

**Joint Legislative Audit and Review Commission**

# **Options to Extend Health Insurance Coverage to Virginia's Uninsured Population**

September 25, 2008



# Study Mandate

- HJR 158 (2006) directed JLARC to study options for extending health insurance coverage to the uninsured
- The mandate directed JLARC to
  - Analyze the number and demographics of the uninsured
  - Assess the costs incurred from treating the uninsured
  - Examine programs in other states to increase health insurance coverage levels

# Partnership Between JLARC and VHCF

- JLARC partnered with the Virginia Health Care Foundation to determine
  - Who are the uninsured?
  - How much does it cost to treat the uninsured?
- Contracted with Urban Institute to
  - Review recent surveys on insurance status to develop estimate for Virginia's uninsured population
  - Estimate costs of treating the uninsured based on data from the Medical Expenditure Panel Survey

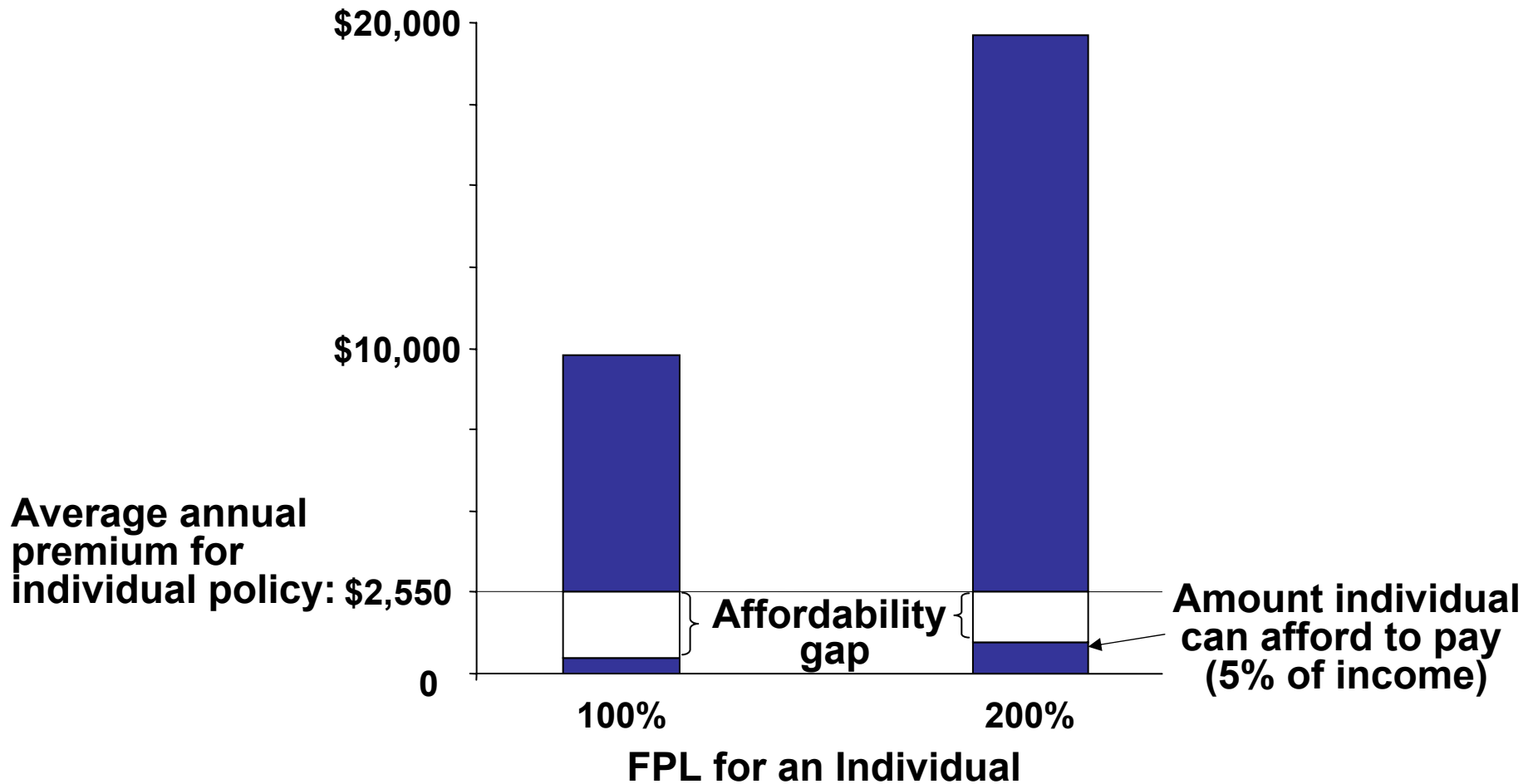
# Who Are the Uninsured?

- 9 to 16 percent (632,000 to 1 million) non-elderly Virginians were uninsured in 2005.
  - Approximately 60% were low-income
  - More than 40% were between the ages of 19 and 34
  - More than 80% lived in a working household
  - Approximately 50% lived in household in which wage earner worked for employer with fewer than 100 employees

# Why Do Individuals Lack Insurance?

- Affordability is primary barrier to obtaining insurance
- Nearly half of uninsured have no offer of employer-sponsored insurance
- Few adults qualify for Medicaid

# Low-Income Individuals Cannot Afford Private Health Insurance



Source: JLARC staff analysis of Bureau of Insurance individual health insurance premium data.

# About \$1.45 Billion in Care for the Uninsured Was Uncompensated (2005)

- About \$538 million donated by health care providers to uninsured patients
- About \$159 million provided by government sources to hospitals

## 3 Categories of Options to Address Uninsured

- More accessible health care for low-income Virginians
- Non-subsidy options for small employers
- Additional options tried in other states

# More Accessible Health Care for Low-Income Virginians

- Options include
  - Medicaid expansion
  - Direct subsidies to individuals
  - Subsidies to small employers/employees
  - Reinsurance subsidies
- Investment of State and/or employer funds is required in order to make coverage more affordable

# Medicaid Expansion

## ■ Who Is Served?

- Low-income adults up to 100% of federal poverty level (FPL)

## ■ Who Pays?

- Federal and State gov't would split cost for parents 50/50. State might pay more for childless adults

## ■ What About Other States?

- Most extend coverage to a substantially higher proportion of low-income parents, and 14 states extend coverage to childless adults

# Direct Subsidies to Low-Income Individuals

## ■ Who Is Served?

- Could target low-income individuals between 100 and 200% of FPL

## ■ Who Pays?

- State likely would incur substantial costs for subsidy and administration

## ■ What About Other States?

- Oklahoma, Maine, and Massachusetts have subsidy programs

# Subsidies to Small Employers Who Offer Health Insurance

## ■ Who Is Served?

- Targets the working poor and requires employers and employees to share responsibility with State

## ■ Who Pays?

- State likely would incur most of subsidy cost

## ■ What About Other States?

- Oklahoma and Montana have subsidy programs

# Reinsurance Subsidies

- Who Is Served?
  - Low-income and medically needy
- Who Pays?
  - State pays portion of high-risk claims and likely would incur most of subsidy cost
- What About Other States?
  - New York, Louisiana, and Arizona have reinsurance programs

# Non-Subsidy Options for Small Employers

- Options include
  - Leveraging the State health plan
  - Establishing a market exchange
- Neither option would require much State investment but may not offer sufficient incentive for small employers to help fund their employees' health insurance

# Allow Small Employers to Utilize State Employee or Local Choice Health Plans

## ■ Who Is Served?

- Employees of small employers who do not currently offer health insurance

## ■ Who Pays?

- Could increase premiums for State and Local Choice employees, increase administrative costs for the State
- Small employers still incur substantial premium cost

## ■ What Do Other States Do?

- West Virginia allows small employers to take advantage of cheaper medical provider reimbursement rates

# Establish a Market Exchange that Small Employers Could Designate as Employer Plan

## ■ Who Is Served?

- Employees of small employers who do not currently offer health insurance

## ■ Who Pays?

- Small employers can offer pre-tax employer contribution without any administrative responsibilities
- May not be sufficient incentive for employers

## ■ What About Other States?

- Massachusetts recently established connector

# Additional Options Tried in Other States

- Individual mandate
- Employer incentive
- Expanded eligibility for coverage under parents' policies
- Limited benefit plan
- Single payer system

# Mandate that Individuals Obtain Insurance and Penalize Those Who Do Not

## ■ Pro

- Would likely reduce the number of uninsured by creating incentive to purchase insurance

## ■ Cons

- Could not apply to those unable to afford insurance
- Restricts personal freedom

## ■ Other States

- Massachusetts recently imposed mandate

# Tax Employers but Exempt Those Who Offer Health Insurance

## ■ Pro

- Could encourage more employers to offer health insurance without cost to the State

## ■ Con

- Cost of providing insurance could place financial strain on businesses

## ■ Other States

- Massachusetts recently established employer incentive

# Expand Eligibility for Coverage to Young Adults Under Parents' Health Plans

## ■ Pro

- Insurance more accessible and affordable for some young adults

## ■ Con

- Most employer-sponsored plans are self-insured and would not be subject to this requirement

## ■ Other States

- New Jersey has expanded eligibility to age 30

# Allow Sale of Limited Benefit Insurance Policies

## ■ Pro

- Might make insurance more affordable

## ■ Con

- Limited benefit policies may not be significantly cheaper

## ■ Other States

- Colorado, Florida, Montana, and North Dakota have enacted legislation for sale of limited benefit plans

# Single Payer System With Universal Coverage

## ■ Pro

- State would provide health care access to all Virginians

## ■ Con

- Revenue would have to be generated through tax or other means to fund system

## ■ Other States

- Recently enacted by California legislature but vetoed by the Governor

# Findings

- Multiple policy options address various segments of the uninsured population.
- With the exception of a single payer system, the options are not mutually exclusive, and some combination of them would be needed to address the entire uninsured population.

# Policy Options Affect Different Populations

Option	Low-Income Individuals	Employees of Small Businesses	Medically Needy Individuals	Part-Time and Seasonal Workers	Temporarily Uninsured Individuals	Individuals Who Can Afford Insurance
Medicaid/FAMIS Expansion	✓					
Direct Subsidies	✓		✓			
Small Employer Subsidies	✓	✓	✓			
State Reinsurance	✓	✓	✓			
Leveraging State Employee Health Plan		✓	✓			
Establishing Market Exchange (Connector)		✓		✓	✓	
Individual Mandate		✓		✓	✓	✓
Employer Incentive	✓	✓	✓			
Expanding Coverage Under Parents' Policy			✓	✓		✓
Limited Benefit Insurance Policies		✓				✓
Single Payer	✓	✓	✓	✓	✓	✓

# State Could Focus on Most Cost-Effective Options to Address Low-Income Uninsured

- Employer incentive
- State reinsurance
- Small employer subsidies
- Medicaid expansion to parents with income levels up to 100% of FPL (logical first step?)

# Expand Medicaid to Parents with Income up to 100% Federal Poverty Level

- Would help to insure Virginians least able to afford insurance
- Up to 65,000 additional Virginians would have access
- Federal government would pay half the cost

# Small Employer Subsidies or Reinsurance

- Up to 175,000 additional low-income Virginians could be insured
- Small employers and working poor would share financial responsibility with the State

# Employer Incentive Would Be Least Costly Option

- Could encourage employers to provide health insurance
- About 200,000 low-income uninsured adults are either working full-time or spouses of such workers and do not have offer of employer-sponsored insurance
- Employers and employees would have responsibility for funding insurance

# **JLARC Staff for This Report**

Hal Greer, Division Chief

Aris Bearnse, Team Leader

Jenny Breidenbaugh

## **For More Information**

<http://jlarc.state.va.us>

(804) 786-1258