

# Expanding Health Coverage: States Lead the Way

More than a decade after President Bill Clinton attempted to enact health care reform in 1994, the growing number of uninsured Americans continues to concern policymakers and families nationwide. While there were 39 million uninsured Americans in 1994, today nearly 46 million individuals—15.7% of the population—have no health coverage. In the absence of a national consensus on how to address the problem, states in recent years have developed, and in some cases enacted, a range of strategies to expand coverage. These experiments with reform have stimulated discussion in state capitols across the country and will likely inform future national debates. In this issue of *Health Care News In-Depth*, we look at the uninsured problem overall, state-level variations, reforms proposed and enacted in New York, and reforms enacted by four other states that are leading the way in expanding health insurance coverage.

The number and percentage of Americans without health coverage have climbed steadily for more than two decades, largely because premiums have historically risen much faster than wages, making health insurance less and less affordable. In recent years, this trend has been exacerbated by a gradual erosion in the employer-based system of coverage through which most Americans obtain health insurance. That decline is in turn a result of fewer firms offering insurance and job growth in sectors with historically low rates of employer coverage.

National statistics, however, mask wide variations in the rates of uninsurance across states. According to the U.S. Census Bureau, nearly 25% of Texas residents are uninsured—the highest rate in the nation—compared with 8.8% in Minnesota, the state with the lowest proportion of uninsured citizens. New York’s uninsured rate of 14.7% has dipped slightly below the national average for the first time in more than a decade, due to recent expansions in public health insurance programs like Family Health

Plus. Regardless of their precise problems, most states consider the expansion of health insurance coverage a high priority and are taking steps to fill their coverage gaps.

### Reforms Across the Country

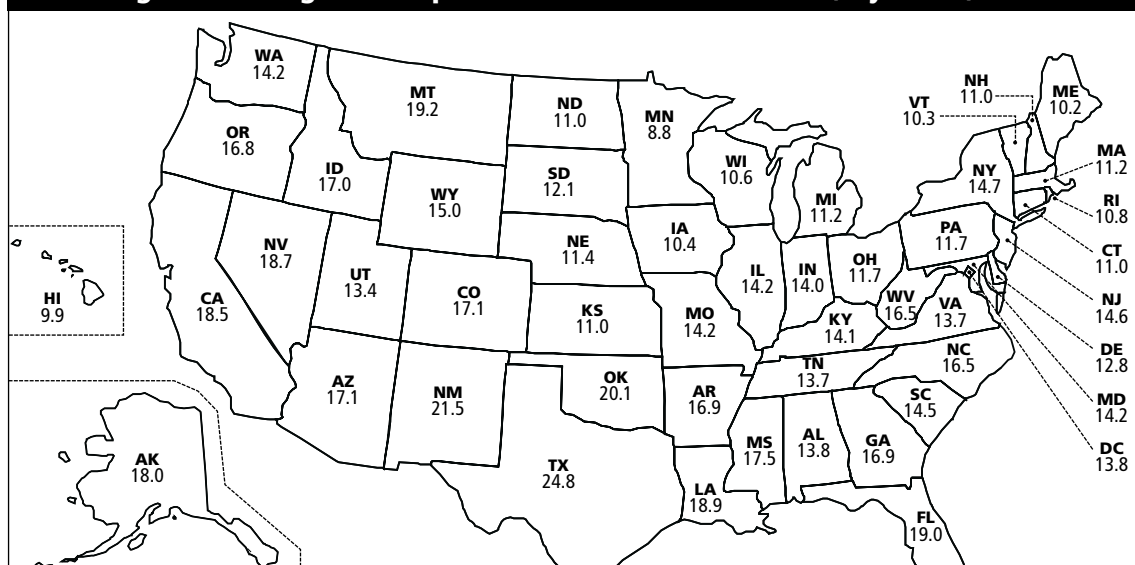
State reform proposals run the gamut from expanded public programs to market-based strategies (such as tax credits to help small businesses purchase coverage) to requirements that individuals, employers, or both buy insurance. A few states are considering single-payer

plans, but most are combining one or more incremental strategies. Two localities in New York have enacted laws requiring some employers to pay for their employees’ health care, and broader coverage expansions are being considered at the State level. Four other states profiled here—Massachusetts, Maine, Maryland, and Illinois—have adopted reforms that other states and national policymakers are watching closely.

**New York:** Two major reform proposals are

*continued on reverse*

**Average Percentage of People Without Health Insurance, by State, 2003–04**



Note: Percents are two-year averages for 2003–04. Source: U.S. Census Bureau, *Income, Poverty, and Health Insurance Coverage in the United States: 2004* (Washington, D.C.), page 27, Table 11.

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currently pending in NYS. NYS Senator Nicholas Spano and Assemblyman Richard Gottfried have sponsored legislation requiring New York businesses with 100 or more employees (except manufacturing and agricultural companies) to contribute at least \$3 per hour to their workers' health benefits. The *Fair Share for Health Care Act*, announced in Albany on Mar. 7, 2006, would extend coverage to as many as 450,000 workers statewide and save NYS up to \$2 billion in taxes that currently support public health insurance programs in which some low-income, uninsured workers enroll when they are not offered employer-sponsored coverage. The proposal, which the GNYHA Board of Governors has endorsed, was originally put forward by the New York Working Families Party.

Meanwhile, GNYHA, in conjunction with 1199 SEIU United Healthcare Workers East, is sponsoring its own health insurance expansion proposal—*Cover New York*—that would require large employers to contribute to their workers' coverage or pay an assessment that would fund expansions in NYS's affordable health coverage options. *Cover New York* also calls for a significant expansion of affordable public and private health insurance programs, including Family Health Plus, Child Health Plus, and Healthy NY; tax credits for small businesses with low-wage workers to help them purchase coverage for their employees; and a requirement that all New Yorkers have health insurance once it is affordable.

In addition, NYC and Suffolk County recently became the only localities in the nation to mandate employer health expenditures through separate laws requiring large food retailers to pay for a minimum level of their workers' health care. A retail industry trade association, however, has filed a suit challenging the Suffolk County law, so it has not been implemented.

**Massachusetts:** This year, Massachusetts became the first state to guarantee near-universal coverage when Gov. Mitt Romney signed into law landmark health reform legislation that aims to extend health insurance to 95% of the State's 500,000 uninsured residents within three years. The plan's main features are a requirement that all individuals have health insurance and a series of measures to make

coverage affordable for lower-income individuals. The legislation calls for an expansion of Medicaid to cover more uninsured children and the creation of a new State health insurance program, *Commonwealth Care*, that will offer sliding-scale premium subsidies for purchasing private coverage for all individuals with incomes below 300% of the Federal poverty level (FPL). The law also establishes a State-chartered entity to link individuals and small businesses with affordable, portable insurance policies that individuals can buy with pre-tax dollars, and insurance market reforms, such as merging the individual and small-group markets, in order to lower premiums.

The individual mandate requires everyone in the State to purchase health insurance by July 1, 2007, or pay a financial penalty. The requirement will be implemented only if a new State commission deems that affordable coverage is available. The Governor vetoed a provision requiring all businesses with more than 10 employees to either contribute to their workers' health coverage or pay a modest assessment to the State, but the Legislature is expected to override his veto. Financing relies on a redistribution of existing funds—including Federal Medicaid payments, general State revenues, and funds from the state's Free Care Pool—plus revenues from employers that are subject to the new assessment and individuals who do not obtain health insurance.

**Maryland:** Earlier this year, Maryland became the first state to require large employers to spend more on employee health care. The *Fair Share Health Care Act*, which was enacted when the Legislature overrode Gov. Robert Ehrlich's veto, requires firms with 10,000 or more employees to spend at least 8% of their payroll on health care. Employers whose spending falls below this amount must pay the State the difference between their health insurance expenses and the law's benchmark spending level. Revenue generated from the assessment will be directed to the State's Medicaid program. The law is commonly referred to as the "Wal-Mart Bill" because Wal-Mart is currently the only employer in Maryland that will be subject to the assessment. The same trade association that is challenging the law in New York's Suffolk County, however, is also filing suit in Maryland. As a result, none of these employer re-

quirements has been implemented yet, and the fate of employer mandates will likely depend on the outcome of these cases.

**Maine:** In June 2003, Gov. John Baldacci signed into law *Dirigo Health*, which aims to make coverage available to all of Maine's 130,000 uninsured residents by 2009. The linchpin of the law is the creation of a new health insurance product for small businesses (2–50 workers), the self-employed, and the uninsured, with sliding-scale premium subsidies for those with incomes below 300% of the FPL. The law also calls for an expansion of Medicaid to low-income parents and childless adults, and reforms designed to control health costs and improve health care quality. Funding sources include enrollee premiums, a fee assessed on insurers (commensurate with savings achieved from a reduction in bad debt and charity care expenses), and Federal Medicaid dollars.

**Illinois:** Last year, Gov. Rod Blagojevich signed legislation making Illinois the first state to guarantee that all children have access to affordable health insurance. The *Covering All Kids Health Insurance Act* will make sliding-scale premium subsidies for purchasing comprehensive health insurance available to every uninsured child in the State, beginning in July 2006. Premiums will range from \$15 a month per child for those earning less than 300% of the FPL to \$100 per child for families earning up to 500% of the FPL. Children in families with higher incomes will also be eligible for coverage, but with higher premiums. The program will be funded through savings generated by implementing a new primary care case management program in the State's public health insurance programs. The Act requires the State to apply for waivers to receive Federal funding under Medicaid or the State Children's Health Insurance Program, but it directs the State to implement *All Kids* regardless of whether a Federal waiver is approved.

### Looking Ahead

While it is too soon to predict the outcomes in New York and other states that are debating health reform measures, most observers agree that states will continue to explore their own remedies to their uninsured problems until lawmakers in Washington, D.C., can agree on a national solution to this dilemma. ■