **Simple employer roles that minimize burden**, e.g., do not involve them in family income tests or subsidy administration;
- **Equity among similarly situated workers; Coverage available for all full-time workers in group, including non-subsidized.**

What Doesn't Work? Examples

- **Involving Employers in Family Income Testing:** Neither workers nor their employers want this; Several states learned this the hard way with premium assistance approaches
- **Varying Employer Contributions with Individual Worker's Family Income:** What they don't know can hurt them. Employers know wages, not family incomes. (A problem for SacAdvantage plan)
- **Employer Contributions Don't Reduce Their Workers' Costs:** Past State employer contribution schemes for coverage already available to workers at no employer cost--

Transitioning Towards Coverage of All

- **Incentives should be consistent with the roles, responsibilities envisioned for individuals, employers and government.**
- **Hybrid coverage structures can help reach the kinds of groups that cannot afford traditional employer or individual coverage.**
- **A pool can integrate elements of individual, employer and publicly subsidized coverage.**

Continuum of Approaches for State-Level Coverage of All Workers and Their Families

Individual Responsibility	Hybrid	Employer Pay-or-Play	Employer + Worker Pay
<ul style="list-style-type: none"> • Individual Market? • Pool? • Employer Coverage? 	<ul style="list-style-type: none"> • Individual Responsibility • Employer Role Minimum • Employer Offer • Employer Offer + Minimum Contribution 	<ul style="list-style-type: none"> • Pay-or-Play (with Worker Mandate) • “Play” Employer Coverage • “Pay” Pool 	<ul style="list-style-type: none"> • Choice Pool OR • Single Payer

But . . . ERISA Constraints . . .

State Individual Mandate Proposals

MASSACHUSETTS: Governor Romney's "Commonwealth Care" Proposal

- Subsidies for low-income up to 300% FPL through "Exchange"
- Funding from "free care pool" and safety net funds
- Low-Cost/Lean Benefit Plan over 300%FPL though "Exchange"
- Would use employment-based tax benefits where possible
- Assumes no crowd-out of existing (intensive) employer coverage

CALIFORNIA

- Bi-partisan sponsored (Richman/Nation bill) died in committee

State Employer Requirement Proposals

CALIFORNIA: SB2 Employer “Pay-or-Play for Employers ≥ 50 ”

- Enacted 2003, Defeated in referendum (50.9%), November 2004
- No new State costs or low-income subsidies
 - ➔ Disproportionate burden for low-wage/low-income groups
- Pool would not have been viable
- Would cover 26% of State’s uninsured (9% of those subject to SB2 were uninsured)

VERMONT: Employer payroll tax for employers not covering all (FT & PT) workers

- Passed by legislature, vetoed by governor

WISCONSIN: Payroll fees from all employer groups

- Wisconsin Health Care Plan; Bi-partisan Sponsors
- Individual choice of competing plans through statewide pool patterned on state-employee plan

Hawai'i

Employer mandate (Prepaid Health Care Act) 1975

- **1983 ERISA exemption “locked in” worker share at 1.5% of wages, so**
 - **Growing disproportionate employer burden, especially among small, low-wage firms**
 - **Growing number of 19-hour/week jobs**
- **Also uninsured among individuals, part-time workers (<20 hours)**
- **Interest in ways might use premium assistance, pool, individual mandates to extend coverage and provide relief where needed**

Comparing California and Massachusetts— Two States With Strong Public Interest in Coverage Reforms

Earnings and Employment, 2003	California	Massachusetts	U.S. Total
Per capita income	\$24,420	\$28,509	\$23,110
Percent unemployed	8.5%	7.4%	7.6%
Percent Uninsured <65	20.3%	11.8%	17.5%
Percent with Employer Coverage <65	57.1%	69.8%	62.6%
Percent on Medicaid <65	14.4%	12.4%	12.4%



Source: U.S. Census Bureau, American Community Survey. Kaiser Commission on Medicaid and the Uninsured, *Health Insurance Coverage in America: 2003 Data Update*, November 2004

Fundamental Characteristics Differ Across States

	California	Massachusetts	U.S. Total
Percent of Adults <65 Who Are Low-Income (< 200% FPL)	34.4%	25.0%	31.1%
Percent of Adults Who Are Uninsured	23.3%	13.6%	19.9%
< 200% FPL	43.8%	29.1%	40.1%
200% - 399% FPL	21.6%	14.5%	17.1%
400%+ FPL	6.8%	5.1%	6.3%
Percent Hispanic or Latino (all ages)	34.6%	7.5%	13.9%
Percent of workers (jobs) that are in low-wage businesses (i.e., median wage <\$9.50 per hour)	17.7%	10.4%	19.2%



Source: Kaiser Commission on Medicaid and the Uninsured,
Health Insurance Coverage in America: 2003 Data Update, November 2004