

# ACCESS TO HEALTH INSURANCE

## OVERVIEW

Health insurance provides important protection for a household's assets. It helps reduce expenses resulting from a medical emergency or the treatment of a chronic illness – expenses that might otherwise require a family to spend long-term savings, sell assets or go into debt. More than half of personal bankruptcies in this country are partly the result of medical debt.<sup>1</sup> Rising health care costs and gaps in insurance coverage mean that many families are one serious illness or accident away from financial insecurity. While roughly one in six nonelderly Americans – nearly 45 million people – lack health insurance, one in three low-income nonelderly Americans are uninsured.<sup>2</sup>

The majority of Americans receive health insurance coverage through their employers; however, given the decrease in employer-sponsored insurance in the last decade, more families are at risk. Between 2000 and 2007, the percentage of the nonelderly population with employer-based coverage fell by more than 6% – representing 5 million fewer people with insurance.<sup>3</sup> Even those with insurance increasingly find themselves in financial peril due to rising health care costs. As many as one-fourth of insured Americans are saddled with medical bill problems or medical debt.<sup>4</sup>

There are public programs that aim to close the gaps in insurance coverage for the nonelderly. In the 1960s, Medicaid was created to address the lack of insurance among low-income families, seniors and people with disabilities. In 1997, the federal government created the Children's Health Insurance Program (CHIP) to address the rising incidence of uninsured low-income children. In the decade following the creation of CHIP, states took the lead in expanding health care coverage; they not only expanded coverage through Medicaid and CHIP, some also created state-specific programs and strategies, including enacting comprehensive reform to achieve universal coverage.

## WHAT STATES CAN DO

States can enact a range of policies to reduce the number of uninsured individuals. They can expand eligibility for public programs, subsidize the costs of private insurance and mandate coverage extensions for those whose benefits would otherwise be terminated. States have a variety of options for expanding coverage. States can apply for waivers to expand Medicaid and/or CHIP to higher-income parents and children or to populations not typically eligible for benefits. They can also provide direct funding to programs that either make reduced-price coverage available or provide subsidies or incentives for the purchase of private insurance – effectively lowering the price of coverage.

## ELEMENTS OF A STRONG POLICY

CFED considers a state's health insurance coverage policy strong if it meets the

<sup>1</sup> Himmelstein, D., Warren, E., Thorne, D. & Woolhandler, S. (2005, February 2). Illness and Injury as Contributors to Bankruptcy. (*Health Affairs*). Retrieved November 6, 2006 from <http://content.healthaffairs.org/cgi/reprint/hlthaff.w5.63v1>.

<sup>2</sup> "Nonelderly" means under age 65. "Low-income" means income below 200% of the federal poverty level. Menlo Park, CA: The Henry J. Kaiser Family Foundation, [www.statehealthfacts.org](http://www.statehealthfacts.org). Data Source: Urban Institute and Kaiser Commission on Medicaid and the Uninsured; estimates based on the Census Bureau's March 2007 and 2008 Current Population Survey, *CPS: Annual Social and Economic Supplements*. Retrieved July 29, 2009 from [www.statehealthfacts.org/comparetable.jsp?type=2&ind=141&cat=3&sub=40](http://www.statehealthfacts.org/comparetable.jsp?type=2&ind=141&cat=3&sub=40).

<sup>3</sup> Fronstin, P. (2008, September). Sources of Health Insurance and Characteristics of the Uninsured: Analysis of the March 2008 Current Population Survey. Issue Brief No. 321. Washington, DC: Employment Benefit Research Institute. [www.ebri.org/pdf/briefspdf/EBRI\\_IB\\_09a-2008.pdf](http://www.ebri.org/pdf/briefspdf/EBRI_IB_09a-2008.pdf).

<sup>4</sup> Pryor, C., Cohen, A. & Prottas, J. (2007). *The Illusion of Coverage: How Health Insurance Fails People When They Get Sick*. Boston, MA: The Access Project. Retrieved July 30, 2007 from [www.accessproject.org/adobe/the\\_illusion\\_of\\_coverage.pdf](http://www.accessproject.org/adobe/the_illusion_of_coverage.pdf).

following criteria:

1. **Are parents with incomes up to 200% of the federal poverty level (FPL) or higher eligible for coverage under Medicaid or other state-funded programs?** States should expand coverage to this population to reduce the number of uninsured parents. Approximately 68% of nonelderly uninsured parents have incomes below 200% FPL.<sup>5</sup> Most states have separate eligibility standards for parents and children, but creating a single family-eligibility standard can increase coverage among children as well as parents.<sup>6</sup>
2. **Are childless adults with incomes up to 200% FPL or higher eligible for comprehensive coverage through a public state program?** States should provide coverage options for low-income childless adults. The largest group of uninsured nonelderly Americans are adults without children, the majority of whom are low income. Childless adults do not qualify for most public insurance programs, and if they are working in low-wage jobs that do not provide health insurance, many are left without coverage or the ability to pay for health care.<sup>7</sup>
3. **Has the state simplified procedures to maximize enrollment and retention in CHIP and/or Medicaid for Children?** States should simplify enrollment and renewal policies in CHIP and Medicaid for Children in order to cover more eligible children. The 2009 reauthorization of CHIP identified a number of measures that states can implement to improve children's Medicaid and CHIP participation rates,<sup>8</sup> including 1) allowing for 12 months of continuous eligibility, 2) removing the asset test, 3) not requiring a face-to-face interview, 4) adopting a joint application with Medicaid, 5) use of administrative renewal, 6) use of presumptive eligibility, 7) premium assistance and 8) "express lane" eligibility.<sup>9</sup>
4. **Does the state provide a subsidy to small businesses or their employees to make health coverage more affordable?** States should assist small businesses in providing access to health insurance or help employees of small businesses to afford coverage. Although approximately 99% of large firms – those employing 200 or more employees – consistently offer health benefits, only 62% of firms with fewer than 200 employees and 49% of firms with three to nine employees offered health benefits in 2008.<sup>10</sup>

## WHAT STATES HAVE DONE

States such as Massachusetts, Vermont and Maine have enacted comprehensive health care reforms and are focused on achieving universal coverage. A number of other states, including Minnesota and Wisconsin, have passed legislation that will increase coverage and lay the groundwork for universal coverage. Seventeen states have increased income eligibility up to 200% FPL for parents. Of the 19 states that provide some coverage for childless adults, 12 have set income eligibility at 200% FPL. Twenty-one states have implemented at least four simplification procedures in CHIP and Medicaid for Children. Approximately half of the states have enacted policies to help small businesses or their employees access coverage.

<sup>5</sup> *Expanding Health Coverage for Low-Income Adults: Filling the Gaps in Medicaid Eligibility*. (2009, May). Kaiser Commission on Medicaid and the Uninsured. Retrieved July 27, 2009 from [www.kff.org/medicaid/7900.cfm](http://www.kff.org/medicaid/7900.cfm).

<sup>6</sup> *Five Good Reasons for States to Expand Family Coverage*. (2000, April). Washington, DC: Families USA, p.2. Retrieved October 24, 2006 from [www.familiesusa.org/assets/pdfs/5\\_good\\_reasons09b.pdf](http://www.familiesusa.org/assets/pdfs/5_good_reasons09b.pdf).

<sup>7</sup> *Expanding Health Coverage for Low-Income Adults: Filling the Gaps in Medicaid Eligibility*. (2009, May). Kaiser Commission on Medicaid and the Uninsured. Retrieved July 27, 2009 from [www.kff.org/medicaid/7900.cfm](http://www.kff.org/medicaid/7900.cfm).

<sup>8</sup> States will be eligible for a performance bonus if they implement five of the eight measures as well as meet new enrollment thresholds. As of July 2009, Centers for Medicare and Medicaid Services had not issued guidelines on how eligibility for bonuses will be determined.

<sup>9</sup> CFED considers a state policy strong if it implements four of the six measures in both CHIP and separate Medicaid for Children programs for which data is currently available; data is not available for premium assistance or express-lane eligibility. In states without a separate CHIP, CFED gave credit for the implementation of three out of five possible measures.

<sup>10</sup> *Employer Health Benefits: 2008 Summary of Findings*. (2008, September). Kaiser Family Foundation and Health Research & Educational Trust. Retrieved July 29, 2009 from <http://ehbs.kff.org/images/abstract/7791.pdf>.

For more information on this policy measure, [Access to Health Insurance](http://scorecard.cfed.org), and more, go to <http://scorecard.cfed.org>.

In the 2009-2010 Assets & Opportunity Scorecard, the 50 states and the District of Columbia were rated on their policies to expand health insurance coverage. The ratings were based on all four criteria described above.