

## **SJR 35: Health Care** ***The Insured and Uninsured in Montana***

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for the Children, Families, Health, and Human Services Interim Committee  
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### Background

As Congress debates whether and how to change the country's health care and health insurance systems, a key element focuses on providing insurance coverage to as many people as possible. The proposed reforms would accomplish this by:

- expanding existing public programs to insure more people;
- requiring millions of Americans to buy health insurance, either from their employers or through a clearinghouse for insurance policies; and
- prohibiting insurance companies from refusing to provide coverage.

Recent U.S. Census Bureau surveys have consistently shown that, nationally, between 15% and 16% of all Americans lack health insurance coverage. The agency's most recent figures show that 45.7 million Americans were uninsured in 2007.<sup>1</sup>

Of those people with insurance who are under the age of 65, about 61% have coverage through their employers. Another 15.6% have insurance through publicly funded programs for older adults, children, or disabled or low-income individuals, while 3.2% have coverage through the military. About 6.5% of Americans buy insurance on their own in the individual insurance market.<sup>2</sup>

In Montana, a higher percentage of people are uninsured. In addition, fewer people with insurance receive coverage through their jobs, while more buy insurance on their own.

### Crunching the Numbers: Who Is Considered Uninsured?

Both government agencies and private organizations routinely attempt to quantify the number of people who are uninsured, nationally and on a state-by-state basis. Most groups use the U.S. Census Bureau's figures as a starting point, but take different approaches to analyzing the numbers.

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<sup>1</sup> "Income, Poverty, and Health Insurance Coverage in the United States: 2007," *U.S. Census Bureau*, August 2008, P. 19.

<sup>2</sup> "Health Insurance Coverage Rates (0-64 years) by Type of Coverage and State: Calendar Year 2007," *State Health Access Data Assistance Center* [online]; available at <http://www.shadac.org/charts-tables/tables>; accessed Aug. 31, 2008. Data compiled from the U.S. Census Bureau's Current Population Survey, 2008.

Each March, the Census Bureau surveys about 78,000 Americans for its Current Population Survey (CPS). As part of the survey, the agency asks people whether they had any type of insurance – private or public – in the previous calendar year. People who say that they've had any period of insurance are considered to have been insured, no matter how short-lived the coverage may have been. Those who say they had no type of insurance at any time in the previous year are counted as uninsured. The figure is designed to reflect the number of people who were without insurance for the full year.

The Census Bureau recommends using a three-year average to obtain the best comparison of insurance rates among states.<sup>3</sup> The agency's most recent figures, for 2005 to 2007, show that 15.4% of the total population was uninsured, nationally, while 16.1% of Montanans were uninsured. Texas had the highest rate, at 24.4%.

Some groups contend that these Census Bureau figures are more typical of the results that other surveys obtain when people are asked if they are insured at a specific point in time. These groups, including the nonpartisan Congressional Budget Office (CBO), say the percentage of people who are uninsured for at least some period of time during a year is probably higher than indicated by the Census Bureau survey. Even the Census Bureau cautions that its figures "more closely approximate the number of people who are uninsured at a specific point in time during the year than the number of people uninsured for the entire year," noting that "because health insurance coverage status can change over the course of a year, answering questions about this long reference period may lead to response errors."<sup>4</sup>

A 2003 CBO report noted that "the uninsured population is fluid, with many people gaining and losing coverage" during the one-year period measured by the Census Bureau. Using 1998 data from four national surveys, the CBO estimated that half to two-thirds of the people who were uninsured that year also had coverage at some point in the year. The CBO concluded that 24.5% of people under 65 years of age lacked insurance at one point in the year, while 9.1% went without for the entire year.<sup>5</sup>

In March 2009, the pro-reform group Families USA released a report estimating that 33.1% of Americans and 34.3% of Montanans under the age of 65 were without health insurance for all or part of the two-year period covering 2007 and 2008. Families USA worked with the Lewin Group, a health research and consulting firm, to use data from the Census Bureau and other national surveys to determine how many people were without insurance for at least one month during the two-year period. The survey concluded that one-fourth of the people who lacked insurance during the study period went without coverage for the entire two-year period.

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<sup>3</sup> "Income, Poverty, and Health Insurance Coverage in the United States: 2007," *U.S. Census Bureau*, August 2008, P. 26.

<sup>4</sup> *Ibid*, P. 19.

<sup>5</sup> "How Many People Lack Health Insurance and For How Long?," *Congressional Budget Office*, May 2003, P. 7.

"Because many of the uninsured are without insurance for a short period of time, a point-in-time estimate understates the population that is at risk of being without health insurance," the group said in its 2009 report. "Estimates based on people who are uninsured over a period of time provide a more accurate representation of all the people who lose their insurance."<sup>6</sup>

On the other hand, the more conservative Heritage Foundation questions the accuracy of the Census Bureau figures, pointing out – as did CBO – that many of the people who reported being uninsured may have lacked coverage for a short period of time rather than a full year. The Heritage Foundation notes that the Census Bureau figures on the uninsured population include illegal immigrants, as well as people who had coverage through Medicaid but may not have reported it and individuals who are eligible but not signed up for public insurance programs.<sup>7</sup>

These differing views on who should be included in the ranks of the uninsured illustrate the challenges facing policymakers as they determine how many people are in need of insurance coverage and how best to provide coverage to those in need.

#### Who Lacks Health Insurance in Montana?

Estimates of the number of uninsured Montanans have ranged anywhere from 15% to 34% of the population in studies conducted by various groups over the past several years. The numbers vary somewhat from year to year. They also fluctuate based on whether all Montanans or just Montanans under the age of 65 are included in the number. Most reports on the number of people without insurance focus on people under 65 years of age, because those 65 and older are covered by the Medicare program.

The U.S. Census Bureau, in its most recent report on health insurance coverage, listed Montana's uninsured rate at 16.1%, based on a three-year average from 2005 through 2007.<sup>8</sup> That amounts to 150,000 of Montana's approximately 933,000 residents.

The University of Montana Bureau of Business and Economic Research conducted an extensive telephone survey of 5,074 Montana households from December 2002 to May 2003 to determine who was insured and who was not. That study pegged Montana's uninsured rate at 19%, or 173,000 Montanans at the time of the survey. The rate rose to 22% when people over the age of 65 were removed from the results. But that survey also showed variations based on the length of time a person was considered uninsured. The rate

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<sup>6</sup> "Americans at Risk: One in Three Uninsured," *Families USA*, March 2009, P. 19.

<sup>7</sup> "The Heritage Foundation Responds to Uninsured Numbers in New U.S. Census Bureau Report," *The Heritage Foundation*, Aug. 28, 2007.

<sup>8</sup> "Income, Poverty, and Health Insurance Coverage in the United States: 2007," *U.S. Census Bureau*, August 2008, P. 25.

dropped to about 15.9% when measuring the number of people under 65 who had been without insurance for all of the previous 12 months.<sup>9</sup>

The following table shows the range of statistics provided for Montana in recent studies.

### Estimates of Montana's Uninsured Population

	Census Bureau 2005-07	U of Montana 2004	statehealthfacts.org 2006-07	Families USA 2007-08	SHADAC* 2007
Total Uninsured	16.1%	19%	16.4%	N/A	15.6%
Uninsured under 65	N/A	Part year: 22% All year: 15.9%	18.7%	Part year: 34.3%	17.9%

\*State Health Access Data Assistance Center, a University of Minnesota project providing health policy analysis

### Private Insurance Coverage in Montana

Fewer Montanans obtain their health insurance through their jobs than do Americans in general, and more are buying coverage in the individual insurance market. People buying insurance on their own generally don't benefit from the pooling of risk that occurs in group policies. Thus they often face the prospect of paying more money for policies that may offer fewer benefits, depending on their age and health status.

Nationally, approximately 61% of the under-65 population with health insurance in 2007 obtained the coverage through their jobs, while just 6.5% bought a policy through the individual insurance market.<sup>10</sup> Studies have estimated that about 56% to 58% of Montanans under the age of 65 are covered by policies offered through their employer. Meanwhile, they consistently show that about 9% of Montanans buy insurance on their own.

UM Bureau of Business and Economic Research studies in both 2004 and 2006 showed that for many Montanans, employer coverage depends on the size of the firm for which they work.

The bureau's 2006 survey of Montana businesses found the following rates of coverage for firms of various sizes.

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<sup>9</sup> Steve Seninger, "Household Survey and Employer Survey Findings about Health Insurance Coverage in Montana," *Bureau of Business and Economic Research, The University of Montana*, February 2004, P. 7.

<sup>10</sup> "Health Insurance Coverage Rates (0-64 years) by Type of Coverage and State: Calendar Year 2007," *State Health Access Data Assistance Center* [online]; available at <http://www.shadac.org/charts-tables/tables>; accessed Aug. 31, 2008. Data compiled from the U.S. Census Bureau's Current Population Survey, 2008.

**Montana Firms Offering Coverage by Number of Employers, 2006**

<b># of Employees</b>	<b>Coverage</b>	<b>No Coverage</b>
1-5	36.9%	63%
6-10	52.3%	47.7%
11-20	71.9%	28.1%
20-100	79.9%	20.1%
100+	96.1%	3.9%

However, even the larger firms did not offer coverage to all their employees. Many limited the offer of coverage to employees who worked a certain number of hours a week, usually at least 30 hours. The table below shows, of the firms offering coverage, the percentage that offered insurance to some, rather than all, of their employees.

**Montana Firms Offering Coverage by Employee Offer, 2006**

<b># of Employees</b>	<b>Some Employees</b>	<b>All Employees</b>
1-5	9.4%	27.5%
6-10	15.4%	36.9%
11-20	18.8%	53.1%
20-100	34.4%	45.5%
100+	47.4%	48.7%

The findings are significant in a state where 92% of the nearly 40,000 businesses covered by the Unemployment Insurance system have fewer than 20 employees.<sup>11</sup> If many of the uninsured work for small businesses that don't offer coverage, federal reforms exempting small businesses from insurance mandates may put many Montanans into the individual insurance market.

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<sup>11</sup> Quarterly Census of Employment and Wages, *Montana Department of Labor*. Data provided Aug. 31, 2009.

### The Publicly Insured in Montana

More than one-fourth of Montana's total population and nearly 13% of the population under 65 receives health insurance coverage through one of the following programs funded with public dollars.

- **Medicare:** This federal program provides health insurance coverage primarily to people who are 65 years of age or older. The program also provides coverage to some people under age 65 with disabilities or with end-stage kidney disease. Medicare covered 160,600 Montanans with hospital or supplementary medical insurance as of July 2007.<sup>12</sup>
- **Medicaid:** Funded by the federal and state governments, this program provides coverage to the largest number of Montanans under the age of 65. The Department of Public Health and Human Services reported that Medicaid covered 82,450 Montanans in June 2009.

Medicaid primarily serves low-income children, pregnant women, blind or disabled adults, and low-income adults over the age of 65. It also provides coverage to extremely low-income parents and to some other adults whose medical expenses are so high that the individuals qualify for assistance after they've spent a certain portion of their income on medical bills each month. (See P. 9 for more information on income eligibility standards.)

States pay a portion of the costs of the program, based on their per capita income as compared to the national average. Montana's share has hovered at about 33% in recent years, with the federal government paying about 67% of the costs. The federal share was temporarily increased in October 2008 through the American Recovery and Reinvestment Act. It will be 8% to 10% higher than usual through December 2010. Adult Medicaid recipients also pay a small portion of the costs of services.

Many Medicaid beneficiaries are entitled to coverage for a number of medical services under federal law, and the state must pay its share of those expenses, whatever they may be. States can, however, try to limit their costs by limiting coverage for certain optional medical services for adults. States cannot limit coverage of optional services for children.

- **Children's Health Insurance Program (CHIP):** This federal-state program provides coverage for nearly 19,000 lower-income children who do not qualify for Medicaid. States establish eligibility requirements within the guidelines set out in federal law. In Montana, a child is eligible if the family income is at or below 175% of the poverty level.

The federal government picks up a bigger portion of the tab for CHIP than it does for Medicaid – about 77.3% in the current fiscal year. However, the program is funded through a block grant that has a limited amount of money. Under state law, if the state's

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<sup>12</sup> "Medicare County Enrollment as of July 1, 2007," *Centers for Medicare and Medicaid* [online], available at <http://www.cms.hhs.gov/MedicareEnrpts>, accessed Aug. 13, 2009.

costs exceed the appropriation, it must reduce the eligibility level or the services provided. Some families make a small co-payment for most services except prevention or wellness services.

- ***Insure Montana***: Created in 2005 and funded by a portion of the state tobacco tax, this program subsidizes insurance coverage for about 10,000 Montanans by offering tax credits and subsidies to small businesses and premium assistance to employees of some of those businesses. Insure Montana offers two programs for businesses that have 2 to 9 employees, if the employees make less than \$75,000 a year.
  - ✓ The purchasing pool program is open to businesses that have not offered group health insurance to their employees in the past two years. Insure Montana pays a part of the cost for both the business and the employee.
  - ✓ The tax credit program is open to companies that have been providing health insurance, to help them cover the costs of continuing to offer coverage. The company receives a \$100 a month credit for each employee buying insurance, as well as an additional \$100 a month if it offers coverage to the spouse and \$40 a month if it offers coverage for dependents.

The 2009 Legislature passed House Bill 258, which provided \$6 million in additional tobacco tax funds for the Insure Montana programs. The increased funding brought the total for the two programs to about \$13 million in each year of the current biennium. The infusion of funds had allowed Insure Montana to expand coverage to 169 businesses in the purchasing pool program by mid-August, bringing the total businesses in the program to 826. Another 79 businesses had been added to the tax credit program, bringing the total to 808 businesses. Insure Montana expected the increased funding to allow expansion to another 90 business in the purchasing pool program and 134 businesses in the tax credit program. Enough businesses were on the waiting list that all available slots were expected to be filled from those lists.<sup>13</sup>

- ***Montana Comprehensive Health Association (MCHA)***: Funded by insurers, policyholders, and the state, MCHA offers insurance plans for individuals who are considered uninsurable because of their health status or who have lost their coverage because they were laid off or their company stopped offering insurance coverage. The program is funded primarily by an assessment on health insurance companies and by premiums paid by people buying the insurance, along with some state and federal funds.

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<sup>13</sup> Interview with Jill Sark, Insure Montana Program Manager, Montana State Auditor's Office, Aug. 13, 2009.

The state funding, using a portion of the tobacco settlement revenues, provides low-income people with help in paying their premiums. This premium assistance program subsidized coverage for 279 Montanans as of June 30, 2009.<sup>14</sup>

The insurance policies offered by the MCHA generally involve high deductibles and out-of-pocket maximums. Unless an enrollee had prior coverage within a specified time period and meets other requirements, the policies do not cover pre-existing health conditions for 12 months for most enrollees and for 4 months for people receiving premium assistance. (See Pages 11-12 for more information on the MCHA plans.)

The Medicaid and CHIP programs will be expanded to cover more children as of Oct. 1, 2009, under the terms of an initiative approved by voters in 2008 and funded by the 2009 Legislature. Children with a family income of up to 250% will be eligible for the new Healthy Montana Kids program. The expansion will be financed primarily by the CHIP federal grant and a portion of the premium tax paid by insurers. The program is expected to cover an additional 29,000 children.

The table below summarizes key elements of Montana's publicly funded insurance programs.

#### Publicly Funded Insurance Programs in Montana

Program	Number Covered	Funding Source
Medicare	160,600*	Federal government, enrollee co-payments
Medicaid	82,450**	Federal and state governments (67%/33% split), co-payments from adult enrollees
CHIP	18,900***	Federal and state governments (77%/23% split), co-payments from some families
Insure Montana	10,095 <sup>†</sup>	State tobacco tax funds, business and employee premiums, employee co-payments
MCHA	279 <sup>††</sup>	State tobacco settlement funds, insurer assessments, participant co-payments
<b>TOTAL</b>	<b>272,324</b>	

\* Source: Centers for Medicare and Medicaid. As of July 1, 2007.

\*\* Source: Department of Public Health and Human Services. As of June 30, 2009.

\*\*\* Source: Department of Public Health and Human Services. As of Aug. 1, 2009.

<sup>†</sup> Source: Montana State Auditor's Office. As of Aug. 13, 2009

<sup>††</sup> Source: Montana Comprehensive Health Association. As of June 30, 2009.

<sup>14</sup> Figures provided to the MCHA Annual Membership Meeting, Aug. 5-6, 2009.

## 2009 FEDERAL POVERTY LEVEL GUIDELINES

Family Size	Gross Yearly Income							
	approx 33%	100%	133%	150%	175%	250%	300%	400%
1	\$3,576	\$10,830	\$14,404	\$16,245	\$18,953	\$27,075	\$32,490	\$43,320
2	\$4,704	\$14,570	\$19,378	\$21,855	\$25,498	\$36,425	\$43,710	\$58,280
3	\$5,892	\$18,310	\$24,352	\$27,465	\$32,043	\$45,775	\$54,930	\$73,240
4	\$7,092	\$22,050	\$29,327	\$33,075	\$38,588	\$55,125	\$66,150	\$88,200
5	\$8,280	\$25,790	\$34,301	\$38,685	\$45,133	\$64,475	\$77,370	\$103,160
6	\$9,468	\$29,530	\$39,275	\$44,295	\$51,678	\$73,825	\$88,590	\$118,120
7	\$10,668	\$33,270	\$44,249	\$44,905	\$58,223	\$83,175	\$99,810	\$133,080
8	\$11,844	\$37,010	\$49,223	\$55,515	\$64,768	\$92,525	\$111,030	\$148,040

### ELIGIBILITY LEVELS: STATE PROGRAMS AND FEDERAL REFORM PROPOSALS

Montana Programs	% of FPL
<b>Medicaid</b>	
Adults with children	~33%
Children ages 6 through 18*	100%
Children under 6 years of age	133%
Pregnant Women	150%
<b>Other</b>	
MCHA Premium Assistance	150%
CHIP (through Sept. 30, 2009)	175%
Healthy Montana Kids (Oct. 1, 2009)	250%

Federal Reform Proposals	% of FPL
<b>Medicaid Expansion</b>	
House Tri-Committee	133%
Senate Health, Welfare, and Pensions	150%
Senate Finance	133%
<b>Low-Income Subsidy</b>	
House Tri-Committee	400%
Senate Health, Welfare, and Pensions	400%
Senate Finance	300%

\* The eligibility standard for children ages 6 through 18 will increase to 133% of poverty on Oct. 1, 2009, as part of the Healthy Montana Kids program (Initiative 155) approved by voters in November 2008.



## MCHA INSURANCE PLANS

Insurance plans offered through the Montana Comprehensive Health Association are funded by a combination of:

- an assessment of 1% of annual premiums on most state-regulated health insurers, who must belong to the association;
- premiums paid by people insured through the program; and
- some federal and state funds that help offset the costs of premiums for some low-income individuals.

Key provisions of the MCHA traditional plans, which cover high-risk and low-income individuals, include:

- deductibles that range from \$1,000 to \$10,000;
- co-insurance rates of 20% for in-network providers and 40% for out-of-network providers;
- premiums that increase with a person's age; and
- an exclusion of coverage for a pre-existing condition, if the condition was treated in the three years before the individual was eligible for MCHA coverage.
  - ✓ 1-year pre-existing condition exclusion for a person who does not receive premium assistance through MCHA
  - ✓ 4-month exclusion for a person who receives premium assistance

About 3,000 Montanans were insured through MCHA plans as of June 30, 2009, as illustrated in the table below.<sup>15</sup>

<b>Program</b>	<b>Enrollees</b>	<b>Average Length on Plan</b>
Traditional (High-Risk)	1,362	32 months
Portability (Loss of Insurance)	1,321	26 months
Premium Assistance (Low-Income)	279	41 months
<b>TOTAL</b>	<b>2,962</b>	

Enrollees in the premium assistance plan must have an income at or below 150% of the federal poverty level. For that small group, MCHA subsidizes 45% of the premium. The average age of enrollees in those three plans – for the period from July 1, 2007, through June 30, 2008 – was 48.5 years.<sup>16</sup>

The table on the back of this page shows the monthly premiums for people of selected ages for the traditional plan.

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<sup>15</sup> Report to the MCHA Annual Membership Meeting, Aug. 5-6, 2009.

<sup>16</sup> Annual Report, *Montana Comprehensive Health Association*, November 2008, P.4.

**MCHA Traditional Plan, Selected Monthly Premiums by Age and Policy Type**

	<b>Deductible, Copayment, Out-of-Pocket Maximums</b>					
<b>Age</b>	<b>\$1,000 Ded 20% Co-Pay \$5,000 Max</b>	<b>\$1,000 Ded 20 in/40 out \$5,000 Max*</b>	<b>\$2,500 Ded 20 in/40 out \$6,000 Max</b>	<b>\$5,000 Ded 20 in/40 out \$7,500 Max</b>	<b>\$7,500 Ded 20 in/40 out \$10,500 Max</b>	<b>\$10,000 Ded 20 in/40 out \$5,000 Max</b>
26	\$433	\$369	\$284	\$212	\$176	\$152
30	\$465	\$395	\$305	\$228	\$189	\$163
35	\$520	\$442	\$341	\$255	\$211	\$183
40	\$601	\$520	\$394	\$295	\$244	\$211
45	\$712	\$605	\$467	\$350	\$289	\$250
50	\$851	\$723	\$558	\$417	\$345	\$298
55	\$1,011	\$859	\$663	\$496	\$410	\$355
60	\$1,209	\$1,027	\$793	\$593	\$490	\$424
64+	\$1,335	\$1,135	\$876	\$655	\$542	\$468

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