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Covering Working Families? Governor Blunt’s Proposal to Cover Missouri’s Uninsured *An Analysis of House Bill 818 (Ervin)*

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On February 15, 2007, Governor Blunt announced a new plan to cover Missouri’s uninsured. Introduced as House Bill 818 (HB818) by Representative Doug Ervin (R- Clay County), the legislation would make changes to the Missouri Health Insurance Pool and create the Missouri Health Insurance Exchange through which individuals and eligible employees could purchase health insurance with pre-tax dollars. While this plan may cover a small portion of Missouri’s 700,000 uninsured, the legislation would do little to assist many low-income Missourians negatively affected by the 2005 Missouri Medicaid cuts. This plan in its current form will not provide quality affordable health coverage to uninsured Missourians.

Key Components of House Bill 818

- Makes changes to the Missouri Health Insurance Pool.
- Establishes a private, non-profit corporation named the Missouri Health Insurance Exchange (“Exchange”). Individuals and eligible employees will be able to purchase health insurance through the Exchange using pre-tax dollars.
- The Exchange Board of Directors will include nine members including directors of state offices, legislators, and governor-appointed citizens in the health insurance and business sector.
- The State of Missouri will become a participating employer in the Exchange through which eligible current and past state employees and their dependents will access health insurance coverage.

Eligibility	<p>Eligible individuals must meet at least one of the following criteria:</p> <ul style="list-style-type: none"> ○ Missouri resident. ○ Full-time student who attends school outside Missouri but maintains Missouri as permanent residence. ○ Full-time students who attend school in Missouri. ○ Non-Missouri resident who is employed regularly in Missouri at least 20 hours per week and the employer does not offer a group health insurance plan or the
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	<p>individual is ineligible to participate in the insurance plan offered by the employer.</p> <ul style="list-style-type: none"> ○ Resident or non-resident who is eligible to enroll (or is enrolled in) a participating employer's plan. ○ Self-employed resident or self-employed non-resident whose principal place of business is Missouri. ○ A dependent of another eligible individual.
Who may apply	<ul style="list-style-type: none"> ● Any eligible individual. ● An employer, labor union educational, professional, civic, trade, church or social organization that has eligible individuals as employees or members may apply on behalf of those eligible persons.
Cost-sharing	Plans available through the Exchange are permitted to issue deductibles, co-insurance, and co-payments.
Criteria for plans to participate in the Exchange	<ul style="list-style-type: none"> ● Only plans that are certified by the director of insurance may be offered through the exchange. Certifications are annual, but are renewed automatically unless the director withdraws the plan, or the plan declines to participate in the Exchange. ● No plan shall be certified that excludes individuals otherwise determined by the Exchange to meet the eligibility requirements. ● The certification of plans shall not require competitive bidding.
Benefits	<p>Plans must provide detailed description of benefits, including maximums, limitations, exclusions and other benefit limits. Benefits <u>must</u> include</p> <ul style="list-style-type: none"> ● Hospital benefits ● Surgical benefits ● In-hospital benefits ● Ambulatory patient benefits ● Prescription drug benefits
Pre-existing Conditions	<ul style="list-style-type: none"> ● New participants in the Exchange with 18 months or more of creditable coverage will not be subject to any preexisting condition provisions. ● New participants with 2 to 17 months of creditable coverage will be subject to preexisting condition provisions on a prorated basis or charged a premium (surcharge) not more than 125% of the otherwise applicable premium, or both. ● New participants with less than 2 months of credible coverage will be subject to preexisting condition provisions on a prorated basis or charged a premium (surcharge) not more than 150% of the otherwise applicable premium, or both. ● Carriers may waive preexisting exclusions for individuals with limited or no credible coverage, and instead extend the applicable rate surcharge for an additional year. Surcharges may not be applied in the third year of participation. ● Any individual who participates in the Exchange through an employer plan will be deemed to have 18 months of creditable coverage.
Employers' Guidelines	<ul style="list-style-type: none"> ● Any employer may apply. ● Employers who participate in the Exchange: <ul style="list-style-type: none"> ○ Must allow eligible employees to choose any of the participating insurance plans. ○ May offer supplemental benefits as a plan separate from the Exchange. ○ Must not offer alternative competing plans with similar benefits to employees eligible for the participating employer plan. ○ May determine eligibility criteria for participation in the participating employer plan as long as the criteria are not altered during the annual period designated for the health care plans.

	<ul style="list-style-type: none"> ○ Sign a contract that designates the Exchange director to be the administrator for the employer's health plan. ○ Agree to sponsor a cafeteria plan as permitted under federal law.
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According to Governor Blunt, HB818 will:

- Allow Missourians to purchase health care with pre-tax dollars.
- Give small employers the opportunity to contribute to employee health care with less administrative burden.
- Increase competition between health care providers in an effort to make health care more affordable.
- Make health care portable by permitting employees to maintain the same insurance if they move from job to job.
- Increase choice of health care coverage for consumers.

Plan Has Potential; Vague Provisions Leave Questions

Portability?

Often changing jobs means changing health insurance, doctors, and health care networks. HB818 offers eligible Missourians portability through the Exchange. So, if an individual moves from one job to another s/he will be able to maintain the same health insurance. However, while an individual may remain eligible, there is no description of how a change in employer or employment status may impact the cost of the individual's health insurance. For example, if an individual moves from an employer with a participating plan to an employer that does not participate in the Exchange, will the individual have to pay a different amount since it s/he will no longer be accessing the plan through the employer? While portability has some clear benefits, HB818 leaves out many details of whether portability will be affordable and functional for all Missourians.

Affordability?

If eligible individuals cannot afford to buy into the Exchange either individually or through a participating employer plan, the reduction in the number of uninsured Missourians will likely be minimal. Deductibles, co-insurance, and co-payments are all mentioned in HB818 as potential features of participating plans. However, no mention is made of how much these cost sharing requirements will be and whether the plans will be given any affordability guidelines for establishing costsharing. The plan also has the potential to impose higher cost sharing requirements on those who have not been recently insured. Those most likely to be uninsured are individuals and families with the lowest incomes. Additionally, at the present time, no mention is made of subsidies to assist low-income workers.

Cost sharing and premium levels are directly related to the likelihood that low-income people will participate in a health insurance program. According to Lu & Coughlin (2000), only 10% of individuals at or below 200% of the federal poverty level are likely to participate if health care premiums make up 7% or more of their income. Furthermore, premiums set at 5% of income result in only an 18% participation rate. Therefore, without guidelines for affordable cost sharing, the participation rate of low-income individuals is likely to be low.

Benefits?

HB818 offers very little detail about what specific benefits will be covered by participating plans. Five categories of benefits are required: hospital, surgical, in-hospital, ambulatory, and prescription drugs. Information about wellness, primary care, mental health, dental, and vision care are notably absent. A lack of available preventive medicine reduces the economic productivity of U.S. workers. In 2003, \$260 million was lost due to sick days, not working, and reduced performance while on the job because of poor health (Davis, et al., 2005).

Comprehensive benefits including preventive care, early treatment of illnesses, and effective management of chronic conditions are all necessary to support a healthy and productive work force in Missouri.

Incentives for Employer Participation?

One aspect of HB818 provides opportunities to small employers to purchase health insurance through a managed competition model. However, aside from *doing the right thing*, there seems to be little incentive for employers who currently do not provide health insurance to enter into the Exchange. Some employers may opt to start offering health insurance through the Exchange if increased choice and competition does result in lower health insurance costs for participating employers, employees, and individuals. However, many of those employers who opt to participate in the Exchange may already provide insurance. Thus, this legislation may result in a change in where currently insured Missourians access health insurance coverage more than the provision of new coverage for the uninsured.

Massachusetts Plan Builds on Strong Safety Net

Governor Blunt's new plan resembles the Commonwealth Health Insurance Connector ("Connector"), a component of the Massachusetts Health Care Reform Law that was passed in 2006. The board structure, the controlled marketplace, and the employee/individual as the purchaser are very similar components of the two plans. However, in Massachusetts, the Connector was just one aspect of a more comprehensive plan to cover the uninsured. Massachusetts was able to build on and expand an already strong public safety net of health care coverage for low-income residents. Prior to health care reform, Massachusetts covered children and pregnant women up to 200% FPL, parents up to 133% FPL, and many people with disabilities up to 300% FPL (Solomon, 2007). Massachusetts further expanded its Medicaid and SCHIP eligibility and created the Commonwealth Care Health Insurance Program explicitly outlining coverage for its poorest residents. Those with incomes less than 100% FPL are not required to pay any premium. Massachusetts further offers sliding scale premiums to individuals up to 300% FPL based on affordability guidelines.

Without a strong public safety net, HB818 will not provide health insurance for Missouri's low-income uninsured. Governor Blunt's plan falls very short of that goal. If our goal is to reduce the number of uninsured Missourians, our greatest opportunity for success will layer private insurance market reforms on a strong base of affordable coverage for low income workers.

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