



Analysis of state policy choices with particular attention to their impacts on low- and moderate-income Marylanders

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Health Care Issue

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By Matthew Weinstein, Progressive Maryland

The nation's health care system provides poor results at a high cost. Health Care for America Now has put forward an alternative.

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A Prescription for America's Sick Health Care System

by Matthew Weinstein

While recent months have brought the financial crisis and the economy to the forefront of the public agenda, the new president and Congress must not forget the longer term challenges that we face. At the top of that list is health care.

President Obama and the 111th Congress must act quickly to restore confidence in our financial system. But even if that effort succeeds quickly and completely, as we all hope it will, returning to pre-recession conditions will still leave America with over 45 million uninsured (over 15% of our people, including 13.7% of Marylanders). At least as many have lousy health insurance hardly worthy of the name and that isn't there when they need it.

Symptoms of the Condition

Last month, nearly half of Americans surveyed reported having a family member skipping pills or postponing or cutting back on medical care due to cost. In 2007, 57 million Americans reported problems paying medical bills, a 14 million increase since 2004. Many of these Americans used home equity loans to pay these large medical bills; others simply could not pay both mortgages and medical debt.

The Institute of Medicine of the National Academy of Sciences reports that 18,000 Americans die annually – one every half hour – due to our broken health insurance system. This is just one of many statistics that illustrate how far behind the other wealthy nations America has fallen. We have the shortest

life spans, the highest infant mortality, the fewest doctors per capita, and the list goes on. And all this at a stunning cost – we spend 50-100% more per person than other wealthy nations – about \$2.1 trillion in 2006, twice what we spent in 1996.

Nearly half of people in foreclosure named medical problems as a cause.

That cost is borne more and more by average working families as our employer-based health insurance system falls apart year by year. Employment-based coverage has declined to just 59.3% of the population. Costs paid by workers have risen four times faster than wages in recent years, and premiums have more than doubled in just the last 10 years.¹ The private health insurance industry, which covers 67.5% of Americans, tell policymakers and the public that they have the answers to expanding access to health care. But when the for-profit insurers, who cover the majority of private enrollees, speak to their shareholders, they emphasize different priorities. "We will not sacrifice profitability for membership," WellPoint President and CEO Angela Braly said earlier this year. Similarly, United Health Care CEO Stephen Hemsley told investors: "We continue to protect our margins. ... We are committed to sustaining a quality business without taking shortsighted pricing positions." Translated into plain English, the bottom line is that profitability has to come

before expansion of health care access, which is simply the nature of the beast in the world of for-profit health insurance. That's why WellPoint and United, which between them cover 67.8 million Americans, spend less than 80 cents of every premium dollar on health care, versus comparable figures in the high 80s for non-profit insurers and in the high 90s for Medicare. Moreover, private health insurers are still allowed to deny or to overprice insurance based on an individual's health status.

Thus, Americans are justifiably skeptical of the ability of the private health insurance industry to solve America's health care crisis.

A Healthier Prescription

[Health Care for America Now](#) (HCAN) is a new coalition bringing together millions of individuals and nearly 500 organizations with the goal of winning comprehensive health care reform at the federal level in 2009. HCAN proposes a comprehensive solution in which everyone – individuals, employers, and government – shares responsibility for guaranteeing health care we can count on.

We need reform that makes sure that we all have health benefits that cover our health care needs and that are affordable

We cannot accept proposals that make the problem even worse by forcing people to pay taxes on health insurance benefits, discouraging employers from providing coverage or forcing those in need to pay high deductibles.

We need reform that makes sure that we all have health care

coverage with benefits that cover our health care needs and that is affordable based on each family's income. We need reform that sets fair rules for insurance companies, and we need government to enforce those rules so we can protect consumers and so that the system works for everyone. Everyone should have a choice of health care plans, including keeping the plan you have now, choosing another private insurance plan or having access to a public insurance plan. And we need to institute the kind of cost controls that protect quality.

In Maryland, seven of our 10 members of Congress have signed on to the Health Care for America Now principles for reform, as have President-elect Obama, Vice President-elect Biden, and over 170 other members of Congress. For more details, visit HealthCareForAmericaNow.org or write to me at Matthew@ProgressiveMaryland.org.

Matthew Weinstein is Federal Issues Director for Progressive Maryland, a coalition of 50 labor, civil rights, and religious organizations and 15,000 individual members and supporters that defends the interests of working families in Maryland.

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Health Care in Maryland 2008 Good Health Care Remains a Privilege

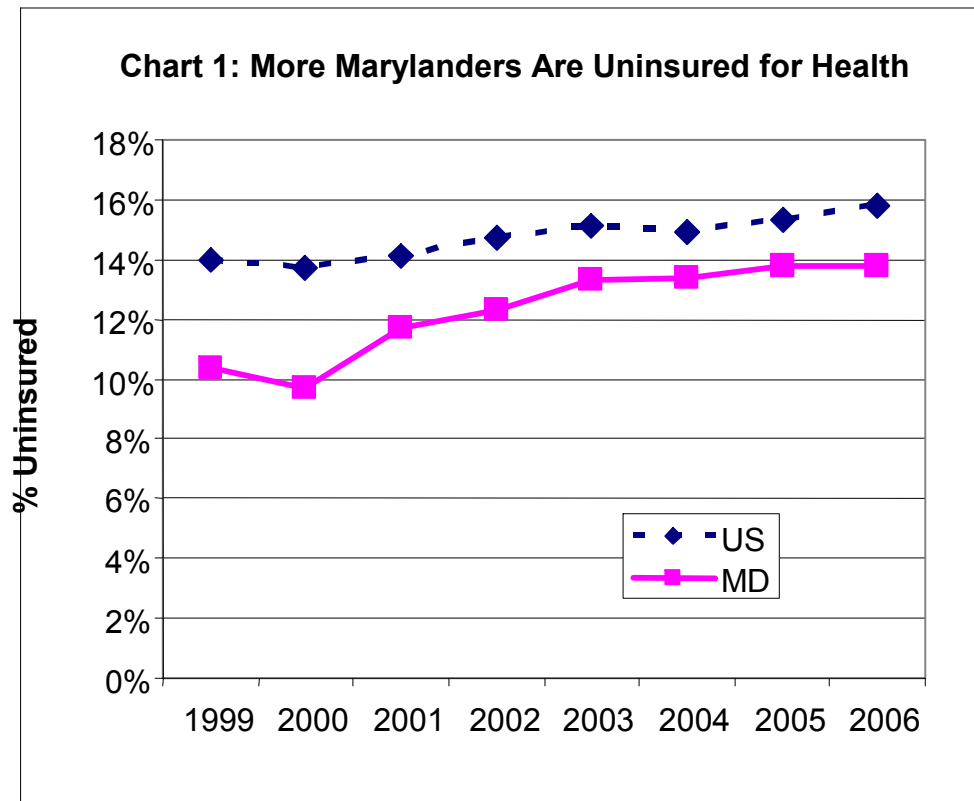
By Branden A. McLeod

Health Care. “Is it a Privilege, right or responsibility?” This is the question that Tom Brokaw of NBC News asked the two major party presidential candidates in a town-hall style debate last month. In Maryland, decent health care remains a privilege for some and a right denied to many. Substantial modification is needed to address health care access, affordability and quality, as soon as yesterday.

Lack of Coverage Remains a Problem

The rising cost of health care insurance almost certainly plays a big role in declining coverage. Uninsured residents also lack access to preventive measures and when diagnosed with a disease, are more likely to have already reached acute stages than their insured counterparts².

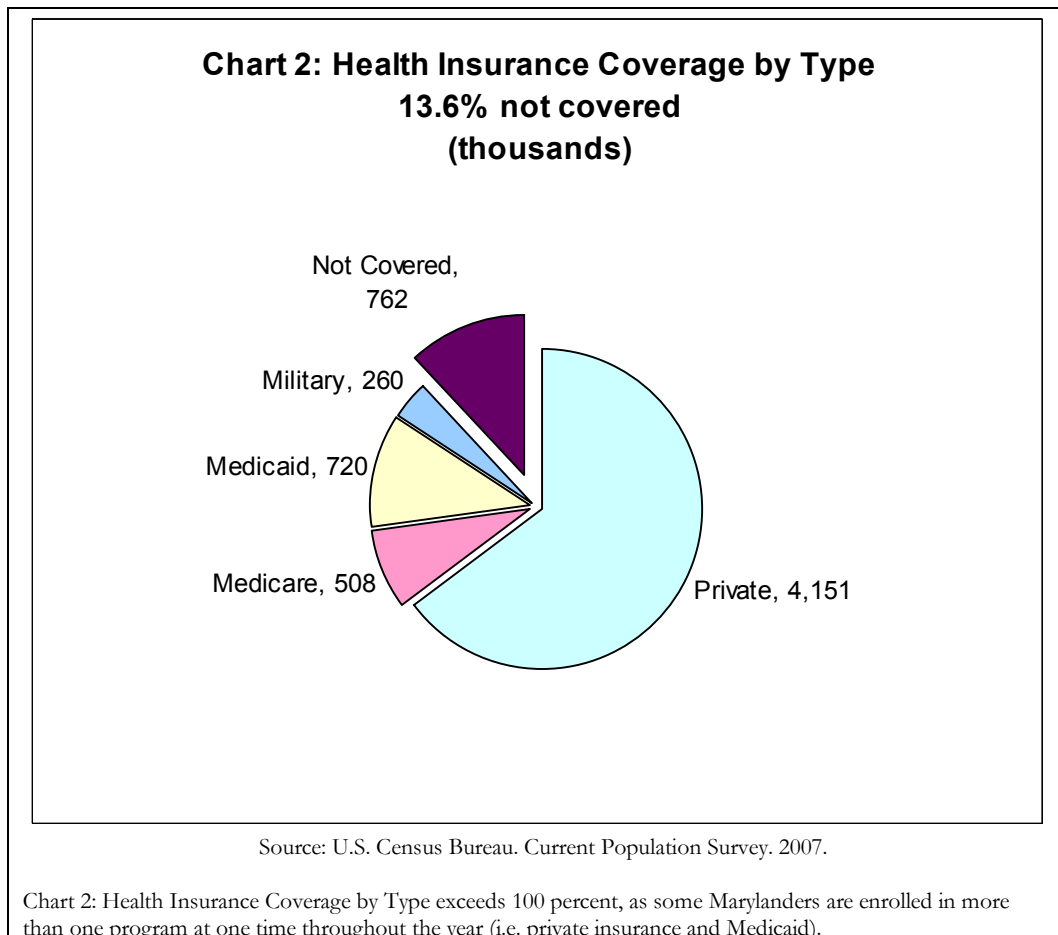
Both the number and the percentage of Marylanders without health insurance remained essentially the same from 2006 to 2007. Some 762,000 Marylanders (14 percent of the population) were uninsured throughout the year in 2007. Only 11 percent were uninsured in 2001. Nationally, 15.5% were uninsured in 2007.³



Source: U.S. Census, Current Population Survey, 2007.

Health Services for Low-to-Moderate Income Marylanders

Although there may be varied health program options, for the purpose of this report, I mention those that primarily serve low-income individuals and families.



Maryland Medicaid/Medical Assistance Program

The Medical Assistance (MA) program is considered an entitlement or legal right. MA is only available to low-income individuals and families (including children, elderly, and disabled) who are deemed eligible by both federal and state law. Residents who are already eligible for certain public assistance, such as, Temporary Cash Assistance (TCA), Supplemental Security Income (SSI) and Foster Care automatically qualify for MA. Each state administers its own program by setting its own guidelines regarding eligibility and services. The program is jointly funded by the state and federal government. Maryland's MA covers a variety of services including, but not limited to, physician and hospital care, Early and Periodic

Screening, Diagnosis, and Treatment (EPSDT) for individuals under age 21, mental health, prescription drugs, physical therapy, personal care, medical day care, nursing home, dental care for children, etc⁴.

Maryland Children's Health Program (MCHP)

Unlike MA, MCHP is not an entitlement program. MCHP gives full health benefits for children up to age 19, and pregnant women of any age who meet the income guidelines. MCHP enrollees obtain care from a variety of Managed Care Organizations (MCOs) through the Maryland HealthChoice Program.⁵ Pregnant woman and children, who do not qualify for Medicaid due to income eligibility requirements, may qualify for MCHP.

Steps Toward Health Care Expansion

In 2007, Maryland enacted legislation that extends health insurance to 100,000 Marylanders. The first 42,000 became eligible in 2008, but this expansion is not reflected yet in current census data. The extension of health insurance altered eligibility requirements for parents and caretakers, childless adults, children and small businesses. For instance, under MCHP, children whose countable income is at or below 200 percent of the federal Poverty level (FPL) (i.e. at or below \$35,200 for a 3 person household) **may qualify**; whereas, pregnant women whose countable income is at or below 250% of FPL (i.e. at or below \$44,000 annually for a 3 person household) **may be eligible**. Conversely, children who lack health insurance, and are not eligible for MCHP due to income requirements, but have income at or below 300 percent federal poverty level (FPL) (\$52,800 for a 3 person household) may be eligible for the MCHP *Premium* program. MCHP *Premium* beneficiaries are enrolled in the Maryland Managed Health Care Program, *HealthChoice*, and receive the full range of Medicaid covered services.⁶

New legislation during the 2007 special session has made the following health care expansions:⁷

- *Primary Adult Care Program (PAC)* – expands PAC benefits (i.e. pharmacy and basic health services) over three years to adults without children with household income up to 116 percent of FPL (which is \$12,064 per year for one adult. For one adult the asset limit is \$4000).
- Broadens MA qualifications to cover parents and caretakers making up to 116 percent of FPL (which is \$20,416 for a household of 3. In this scenario, there is no asset limit, unless “medically needy”).
- \$15 million in funding in fiscal year 2009 to establish a *Small Employer Health Insurance Premium Subsidy Program*. This is particularly important. According to the Kaiser Family Foundation, in 2006, 94% of firms with more than 50 employees offered health insurance to their employees. Unfortunately, the same can not be said for firms with 50 employees or fewer, which many times can not afford to buy coverage. Only 56% of these businesses offered coverage to their employees.⁸

Outreach: Kids First Act

In some cases, those who may be eligible for services do not know that they are eligible or for some reason may not access them. The Kids First Act requires taxpayers, beginning with tax year 2008, to indicate on their state income tax return whether each dependent child for whom an exemption is claimed has health care coverage. The Comptroller must send notices to taxpayers with a dependent child and income below a specified amount that the child may be eligible for Medicaid or the Maryland Children's Health Program, in some instances including applications and instructions.⁹

Clouds on the Horizon

In recent years, Maryland has made strides in health care expansion. As state revenue projections have fallen, budget cuts are cutting into the recent progress. The loss of projected state revenue has led to the reduction of rates for:

- Medicaid hospital costs
- The primary adult care program
- Reimbursements to physicians, nursing homes, residential treatment centers, and other medical service providers.

Based upon projected revenue estimates, more cuts are likely to come. Since health, education and transportation are the biggest budget items, health would more than likely be on the chopping block again.

Anecdotally, we can speculate that because of reductions in these reimbursement rates some providers may decide not to participate in Maryland's Medical Assistance program altogether. This would inevitably limit the pool of participating physicians in the MA program.

A Forward-Looking Approach - Health Care for All! Plan: Public-Private Partnership for Health Coverage for All Marylanders¹⁰

Therefore, in such tough economic times as these, it is time for a health care plan that will:

- Be built on private sector coverage
- Provide all Marylanders with access to quality, affordable health care
- Treat all insured taxpayers and employers who help pay for their employees health coverage fairly
- Give small businesses and higher income individuals better, more affordable benefits through the small group market
- Help Seniors and others afford the prescription drugs they need

In a political environment, on the national and state-level, that deems health care policy to be a topic of contention, a plan that brings both private and public

partners together is an attractive alternative. This is what the *Health Care for All! Plan* aims to accomplish.

To learn more about the *Health Care for All! Plan*, go to:
<http://www.healthcareforall.com/HTML1.phtml>

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Massachusetts has the Lowest Rate of Uninsured. How did they do it?

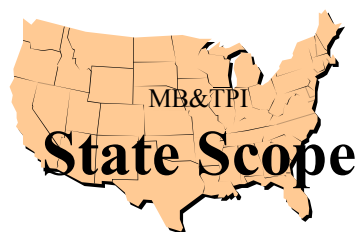
By **Branden A. McLeod**

Some Positive Results

Massachusetts' Health Care Reform, which was signed into law in April of 2006, has yielded positive results. According to an October report by the Massachusetts Health Insurance Connector Authority, "a look at available data begins to paint a picture of initial success, not only in the covering more individuals, but in improving access to routine care and reducing reliance on 'free care.'" The most touted result of the Massachusetts's health care reform plan is that the number of uninsured has fallen substantially. In fact, the number of people enrolled in private or subsidized health insurance plans has increased by 439,000 people (from June 2006 to March 2008), since health care reform was implemented.¹¹ What is equally attractive is 95 percent of Massachusetts taxpayers are insured.¹² Moreover, 57 percent of the 439,000 newly insured are enrolled in Commonwealth care or MassHealth and 43 percent are in private insurance.¹³

Commonwealth Care is an insurance program for uninsured individuals with incomes around or below 300 percent of the federal poverty level (FPL). For example, 300 percent of FPL is \$63,600 annually for a family of four. Beneficiaries of this program can choose a health plan and their own doctor.¹⁴

MassHealth program (the state's Medicaid program) provides comprehensive health insurance—or help in paying for private health insurance.¹⁵ The MassHealth



program's income standards are approximately at or below 60 percent of FPL (\$12,720 for a family of four).¹⁶ The new Commonwealth Care program helps residents in the "grey area:" not poor enough to qualify for Medicaid but not covered by employer-based insurance.

In short, some positive results of the reform appear to be:

- Improved access to health care

- Shared responsibility (individuals, business, and government)
- More insured, less uninsured
- Lower deductibles, Lower premiums
- Prescription coverage

Popular Support

Popular support led to Massachusetts' passage of health care reform.¹⁷ Also, a concerted public education effort about the Commonwealth Care program sparked enrollment growth during the time that individual mandate penalties came into effect at the end of 2007.¹⁸ Regarding the individual mandate to enroll in health insurance, of the 5 percent of taxpayers not enrolled in an insurance plan, 3% (97,000) were deemed able to afford coverage. This 3 percent also self-assessed a penalty for not having it, while the remaining 2% (71,000) were exempt from the requirement, either because they could not afford to purchase insurance, or because of their religious beliefs.¹⁹ This year the highest penalty for an individual not having health insurance was \$912.²⁰

According to Massachusetts Department of Revenue (DOR), for tax year 2008, the penalty will be assessed for each of the months the individual did not meet the requirements of the health care mandate, provided that there is no penalty in the case of a lapse in coverage of 63 days or less.²¹

- Individuals with incomes up to 150% of the Federal Poverty Level are not subject to any penalty for failure to purchase health insurance, as those at this income level are not required to pay an enrollee premium for Commonwealth Care health insurance.
- Penalties for individuals with incomes from 150.1 to 300% of the Federal Poverty Level will be half of the lowest priced Commonwealth Care enrollee premium that could be charged to an individual at the corresponding income level.
- Penalties for individuals with incomes more than 300% of the Federal Poverty Level will be:
 - Half of the lowest priced Commonwealth Choice Young Adult Plan premium (without prescription drug coverage) for individuals up to age 26.
 - Half the lowest priced Commonwealth Choice Bronze premium (without prescription drug coverage) for those 27 and above.²²

While the program's popularity increased enrollment growth in the Commonwealth Care program, cost containment concerns follow.²³ This has not stopped the state; however, from "embracing the moral imperative to cover the uninsured."²⁴ Moreover, the fact the program is a shared responsibility amongst individuals,

business and government has proved attractive to voters. In fact, “a survey by the Harvard School of Public Health and the Blue Cross Blue Shield of Massachusetts Foundation (HSPH/BCBSMA Foundation) showed that of the 93% of Massachusetts residents who say they know about the law, 69% support it.”²⁵

Implications for Maryland

Maryland can benefit! As Massachusetts is the torchbearer in health care reform, like many first timers there are learning opportunities, as well as areas for refinement. Maryland can and should pay close attention to Massachusetts’ success and areas to improve upon. Maryland has made a few good steps in health care this past legislative session, but we must not stop there. Once Maryland’s finances are back in order, it will be time for us to re-examine our priorities by “embracing the moral imperative to cover the uninsured” as Massachusetts has done.

Some prospects for national level health care reform efforts are similar to what Massachusetts has accomplished. Families USA has pointed out that many states have different proposals that address “expanding public programs, creating entirely new programs, or combining both approaches—but they all seek to make coverage more affordable and available.”²⁶ However, few efforts focus on inequality in health care, namely increasing high quality care for all. Efforts for reform, going forward, whether on a national or state level, should also focus on high-quality care.²⁷ Yet, progress towards reform on a national scale is far from certain. In the meantime, states must take the onus to reform their own individual health systems to improve *coverage, quality* and *affordability* for their residents until a sufficient national plan is in place.

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DIRECTOR’S CORNER

To Fix the Economy, We Will Have to Fix Health Care

This issue of Maryland Policy Reports focuses on health care. The United States has compromised its way into just about the most expensive and least effective health care system in the developed world. At this point, almost everyone is calling for “reform.” We will find that “reform” means different things to different people.

- Coverage
- Consumer choice
- Quality of care
- Reasonable cost

It’s hard to reform health care because the subject is very personal. The issues are not abstract. Changes in the health care system can affect our lives in the most personal possible way. Change is always unsettling. So we are wary.

Another reason health care is hard to reform is because many individuals and businesses earn their livelihood through the existing system. They are understandably resistant to change. What one person considers “wasteful spending” is “income” to some other person.

Maryland and America can no longer afford health care that is more expensive than it has to be, or that fails to keep us as healthy as we could be.

Maryland Health Care for All is promoting one thoughtful proposal for improving health coverage. Branden McLeod outlines its principles in his article in this issue. It would extend health coverage to all Marylanders while preserving consumer choice and providing incentives for preventive and evidence-based treatment. It would be financed by a payroll tax plus increases in tobacco and alcohol taxes. However, the plan would lead to significant reductions in current health insurance premiums. You can see the details at <http://healthcareforall.com/HTML18.phtml>.

Health Care for America Now has developed a national plan to expand coverage and reign in costs. Matthew Weinstein discusses that proposal in his article in this issue. See <http://www.healthcareforamericanow.org/>. President-elect Obama put forward his health reform proposal during the recent campaign. You can see the Urban Institute’s summary and analysis at [this link](#)..

I believe that sensible health care reforms will be good for health care consumers, good for businesses and good for the economy. Time and money are now wasted through excess administrative costs, lack of preventive care, and uncoordinated, hit-and-miss treatment efforts. Lives are lost and illnesses prolonged because of our patchwork system of coverage. 775,000 people in Maryland still lack health coverage.

It makes sense for Maryland to move forward with a state health care reform plan while we promote a national plan. It makes sense to do it now because health care reform needs to be part of the economic recovery.

-Neil Bergsman

Look for MBE&TPI’s updates and special reports on state revenues, Spending Affordability

recommendations, and other news in December.

The Maryland Budget & Tax Policy Institute wishes you a happy, safe and healthy holiday season, and best wishes for 2009.

About the Maryland Budget & Tax Policy Institute

The Maryland Budget and Tax Policy Institute is a nonpartisan research organization that provides timely, accurate and accessible analysis of state budget and tax issues. In addition to general budget and tax research and analysis, the Institute examines issues affecting low-income Marylanders and other vulnerable populations and the important community programs that serve them. For additional information, to be added to our e-mail list, or to make a tax-deductible contribution, please visit our website at www.marylandpolicy.org.

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