



Health Coverage Coalition for the Uninsured

coalitionfortheuninsured.org

Expanding Health Care Coverage in the United States: Background Information on a Historic Agreement

According to the latest Census Bureau report, approximately 46.6 million people in the United States were uninsured in 2005 – more than the aggregate population of 24 states plus the District of Columbia. It amounts to more than 15 percent of the population or more than one in seven Americans. Over the past two decades, the number of uninsured Americans has increased by approximately one million people annually.

The uninsured are often unable to receive the primary, preventive, and long-term care they need – medications to keep disease in check, mammograms and regular screenings for colon cancer, yearly visits with a primary care physician to maintain good health, and more. The uninsured are also less likely to get appropriate care when they seek it, and they have poorer health as a result. They live sicker and die younger. According to the Institute of Medicine (IoM), approximately 18,000 people die each year from diseases that are treatable and preventable, because they do not have health insurance.

Our nation's high number of uninsured does not merely exact a toll on those without insurance. It also impacts those who do have coverage, businesses nationwide, and the U.S. economy overall. When the uninsured do receive health care, they often cannot afford to pay the costs. But those costs are paid by others. They are passed on to privately insured people and companies offering insurance to their workers, providers who absorb costs by offering uncompensated care, and taxpayers. A recent study found that premiums for

employer-sponsored family health coverage cost an extra \$922 in 2005 to pay for uncompensated care provided to the uninsured.

Equally troubling, with health care costs rising, even more people – many of them from hard-working, middle-class families – will join the ranks of the uninsured if nothing is done to address this problem.

Fixing this growing problem, however, has stymied presidents and Congress for many decades. Finding an acceptable solution has also been the source of contentious debates among stakeholders. As a result, the *status quo* has been maintained, and no effective action has been taken.

The organizations participating in the Health Coverage Coalition for the Uninsured (HCCU) process are committed to change this. The participating organizations are very diverse – ideologically as well as in the interests they represent – but they are determined to find common solutions that are both effective and politically feasible. Together, we decided to set aside some of our differences because providing health coverage to as many Americans as possible is the right and necessary thing to do.

It is for this reason that these organizations have worked, debated, and reached workable compromises with one another since the autumn of 2004 to achieve a critical, but heretofore elusive, goal: to cover as many uninsured people as possible as quickly as possible.

The Approach We Adopted

The recommendations contained in this agreement are the result of an unprecedented effort among diverse organizations, each with their own perspectives about America's health care system. The result is a carefully balanced set of proposals that combines the use of public programs and private market incentives to cover as many uninsured people as possible as quickly as possible – and to help those who have insurance to retain it.

To guide the development of our policy recommendations, the organizations relied on the following overarching design principles:

- Use a combination of approaches, both public and private, to expand coverage, recognizing the different circumstances of individuals within the uninsured population.
- Place special emphasis on making coverage available to vulnerable populations, such as those who are least able to afford it.
- Rely on incentives and voluntary approaches – for states, employers, and individuals.
- Wherever possible, build upon the employer-based system while retaining incentives for employers to offer coverage.
- Provide education and more effective outreach and enrollment, so that the uninsured can obtain and retain health coverage.
- Recognize that, given the budgetary challenges of most states, the federal government will need to provide substantial financial resources.

Our recommendations come at a time when there has been a period of political divisiveness, intense partisanship, and rancorous debate throughout our nation. We recognize the federal and state fiscal circumstances in which this proposal is put forth. The longstanding absence of stakeholder consensus on this topic has made it difficult for political leaders to allocate resources to address the problem of the growing number of uninsured in America ahead of other priorities. Meanwhile, the costs of health care and health care coverage have continued to climb.

This political climate and fiscal reality have not been conducive to immediate, comprehensive health coverage expansions. For this reason, we propose a balanced, interrelated set of public- and private-sector recommendations, phased in over time with a “Kids First Initiative” and then the expansion of health coverage for America's uninsured adults.

Phase One – Cover Kids First

Today, one out of every nine children in the U.S. – an approximate total of 9 million – is uninsured. More than 80 percent of these children come from families in which at least one parent works. More than two-thirds are in lower-income families with incomes below two times the federal poverty level – \$33,200 a year for a family of three, \$40,000 for a family of four in 2006.

There are numerous reasons to focus phase-one attention on uninsured children. First, the public strongly supports covering children: This is an investment in America's future and will enable children to learn and develop successfully. Second, extending coverage to uninsured children is less expensive because they typically have fewer health problems than adults. Third, the key steps to expand public and private coverage of children will lay the foundation and create the infrastructure needed to extend coverage to adults. Fourth, due to the success to date of the State Children's Health Insurance Program (SCHIP), an increasing number of children have gained health coverage over the course of recent years (the one age group to have done so), making it feasible to cover almost all children. And fifth, Congress will consider children's health coverage for the first time in a decade because the 10-year authorization of SCHIP expires in 2007.

The group's recommended “Kids First Initiative” provides a balance of measures aimed at increasing children's health coverage in the public and private sectors. It is designed to strengthen, and provide significant new federal funds for the enrollment of the many children eligible for, but not currently participating in, SCHIP and Medicaid, and it offers a new, targeted children's tax credit for securing expanded private-sector health coverage.

It is estimated that as many as seven in 10 uninsured children are likely eligible for public health coverage. A key reason, however, why millions of uninsured children eligible for SCHIP or Medicaid are not participating in those programs is the often cumbersome nature of enrollment and re-enrollment procedures. To remedy this, the “Kids First Initiative” envisions a more user-friendly, “one-stop shopping” system that will enable uninsured children to be automatically enrolled in public health coverage when they apply, and are deemed eligible, for other means-tested programs (such as free and reduced-price school lunches; food stamps; and the Women, Infants, and Children program). Since this will result in increased public health program enrollment, and since states are unlikely to implement this improvement without new funds, the “Kids First Initiative” envisions additional federal SCHIP funding to underwrite the enrollment expansions. States would retain flexibility to enroll publicly covered children in employer-sponsored health insurance so long as the resulting combination of public and employer coverage is as extensive in benefits and has cost-sharing similar to their previous Medicaid or SCHIP coverage.

The “Kids First Initiative” also creates a new tax credit designed to promote expanded private-sector health coverage for uninsured children in families with incomes below 300 percent of the federal poverty level (\$49,800 in annual income for a family of three, \$60,000 for a family of four). This tax credit is refundable, advanceable, and assignable, and would enable families to purchase comprehensive health coverage for their children. The percent of premiums covered by the tax credit would be graduated on a sliding-scale basis. As long as the child enrolls in a plan no more generous than the state’s SCHIP coverage, the full percentage credit applies. If the child enrolls in a more generous plan, the family pays the extra cost.

Also included in the first phase of the HCCU proposal is a new demonstration grant program enabling state experimentation with different forms of new coverage. This experiment is designed to provide useful information about how best to expand health coverage for uninsured adults – the focus of HCCU’s second-phase proposal. New federal funds will be provid-

ed to the states that are awarded the demonstration grants, and benchmarks will be established to measure whether the resulting programs actually increase the number of people with health care coverage.

In order to help consumers obtain and retain health care coverage, we propose the creation of Health Consumer Assistance Centers to provide information and outreach on the importance and availability of health coverage.

Phase Two – Covering Adults

The next phase of the HCCU proposal is also designed to achieve balanced public- and private-sector growth in health care coverage for the uninsured. It also envisions expansion of public program coverage, as well as incentives to expand private-sector coverage, including participation in employer-sponsored insurance.

The phase-two proposal will authorize states to grant eligibility for Medicaid based exclusively on need, and states may choose but will not be required to extend Medicaid coverage to all adults, including both parents and adults without children, with incomes below the poverty level. Federal funds covering the additional costs will be provided to the states that successfully implement this coverage expansion. States will also be given flexibility to enable Medicaid to fund employer-sponsored health insurance as long as the resulting coverage for beneficiaries is as extensive in benefits and has cost-sharing similar to their previous Medicaid coverage.

The proposal also creates a tax credit that is intended to promote expanded private-sector health coverage, especially employer-sponsored insurance. The tax credit will be available for individuals and families with incomes between 100 and 300 percent of the federal poverty level, and it will be refundable, advanceable, and assignable. The credit will enable individuals and families to afford comprehensive health coverage, and the size of the credit will be provided on a sliding scale basis predicated on income. As long as the coverage is no more generous than the state’s SCHIP plan, the full percentage credit applies. Enrollees choosing more generous coverage pay the resulting extra cost. Since the credit pays a percentage of the premium, it automati-

cally adjusts to variations in health insurance costs based on such factors as region of the country and, in some states, the enrollee's age and health status. The tax credit will be available both for employer-sponsored as well as state-sponsored insurance systems.

To encourage the availability of insurance for high-risk populations, federal grants will be provided to the states so that different forms of insurance, like high-risk pools with adequately subsidized premiums, are established. Since the proposed second-phase plan will still leave many people uninsured, it is envisioned that support will continue to be made available to public and private safety-net health care providers.

The Ongoing Commitment of the HCCU Organizations

This consensus agreement serves as a potential roadmap for bipartisan congressional action. Our

intention was to outline the elements necessary to solve this problem. Our goal was not to write legislative specifications. Rather, the purpose of this agreement is to break the historic policymaking gridlock on the uninsured by developing and presenting the key tenets of a balanced, achievable approach to expanding health coverage.

Now that this unprecedented agreement has been reached, the HCCU process is far from over. In fact, in many ways, it has just begun. The diverse signatory organizations to this historic agreement are committed to work together to secure the enactment of our entire proposal, and we intend to challenge Congress immediately to enact the "Kids First Initiative" in 2007. We call upon the Congress and the President to put partisanship aside, so that we can cover as many uninsured people as possible as quickly as possible. It is the right thing to do.