



HEALTH ACCESS

Consumers for Affordable Health Care Foundation • CAHCF

"Advocating the right to health care for every man, woman and child!"

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Health Care Coverage: PROBLEMS & SOLUTIONS

Problems

As insurance costs skyrocket, many are losing health insurance coverage in Maine. About 13% of Mainers have no coverage - that's over 165,000 citizens. As costs rise, more employers, especially small employers paying lower wages, are dropping coverage. Workers in firms with fewer than 25 employees paying less than \$10 per hour are hurt the most. They cannot afford to take-up coverage and earn too much to qualify for Medicaid.

Solutions

One widely discussed solution is to expand the state-federal program called Medicaid to insure people with incomes below 200% of federal guidelines. That's \$16,704 for a single person, \$22,500 for a couple, and \$28,308 for a family of three on an annual basis. The proposal to provide Medicaid to single adults, couples without children and parents of children who earn less than 200% of federal guidelines has gotten the support of consumer organizations, such as Families USA, and insurance industry, in particular the Health Insurance Association of America. Legislation sponsored by House Speaker Mike Saxl will be introduced in the Maine Legislature in 2001. Rep. Thomas Kane will be introducing similar legislation.

How Do We Pay For Expanded Coverage?

Seventy-eight percent (78%) of registered Maine voters responding to an August 2000 poll conducted by the University of New Hampshire Survey Center said they supported increasing the tobacco tax in Maine by 50-cents to fund access to health care coverage for the uninsured. A large group of Maine organizations, called the Alliance for a Healthy Maine, have banded together to advance the effort to raise the tax and use it to expand Medicaid coverage. The tax will raise about \$47.5 million per year for each of the 5 years from 2002 through 2006.

For more information, call 1-800-838-0388.

Solving Maine's Health Care Crisis: Strategies for Success

by Joseph P. Ditre, Esq., Ex. Dir., CAHC Foundation

Maine Has the Highest Rate of Uninsured Citizens in New England

About 165,440 Mainers (almost one out of every seven) have no health insurance today.¹ At 13.2 percent of its total population, Maine has the highest three-year average uninsured rate of all New England states.² Despite a thriving economy and historically low levels of unemployment, the number of uninsured remains very high. Were it not for recent expansions of Medicaid and Cub Care providing coverage to more children³ and their parents⁴, the number of Maine's uninsured would have increased dramatically.

Private Market Turmoil

With the collapse of the non-group (individual) insurance market in Maine and the small group market "not far behind"⁵, the pull-out of Tufts Health Plan, the receivership of Harvard-Pilgrim and the conversion of Maine Blue Cross to a for-profit company, Maine's private insurance market is in turmoil. Carriers are leaving. Those that remain are increasing rates. Carriers have been routinely granted rate increases by the Bureau of Insurance during calendar year 2000.⁶ The Bureau of Insurance reports that it has not denied any rate increases during calendar year 2000.⁷ Approved rate increases have ranged from 20% to 69%.⁸ More increases are expected in 2001 especially in the non-group market.

Health Care Costs on the Rise

Despite the promise of managed care to control costs and expand access to coverage, the number of uninsured has increased and health care costs are on the rise. Health care spending accounts

for nearly 14 percent of Maine's GDP. This is a far larger share of Maine's total GDP than that of the U.S. which spends about 12.3 percent of GDP on health care.⁹ These increased costs are evident in the rapid increase in insurance premiums. The short period of premium stability that resulted from under-pricing by out-of-state companies in order to gain market share in Maine is over. The managed care industry is now seeking to reduce insurance benefits and shift more costs to insured consumers.¹⁰

Shrinking Employer Coverage and Contribution

The number of small employers offering coverage in Maine has been declining. A 1999 survey of Maine small businesses with fewer than 50 workers found that while 77 percent of the respondents had offered coverage at some time in the previous three years, only 68 percent currently offered a health insurance plan to at least some of their workers.¹¹ Even in states where employer offered coverage has increased slightly, "take-up" rates by employees has dropped.¹² Sixty-eight percent (68%) of workers, who are not covered by another family member's plan, do not take-up coverage because costs are prohibitive.¹³ Those least able to "take-up" employer offered coverage work in small firms with fewer than 25 workers and have incomes at or below \$10 per hour.¹⁴ Premiums that do not vary by worker income obviously impact lower wage workers harder than higher paid workers. Making matters worse, the average monthly contribution required for the lowest-cost family coverage plan is 54% higher in firms where the typical wage is less than \$7 per hour than that required in firms paying \$15 per hour.¹⁵

The amount of total premium paid by the employer has been declining in recent years, putting greater financial pressure on workers trying to maintain their insurance. In 1996, employee premium contributions for family coverage averaged 33 percent in Maine, slightly higher than the national average.¹⁶ Of total health expenditures in Maine, employers contribute less than 20 percent. Moreover, out-of-pocket expenditures for those with private insurance averaged 37.5 percent in Maine.¹⁷

Building on Maine's Successes – Medicaid and Cub Care

At a recent news conference, Governor Angus King declared Medicaid and Cub Care a huge success in reducing the rate of uninsured children in Maine from 16% to 5.9% over a two-year period. The Administration promotes these expansions of Medicaid and Cub Care as a good use of public dollars.

House Speaker Mike Saxl (D, Portland) will introduce legislation to expand Medicaid coverage for all non-elderly persons with household incomes at or below 200 percent of federal limits - that's \$16,704 for a single adult, \$22,500 for a couple without children, and \$28,308 for a family of three on an annual basis. Single adults and couples without children have never been covered by the Medicaid program regardless of how poor they are. They are referred to as "non-categoricals" because they do not fall into any category covered by federal Medicaid rules. Maine, like other states that have offered coverage to "non-categoricals", will have to obtain permission to do so from the federal government called a "Medicaid waiver."

Representative Saxl's proposal builds upon expansions in recent years enacted by the Maine Legislature for children and their parents. Two Maine-based Commissions similarly have recommended expanding the Medicaid program.¹⁸ Recommendations to expand Medicaid are being proposed on the national level. The Health Insurance Association of America, the American Hospital Association and Families U.S.A. have joined together to support expanding Medicaid coverage to persons with incomes at or below 200 percent of federal limits.¹⁹

Coverage Will Be Costly - But It Cannot Be Avoided Any Longer. Mainers Want Action!

It is clear that an expansion of health coverage to thousands of Maine citizens will be costly. However, failure to provide cover-

age to the uninsured has resulted in higher costs for those who are now insured. Costs are shifted onto programs that provide insurance coverage in order to cover the costs of those who are unable to pay large medical costs that have bankrupted many. The time for action is now.

An overwhelming **seventy-eight percent (78%)** of registered Maine voters responding to a poll conducted by the University of New Hampshire Survey Center in August 2000 support raising the tobacco excise tax by 50-cents to provide access to health care coverage to uninsured and underinsured Mainers. The Schneider Institute for Health Policy in Boston estimates that raising Maine's tobacco excise tax by 50-cents would generate \$47.5 million for each of the five years from 2002 through 2006.

The Alliance for a Healthy Maine includes twenty-eight organizations such as Consumers for Affordable Health Care, the American Cancer Society, the Maine Medical Association, the American Lung Association of Maine, the Maine Hospital Association, the Roman Catholic Diocese, the Maine Women's Lobby and the Maine Public Health Association. These diverse organizations are united in their effort to raise the tobacco tax to expand Medicaid coverage to some of Maine's uninsured citizens.

¹ Year 2000 Blue Ribbon Commission on Health Care, Appendix A, pg. 58

² U.S. Census Bureau. According to the Year 2000 Blue Ribbon Commission on Health Care, 15.7 percent of Maine citizens age 18 – 64 are uninsured.

³ Children in households with incomes at or below 200 percent of the federal eligibility levels (\$34,104 for a family of four in 2000) are eligible for coverage for either Medicaid or Cub Care.

⁴ Parents of children covered by Medicaid with household incomes at or below 150% of federal eligibility levels (\$25,584 for a family of four as of September 1, 2000) are eligible for Medicaid.

⁵ Testimony of Superintendent Al Iuppa and Commissioner S. Catherine Longley, July 27, 2000 before the Banking and Insurance Committee after the announced pull-out of four non-group carriers (Conseco, Washington National, Mutual of Omaha, and Pioneer Life) from the Maine market. The Maine Bureau of Insurance estimated that these four carriers insure about 12,000 Maine citizens.

⁶ Maine has a "file and use" statute for

requested rate increases meaning that no public hearing is required by the Bureau of Insurance in order to determine whether rate increases should be granted.

⁷ Conversation with Bureau of Insurance Actuary Richard Diamond, December 12, 2000.

⁸ Bureau of Insurance website and insurer notices to individual policyholders

⁹ Year 2000 Blue Ribbon Commission on Health Care, pg. 5

¹⁰ Testimony of Sharon Roberts, Anthem Blue Cross, on July 27, 2000 to the Banking and Insurance Committee suggesting "loosening" community rating laws and allowing carriers to sell high-deductible policies.

¹¹ St. John, C., Ditre, J., and Pohlman, L., *At Risk: Small Business Health Coverage in Maine*, August 2000

¹² Thorpe, K. and Florence, C., *Why Are Workers Uninsured?*, **Health Affairs**, March-April 1999, pg. 213

¹³ Id.

¹⁴ Cooper, P.F. and Schone, B.S., *More Offers Fewer Takers for Employment-Based Insurance: 1987 – 1996*, **Health Affairs**, November-December 1997, pg. 142

¹⁵ Cunningham, P.J. et al., *Who Declines Employer-Sponsored Health Insurance and Is Uninsured?*, Issue Brief (Washington Center for Studying Health System Change, October 1999)

¹⁶ Branscome, J. et al., *Private Employer-Sponsored Health Insurance: New Estimates by State*, **Health Affairs**, January-February 2000, pg. 145

¹⁷ Year 2000 Blue Ribbon Commission on Health Care, pg. 15

¹⁸ Id. at pg. 43; Joint Select Committee to Study the Creation of a Public/Private Purchasing Alliance to Ensure Access to Health Care for All Maine Citizens, December 1, 2000, pg. 15

¹⁹ Kahn, C. and Pollack, R., *Building A Consensus For Expanding Health Coverage*, **Health Affairs**, January – February 2001,