
Joint Legislative Audit and Review Commission



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

Commission Briefing

December 11, 2006



JLARC

Study Mandate

- HJR 158 (2006) directs JLARC to study options for extending health insurance coverage to the uninsured
- The mandate directs 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

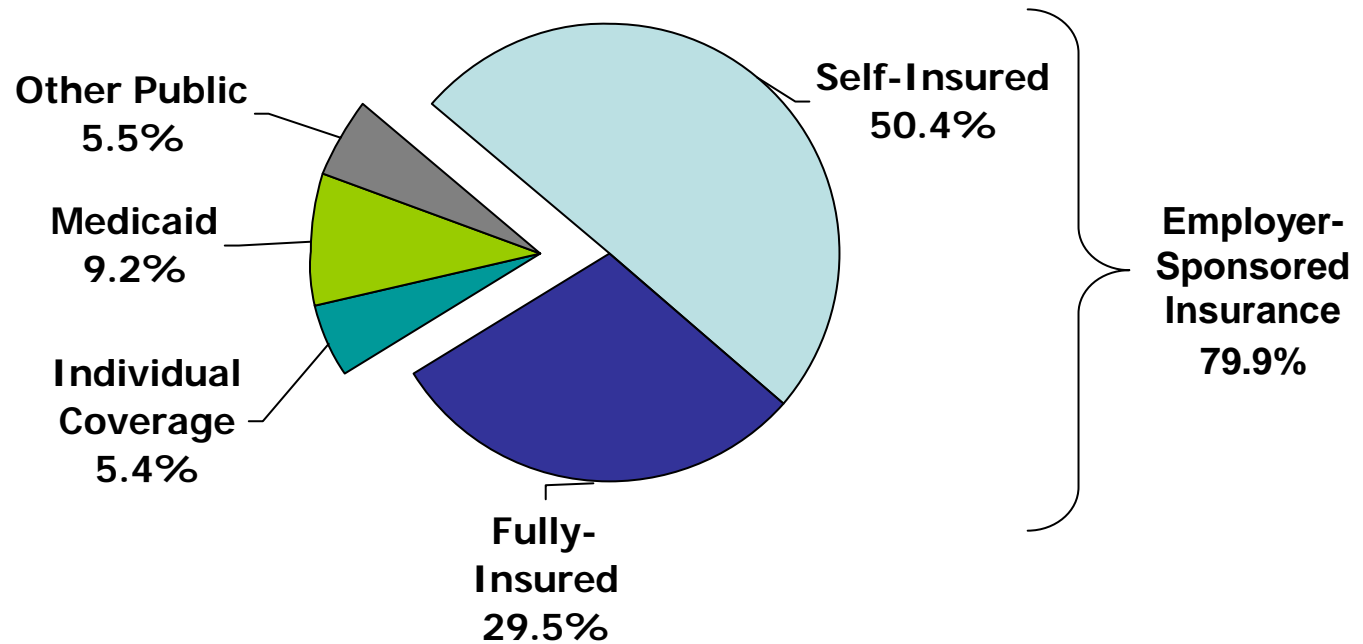
Partnership Between JLARC and VHCF

- 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

In This Presentation

- Background
 - Who are the uninsured?
 - How much does it cost to treat the uninsured?
 - What options exist to expand coverage?

Most Non-Elderly Virginians Obtain Health Insurance Through their Employer



Challenges in Extending Coverage to the Uninsured

- 87% increase in health insurance premiums from 2000-2006
- Enrollment in employer-sponsored insurance has decreased
- Unhealthy individuals face high costs
- Affordability gap for low-income Virginians

Medicaid and FAMIS Provide Coverage for Portion of Low-Income Virginians

Eligible Group	Income Eligibility Level (% Federal Poverty level)
Children	200%
Pregnant Women	166
Aged, Blind, and Disabled	80
Parents	24

	Enrollment
Medicaid	691,000 (non-elderly 2005)
FAMIS	44,300 (November 2006)

Source: Kaiser Family Foundation and the Statistical Record of the Virginia Medicaid Program (FY 2005).

Safety Net for Uninsured Virginians

- Hospital Emergency Rooms
 - Federal Emergency Medical Treatment and Labor Act
- Free Clinics
 - Donated \$86 million in care to more than 60,000 low-income patients (2005)
- Community Health Centers
 - Treated nearly 200,000 mostly low-income patients (2005)
- Local Health Departments
 - Served 368,000 patients (FY 2006)

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Finding

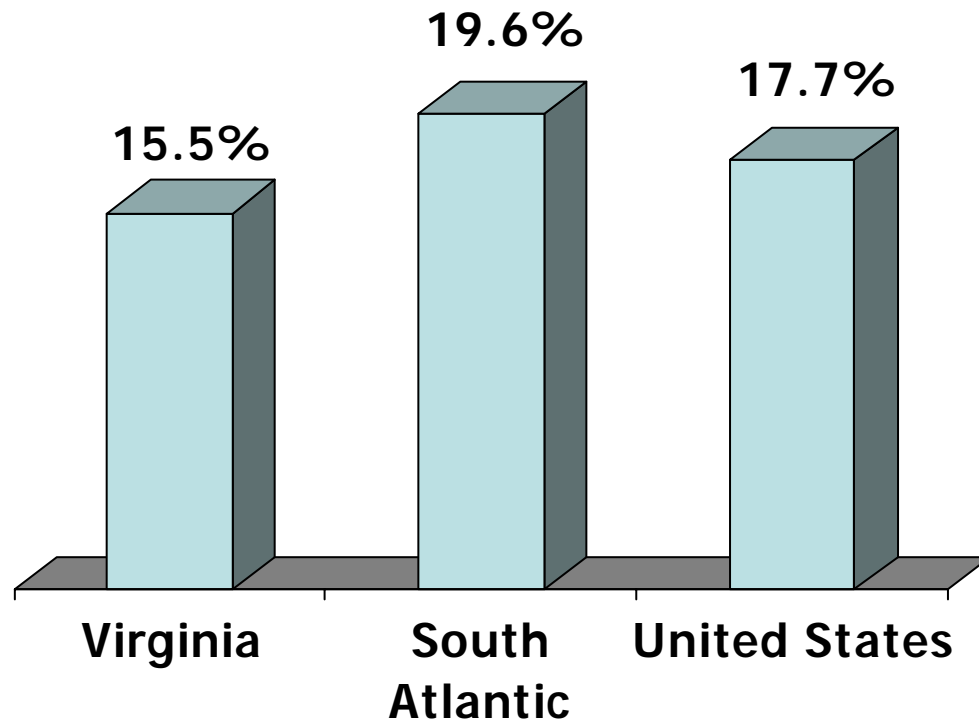
- 9 to 16 percent (632,000 to 1 million) non-elderly Virginians were uninsured in 2005.
 - Approximately 60% were low-income
 - More than 40% were between the ages of 19 and 34
 - More than 80% lived in a working household
 - Approximately 50% lived in household in which wage earner worked for employer with fewer than 100 employees
 - Approximately 83% were U.S. citizens

Surveys Present a Range of Estimates

Source	% Uninsured	# Uninsured
Current Population Survey* (2004-2005)	15.5%	1,012,000
National Health Interview Survey (2005)	12.1	805,376
Virginia Health Care Insurance and Access Survey (2004)	8.9	632,138

* Most often cited source for data on the uninsured. CPS used as basis for demographic breakdowns and cost analysis.

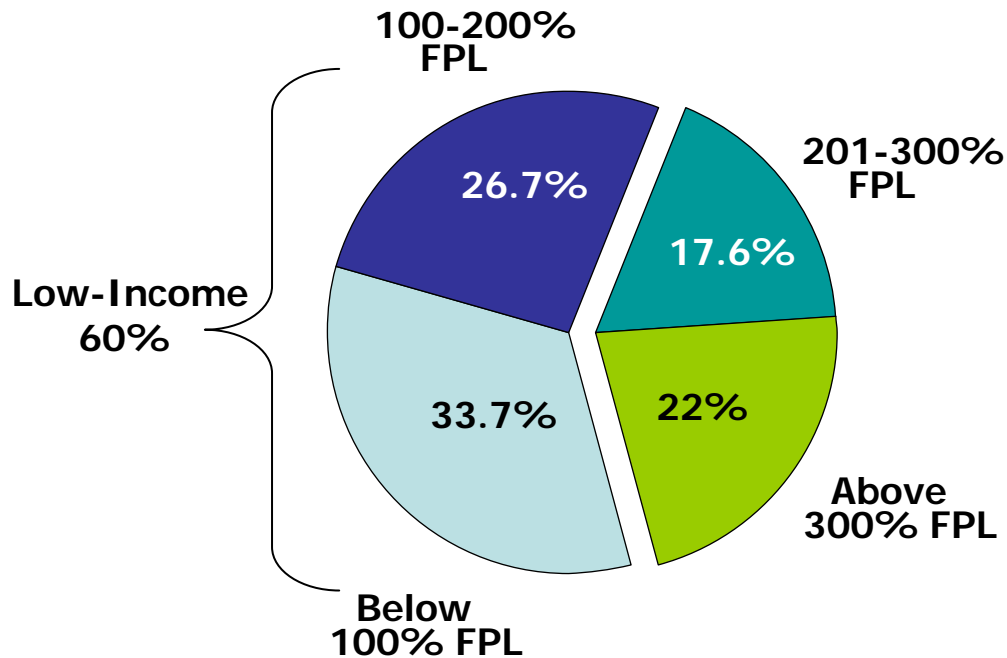
Virginia's Uninsured Rate Is Below National and Regional Averages



Source: Urban Institute analysis of 2004-2005 CPS data.

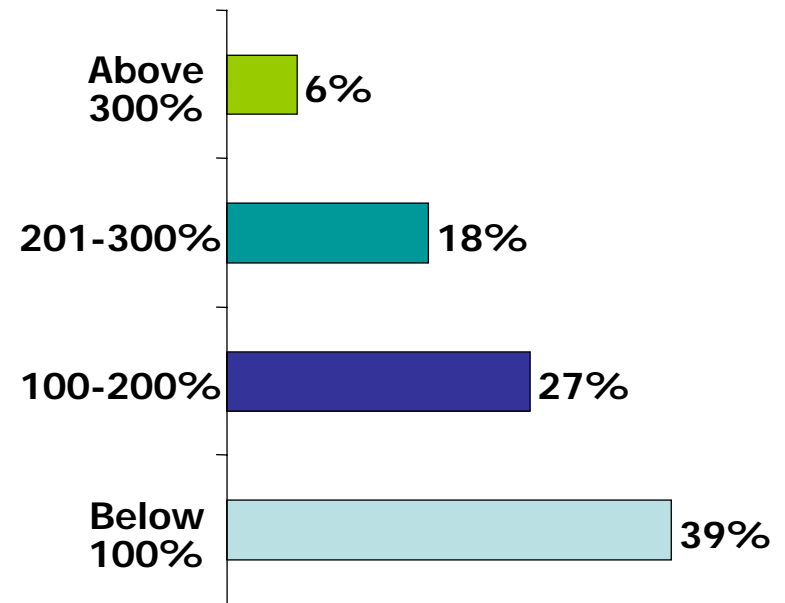
Most of the Uninsured Are Low-Income

Distribution of the Uninsured



FPL – Federal Poverty Level

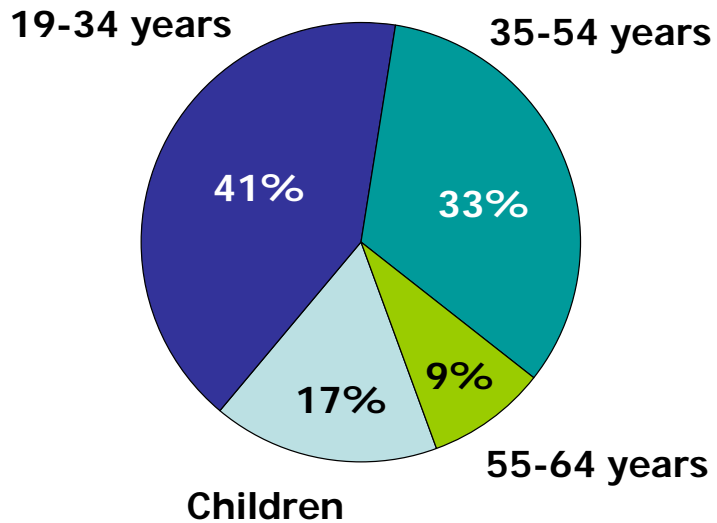
Uninsured Rates



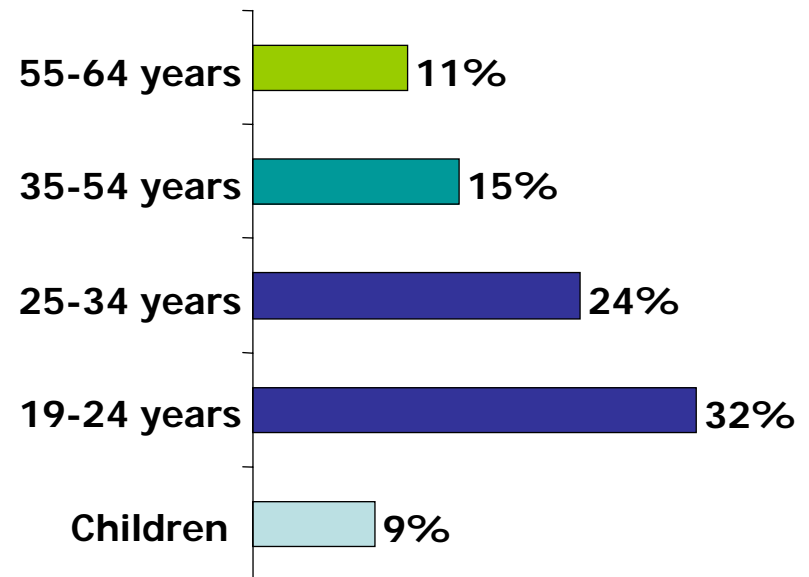
Source: Urban Institute analysis of 2004-2005 CPS data.

Young Adults Represent Significant Portion of the Uninsured

Distribution of the Uninsured

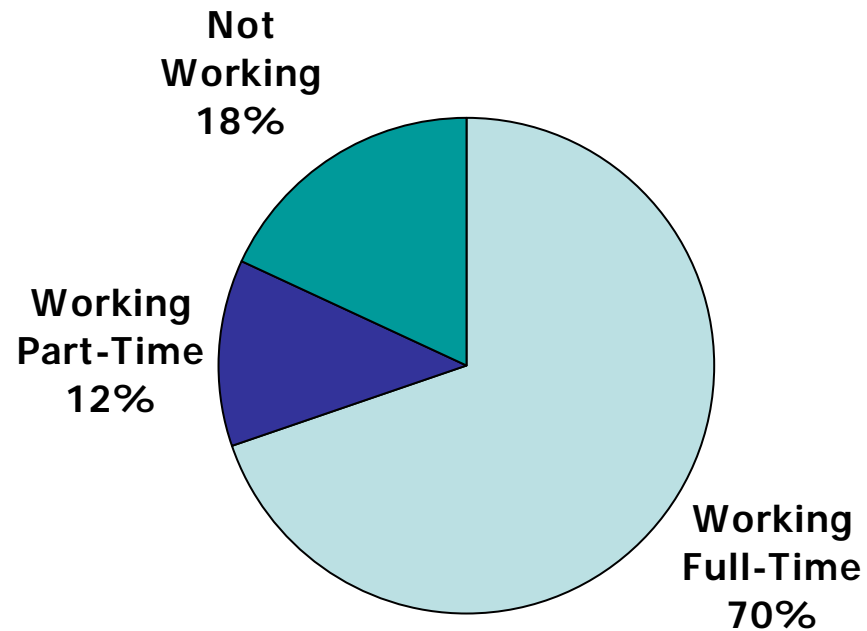


Uninsured Rates



Source: Urban Institute analysis of 2004-2005 CPS data.

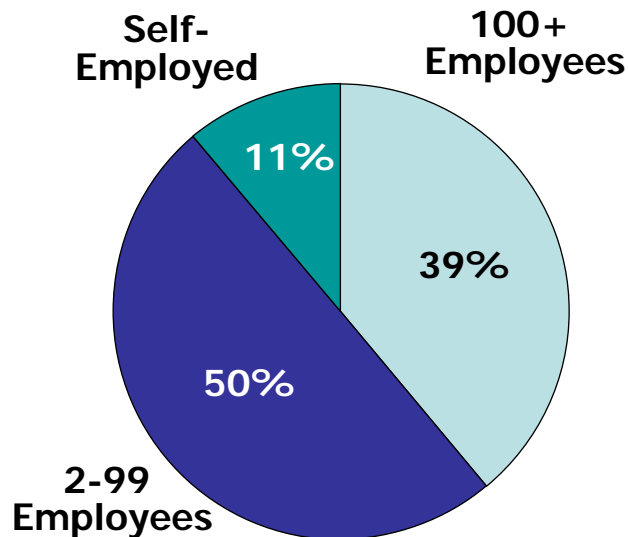
Most Uninsured Live in Working Households



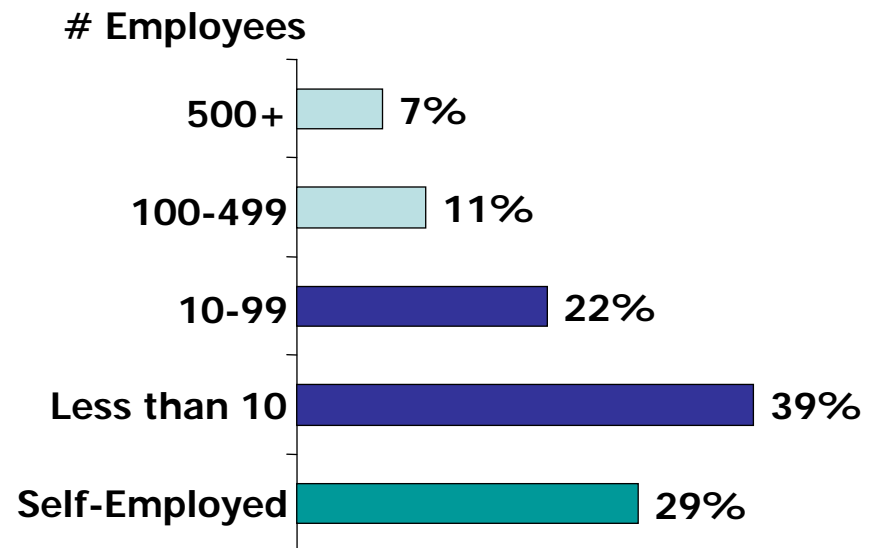
Source: Urban Institute analysis of 2004-2005 CPS data.

Employer Size Affects Insurance Status of Working Families

Distribution of Uninsured In Working Families



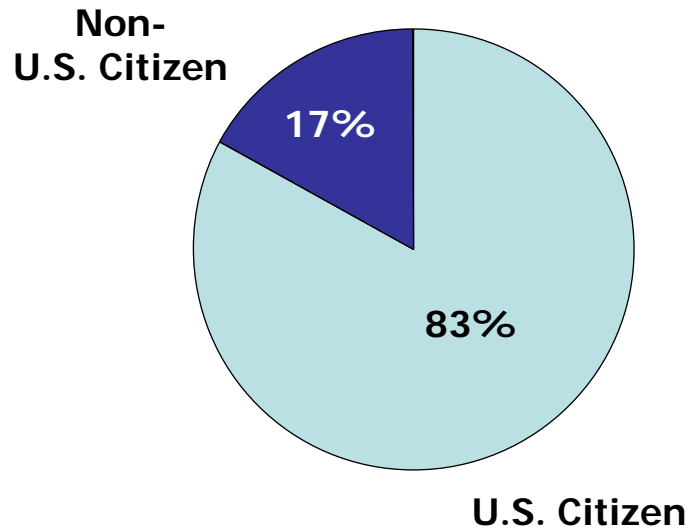
Uninsured Rates



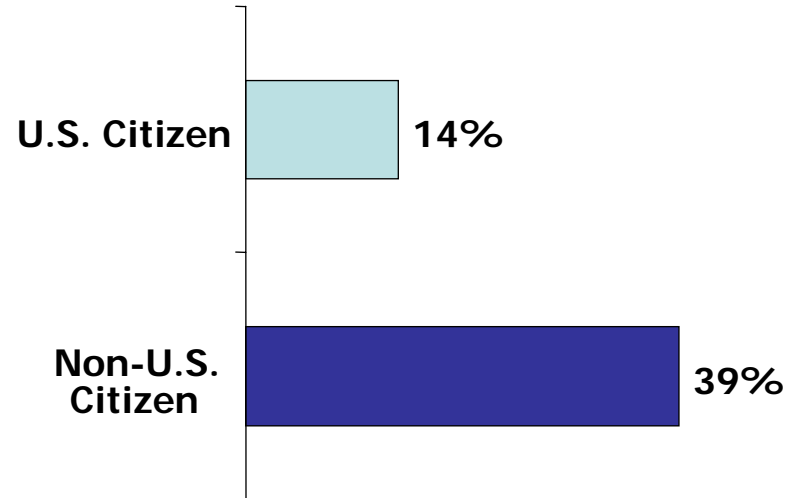
Source: Urban Institute analysis of 2004-2005 CPS data.

Most of the Uninsured Are U.S. Citizens

Distribution of the Uninsured



Uninsured Rates

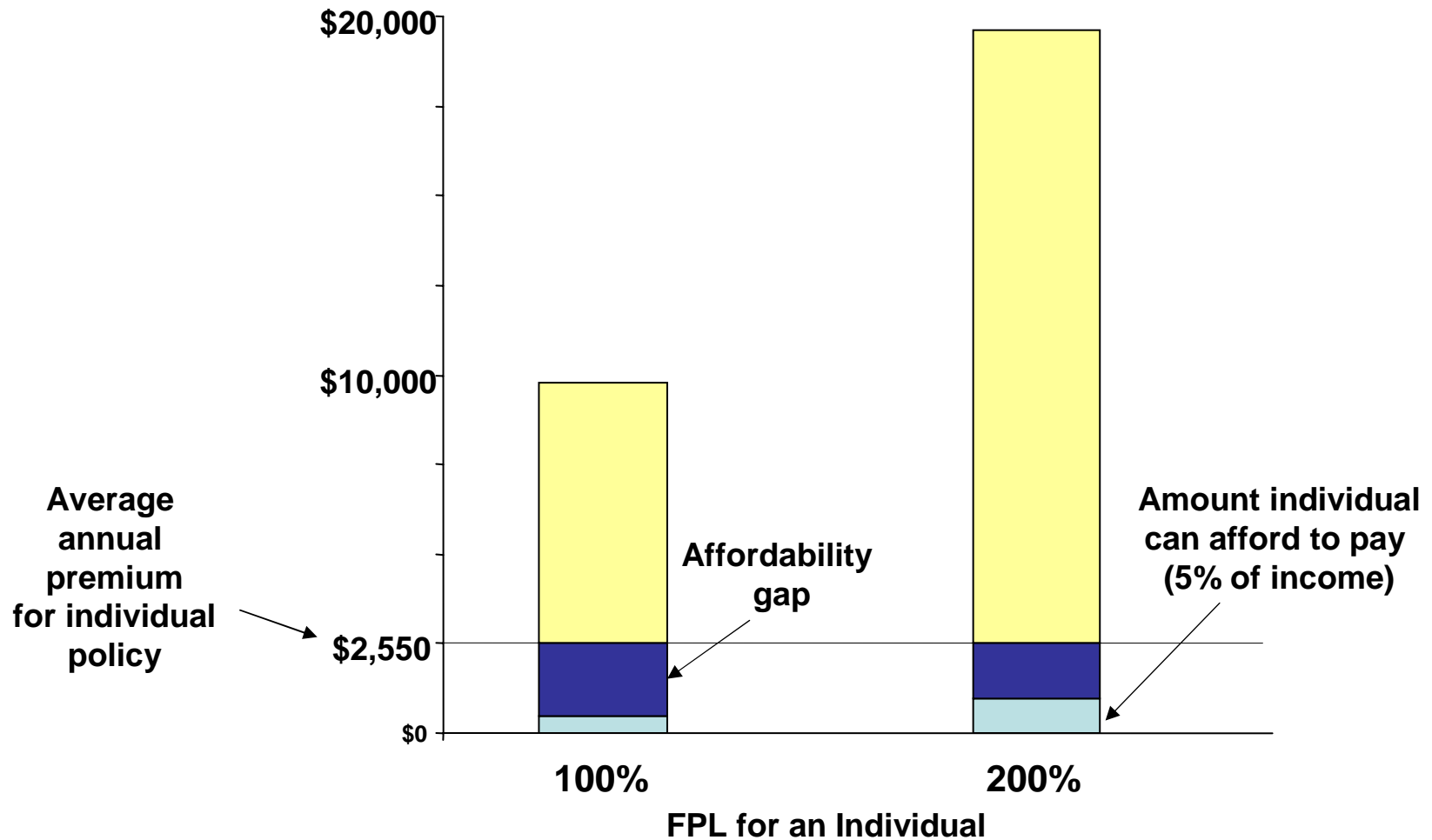


Source: Urban Institute analysis of 2004-2005 CPS data.

Findings

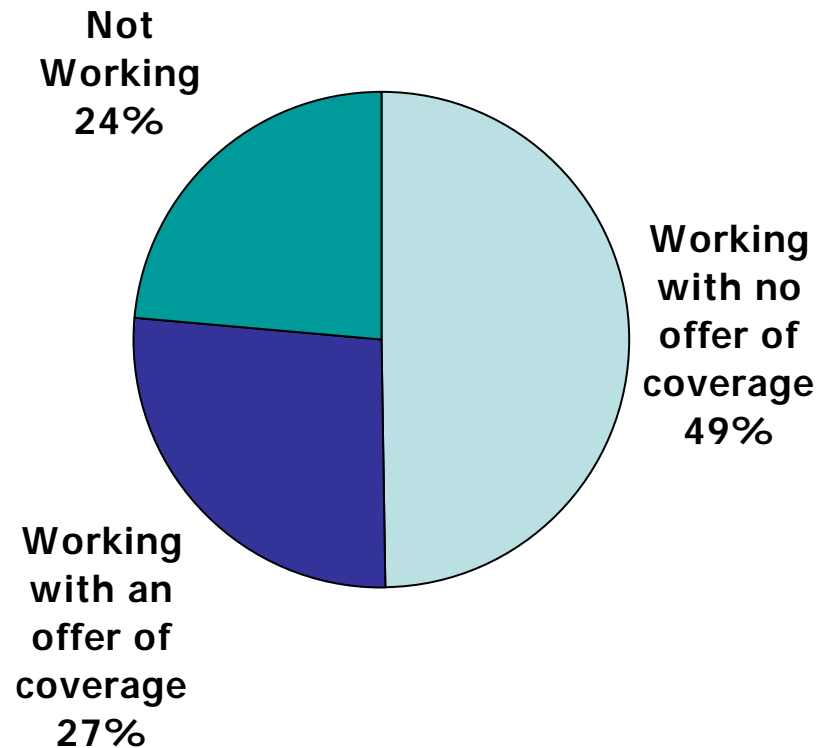
- Affordability is the primary barrier to obtaining health insurance
- Most adults are not eligible for Medicaid
- Nearly two-thirds of uninsured children may be eligible for Medicaid or FAMIS

Low-Income Individuals Cannot Afford Private Health Insurance



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

Nearly Half of Uninsured Have No Offer of Employer-Sponsored Insurance



Source: Urban Institute analysis of 2005 CPS Contingent Workers and Alternative Employment Supplement and Annual Social and Demographic Supplement.

Few Adults Qualify for Medicaid

- Adults with children under age 19 eligible if family income 24% FPL or less
 - \$4,800 for a family of four
- Adults without children under age 19 not eligible for Medicaid

Many Uninsured Children Are Eligible for Medicaid or FAMIS

- Up to 108,300 children were uninsured but eligible for public coverage in 2005*
- DMAS has strengthened efforts to increase enrollment
 - Streamlined eligibility
 - Outreach

* Based on CPS estimate of the uninsured.

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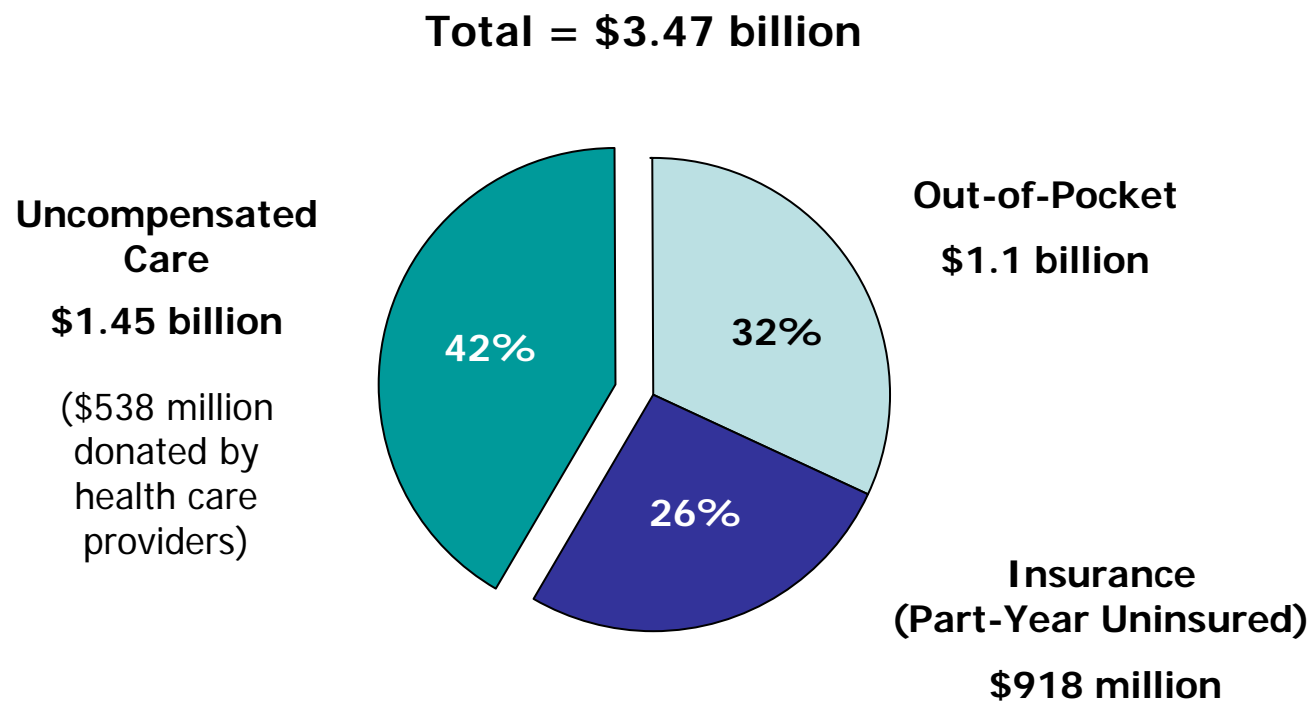
Finding

- About \$1.45 billion in care for the uninsured in 2005 was uncompensated.
 - About \$538 million donated by health care providers to uninsured patients
 - About \$159 million provided by government sources to hospitals

Two Methods Used to Determine Cost of Treating the Uninsured

- Contract with Urban Institute
 - Analysis of 2001-2003 Medical Expenditure Panel Survey (MEPS)
- JLARC staff analysis of 2005 Virginia hospital patient data
 - Assistance from Virginia Hospital and Healthcare Association

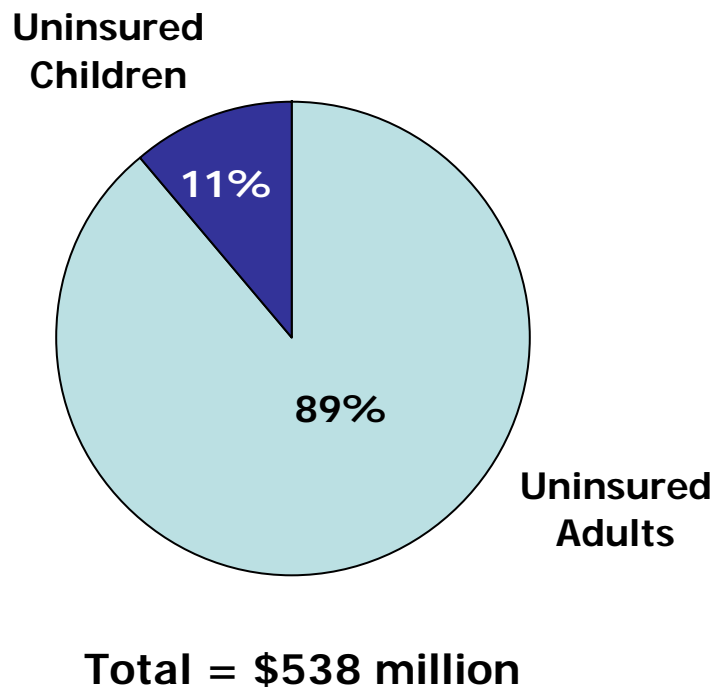
Urban Institute Estimated \$1.45 billion in Uncompensated Care for the Uninsured



Source: Urban Institute analysis of re-weighted 2001-2003 Medical Expenditure Panel Surveys.



Health Care Providers Donated \$538 Million in Treatment for the Uninsured



Source: Urban Institute analysis of re-weighted 2001-2003 Medical Expenditure Panel Surveys.

Government Sources Assisted Hospitals

Fund	2005 Amount (\$ in millions)
Medicaid Disproportionate Share Hospital funds (50% federal, 50% State)	\$139.3
State and Local Hospitalization Fund (State and local)	\$12.7 ¹
Indigent Health Care Trust Fund (State and private hospitals)	\$7.1 ²
Total	\$159.1

¹ \$10.7 million State general funds and \$2 million local match

² \$4.3 million State general funds and \$2.8 million from private hospitals.

Source: JLARC staff analysis of Department of Medical Assistance Services data.

Finding

- Insured patients face higher health care costs due to the uninsured population.

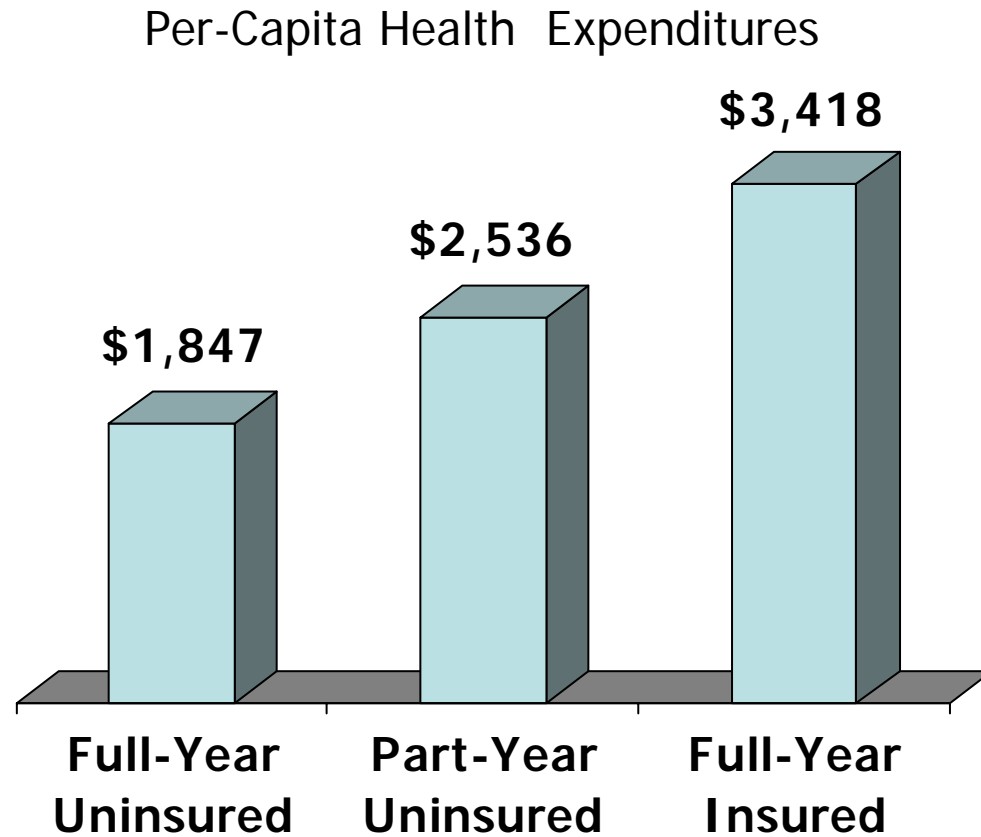
Insured Patients Face Higher Prices Due to Uncompensated Care for Uninsured Patients

- Health care providers likely pass on some of the cost of uncompensated care to insured patients
- Insured patients in Virginia pay up to \$100 more per year for health care
 - Based on \$538 million in donated care and 5.4 million Virginians with private health insurance

Finding

- The uninsured and the rest of society bear the burden of poorer health due to a lack of health insurance.

Uninsured Receive Less Health Care



Source: Urban Institute analysis of re-weighted 2001-2003 Medical Expenditure Panel Surveys.

Lack of Health Insurance Imposes Additional Costs

- Uninsured generally have poorer health and higher mortality rates
 - In 2000, national estimate of the cost of “foregone health” was \$65-\$130 billion*
- Uninsured contribute to lost productivity
 - ↑ Sick days
 - ↓ Work performance

* Institute of Medicine, National Academy Sciences.

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Findings

- Effective options to provide low-income individuals with access to health care coverage will require the investment of State and/or employer funds in order to make coverage more affordable.
- Options to make health care coverage available to low-income Virginians include
 - Medicaid expansion
 - Direct subsidies to individuals
 - Subsidies to small employers/employees
 - Reinsurance subsidies.

Expand Medicaid to Low-Income Adults Up to 100% FPL

- Extends coverage to those least able to afford insurance
- Federal government and State would split cost for parents 50/50. State would pay possibly more for childless adults
- Most states 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

- Substantially reduce number of uninsured by making insurance affordable for those who otherwise cannot afford it
 - Could target low-income individuals between 100 and 200% FPL
- State likely would incur substantial costs for subsidy and administration
- Oklahoma, Maine, and Massachusetts have subsidy programs

Subsidize Premium Costs for Small Employers Who Offer Health Insurance

- Targets the working poor and requires employers and employees to share responsibility with State
- State likely would incur most of subsidy cost
- Oklahoma and Montana have subsidy programs

Subsidize Cost of Insurance by Reinsuring Portion of High-Cost Claims

- More affordable insurance policies for low-income and medically-needy because State assumes portion of the risk and cost
- State likely would incur most of subsidy cost
- New York, Louisiana, and Arizona have reinsurance programs

Findings

- Leveraging the State health plan or establishing a market exchange are two non-subsidy options to encourage small employers to offer health insurance.
- Neither option would require much State investment but by themselves 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

- Could make providing insurance more affordable and attractive by reducing premium and administrative costs
- Could lead to higher premiums for State and Local Choice employees, increased administrative burden and costs for the State
 - Small employers would still incur substantial premium cost
- 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

- Could encourage more small employers to offer health insurance because provides opportunity to offer pre-tax employer contribution without any administrative responsibilities
- Elimination of administrative burden may not provide sufficient incentive to offer health insurance
- Massachusetts recently established connector

Finding

- Additional options have been 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

- Would likely reduce the number of uninsured by creating incentive to purchase insurance
- Could not apply to those unable to afford insurance and would restrict personal freedom
- Massachusetts recently imposed mandate

Tax Employers but Exempt Those Who Offer Health Insurance

- Could encourage more employers to offer health insurance without cost to the State
- Cost of providing insurance could place financial strain on businesses
- Massachusetts recently established employer incentive

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

- Insurance more accessible and affordable for some young adults
- Most employer-sponsored plans are self-insured and would not be subject to this requirement
- New Jersey has expanded eligibility to age 30

Allow Sale of Limited Benefit Insurance Policies

- Might make insurance more affordable
- Limited benefit policies may not be significantly cheaper
- Colorado, Florida, Montana, and North Dakota have enacted legislation for sale of limited benefit plans

Single Payer System With Universal Coverage

- State would provide health care access to all Virginians
- Revenue would have to be generated through tax or other means to fund system
- Single payer system 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 Segments of the Uninsured Population

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 Policy Options to Address Low-Income Uninsured

- Most cost-effective options would be an employer incentive, Medicaid expansion, small employer subsidies, and State reinsurance
- Expansion of Medicaid to parents with income levels up to 100% of the federal poverty level might be 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 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

Key Findings

- Between 9 and 16 percent of non-elderly Virginians were uninsured in 2005. Approximately 60 percent of those were low-income, and more than 80 percent lived in a household with at least one person employed.
- Without employer-sponsored insurance, most low-income Virginians are unable to afford private health insurance, but only a small portion of low-income adults are eligible for Medicaid.

Key Findings (cont'd.)

- In 2005, an estimated \$1.45 billion of care for the uninsured was uncompensated with health care providers donating about \$538 million to uninsured patients.
- While there are multiple options to address various segments of the uninsured population, the State may want to focus on cost-effective options that address low-income Virginians.
 - Medicaid expansion for the poorest parents
 - Subsidies to small employers/employees
 - Reinsurance program for small employers/employees
 - Employer incentive program

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and on the table by the door.

