

# **Investing in Idaho's Families, Idaho's Future**

## **Expanding Medicaid for Children & Working Parents**

***Idaho Health Care Series: No. 1***

**Idaho Community Action Network (ICAN)  
Northwest Federation of Community Organizations (NWFCO)  
January 2000**

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## I. The Problem:

### Nearly One in Five Idaho Families Have No Health Insurance

Each year in Idaho, low-income parents are forced to make a terrible choice: pay out-of-pocket for health care or pay for rent and food for their kids. This is because private health insurance is very costly. It is also because, under Idaho law, many low-income families are ineligible for Medicaid.

Little wonder then that Idaho is the eleventh worst state in the nation when it comes to the percentage of people uninsured.<sup>1</sup> 221,551 Idahoans -- nearly one in five -- have no health coverage.<sup>2</sup> Among the hardest hit are families with incomes at or below 200% of the Federal Poverty Level; in these families, 26% of children and 43% of parents are uninsured.<sup>3</sup>

Behind these statistics are real human beings, like Max Huggins. Max worked for Schuck's Auto Parts in Caldwell, Idaho, for five and a half years when his foot became seriously infected. He had no health insurance. "I could have gotten medical insurance through Schuck's but it cost about \$200 more a month than I made."

He saw a doctor at a free clinic who told Max that the foot would have to be amputated before the infection spread. Without the amputation, his life was in danger. The doctor instructed Max to take a leave of absence. Max's leave from work has been continuously extended because without surgery his health has not improved.

Max has no way of paying for the surgery which is projected to cost approximately \$20,000. He and his wife and child get by on a \$1,300-a-month disability/retirement check. After paying basic bills, there is so little left, they "eat spaghetti and 29-cent boxes of macaroni" most nights. Buying private health insurance is out of the question; yet Max does not qualify for Medicaid, SSI, or the Canyon County Indigency Fund, because his income is "too high" -- \$143 above the federal poverty level.<sup>4</sup>

No health insurance means poor access to health care. This common-sense fact is backed up by research which shows that uninsured people are twice as likely to report difficulty in getting care as people who have health coverage.<sup>5</sup>

Lack of access to medical care is first and foremost a human tragedy. It is also bad news for Idaho's economy. Businesses are attracted to states with strong infrastructures -- which includes a strong and healthy work force. Broad access to health care -- and, hence, broad access to health insurance -- is crucial to the growth and development of Idaho's communities.

When almost one in five Idahoans lack health insurance, we must recognize that health care in Idaho is in trouble, and we must solve the problem.

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<sup>1</sup> Bob Fick, "Report Ranks Idaho 11th for Uninsured," *The Idaho Statesman*, 11-5-99.

<sup>2</sup> Figures are for 1998. Current Population Surveys 1996-1998 (Washington, D.C.: U.S. Census Bureau, 1998), <[>](http://www.census.gov/hhes/hlthins/hlthin98/3yr98).

<sup>3</sup> Current Population Survey 1997-1999 (Washington, D.C.: U.S. Census Bureau, 1999).

<sup>4</sup> In 1999, the Federal Poverty Level for a family of 3 was \$1,157 in gross monthly income. "1999 Federal Poverty Level" (Oregon Center for Public Policy, 1999), <[>](http://www.ocpp.org/poverty.htm).

<sup>5</sup> This is true whether the type of coverage is a private health plan, Medicaid or state health insurance. Peter J. Cunningham, Heidi Whitmore, "How Well Do Communities Perform on Access to Care for the Uninsured?" (Washington, D.C.: Center for the Study of Health System Change, 1998), p. 1.

## ABOUT MEDICAID

### What is Medicaid?

Medicaid is a joint federal/state program that provides medical coverage to some low-income people. In Idaho, the state's Department of Health and Welfare administers the program.

### Who Does Medicaid Cover?

- **Pregnant Women and Children:** Medicaid covers pregnant women and their children with incomes up to 133% of Federal Poverty Level.
- **The Aged, Blind and Disabled with Very Low Incomes:** Medicaid covers the aged, blind and disabled with incomes below \$540-\$1,500. (The income ceiling varies depending on whether the individual requires in-home care, care in a residential care facility, or care in a nursing home.)\*
- **Low-Income Children:** Medicaid, through a program called the Children's Health Insurance Program (CHIP), covers children in families with incomes up to 150% of Federal Poverty Level.
- **Very Low-Income Families:** Medicaid provides coverage for people with incomes at or below 36% of the Federal Poverty Level.

### What Are the Current Medicaid Expenditures?

In Idaho, Medicaid expenditures were \$431,755,349 in 1998. Most of these dollars -- 75.9 percent -- went to aged, blind and disabled through the AABD program. In contrast, the CHIP, which funds health coverage for low-income children, accounts for only 0.2% of Medicaid expenditures.\*

**Chart 1: Current Medicaid Expenditures (Per Individual, Per Year)**

Group Covered, Program Type	Average Expenditure (Per Individual, Per Year)
Children covered under CHIP	\$ 1,032
Eligible adults under Medicaid	\$ 3,137
Pregnant women with children	
Children	\$ 4,447
Women	\$ 1,285
In-home care	
Aged	\$ 6,336
Blind	\$ 6,368
Disabled	\$10,402
Nursing home care	
Aged	\$12,445
Blind	\$13,000 (estimate)
Disabled	\$13,827

\* Theo Murdoch, Financial Analyst, Division of Medicaid, Idaho Department of Health and Welfare, Personal Communication, 1-11-00.

\* Idaho Department of Health and Welfare, "Facts, Figures, Trends: 1999 - 2000," [www.state.id.us/dhw/hwgd/www/organiza/FFT/facts\\_figures\\_and\\_trends\\_1999.htm](http://www.state.id.us/dhw/hwgd/www/organiza/FFT/facts_figures_and_trends_1999.htm)

## **II. The Solution: Expanding Medicaid to Cover More Idaho Families**

The Idaho legislature acknowledged the gravity of the state's health care problem when it expanded the state's Medicaid program to cover children up to 150% of the Federal Poverty Level. This action also demonstrates that legislators understand Medicaid is a key part of the solution to the larger problem of health care access in the state.

The logical next step is to expand public investment to cover more of uninsured Idahoans. Specifically, this means:

- **Using our tax dollars wisely by investing in the most comprehensive and most efficient health coverage plan available: Medicaid.**
- **Investing in Idaho's future -- Idaho's children -- by increasing the eligibility levels of the Medicaid program to cover children up to 200% of the Federal Poverty Level.**
- **Investing in Idaho's work force by increasing the eligibility levels of the Medicaid program to cover working parents up to 200% of the Federal Poverty Level.**
- **Maximizing Idaho's investments in public health by using more realistic methods for calculating income and resources when determining Medicaid eligibility.**

**Celia Gonzales  
Burley, Idaho**

Celia Gonzales lives in Burley, Idaho, with her 6-year-old son, Jose. She works full time at the local John's Market as an assistant manager in the bakery. Celia's employer offers health care coverage, but it is simply too expensive for her. All her income goes to food and rent.

Unfortunately, doing without health insurance sometimes means doing without medical attention. Recently, Celia contracted a viral infection. Initially, she avoided visiting a doctor because she could not afford it. Eventually, however, she became so ill, she sought medical care. Now she's has medical bills she can't possibly pay.

*These investments would bring health care to the 89,441 parents and children in Idaho with incomes at or below 200% of the Federal Poverty Level who have no insurance.<sup>6</sup>*

<sup>6</sup> Current Population Survey 1997-1999 (Washington, D.C.: U.S. Census Bureau, 1999).

### III. Recommendations

#### **Recommendation 1: Invest in Medicaid, Not Private Health Insurance**

The Medicaid program makes better use of public funds - dollar for dollar -- than do private insurance programs. Unlike private health insurance plans, Medicaid is the only health coverage in the state that meets all of the following requirements:

- **Comprehensive coverage;**
- **Statewide coverage;**
- **Low administrative costs;**
- **Leveraging of state dollars through use of matching federal funds;**
- **Continuity of care, including over periods when the incomes of working families fluctuate;**
- **Immediate coverage, giving children the coverage they need right away;**
- **Clearly defined patient rights and program accountability, ensuring that enrolled children get all the health coverage funded by the program.**

Because the first four features of the program are of particular importance, we discuss them in greater detail

##### **• Comprehensive Coverage**

The comprehensive coverage available under Medicaid is one of the most compelling reasons to provide Idaho's low-income working families with access to the Medicaid program.

Medicaid covers all treatments that are medically necessary. It also offers strong preventative health programs, such the "Early, Periodic Screening, Diagnosis and Treatment Checkup" for children. Comprehensive coverage and aggressive preventative health programs are not part of a typical private insurance package.<sup>7</sup> (See Chart 2.)

##### **John Bowen Kamiah, Idaho**

John lives in Kamiah, Idaho, with his wife, Margarita, and his three daughters, Becca, Chelsee, and Christina. Margarita takes care of the children during the week, works weekends at Lewis and Clark Resort and brings home between \$180 and \$300 a month. John is a forklift operator at Kamiah Mills and makes about \$1,500 a month.

Through his employer, John buys health insurance for himself and the other four members of his family for \$104 a month. The problem is, although this plan is all he can afford, it doesn't buy the family much. "We end up having to pay for all the doctor visits, prescriptions, everything," notes John. "They don't cover anything."

Recently John had an accident and had a tooth knocked out. "They're supposed to cover accidents 100%," John said, but the insurance company refused to pay, saying they considered it a normal dental problem which the plan does not cover.

"Maybe I should take my hundred dollars and put it in the bank. At least at the end of the year I'd have \$1,200 dollars and I could get my daughter braces or something."

<sup>7</sup> Alan Well, "The New CHIP: Should States Expand Medicaid?" (Washington, D.C: Urban Institute, 1997), p. 1.

**Chart 2: Comparison of Insurance Coverage by Deductible and Services Covered**

	<b>BlueShield of Idaho</b>	<b>BlueCross of Idaho</b>	<b>Idaho Medicaid</b>
<b>Most Affordable Plan</b> (avail. to people 30-34 yrs old)	Basic Program	Basic Program	n/a
<b>Deductible</b>	\$2,500	\$2,500	\$0
<b>Services Covered by Plan</b>			
Ambulance	50% (up to \$750)	50% (up to \$750)	100%
Dental	No	No	100%
Vision/Eyeglasses	No	No	100%
Home Health Services	No	No	100% *
Hearing Tests & Hearing Aids	No	No	100%
**Podiatry	No	No	100%
Speech & Hearing Therapy	No	No	100%
Family Planning Council	No	No	100%
Chiropractic	Up to \$500 a year	Up to \$1000 a year	100% ***
Preexisting Condition	No****	No ****	100%

\* Must be ordered by doctor. Medicaid will cover up to 100 visits.

\*\* Medicaid will not pay for what is considered routine foot care such as treatment of corns, warts, nails, etc.

\*\*\* To correct misalignment. Limited to two sessions a month.

\*\*\*\* Except as specifically provided in the policy, with a usual 12-month waiting period.

- Statewide Coverage**

Currently, the Medicaid program is the only statewide program offering a comprehensive set of benefits throughout the state.

- Low Administrative Costs**

With Medicaid, public dollars are spent on direct medical care, not on overhead, excessive salaries and profits. Medicaid administrative costs average 5%.<sup>8</sup> In contrast, the administrative costs of private insurers such as Blue Cross of Idaho and Blue Shield of Idaho are much higher (9.17% and 11%, respectively).<sup>9</sup>

<sup>8</sup> Theo Murdoch, Financial Analyst, Division of Medicaid, Idaho Department of Health and Welfare, Personal Communication, 1-11-00.

<sup>9</sup> Administrative costs for BlueShield provided by Mike Lawrence, Accountant, Regence BlueShield of Idaho, Personal Communication, 1-11-00. Administrative Costs for Blue Cross are drawn from "Poised for the Future: Blue Cross of Idaho 1998 Annual Report" (Boise, ID: Blue Cross of Idaho, 1998), p. 6.

- **State Dollars Highly Leveraged**

By investing in Medicaid, Idaho leverages its dollars at a rate of between 3- or 4-to-1. No such leveraging is possible if Idaho puts public money into private insurance. With Medicaid, this leveraging is possible because the federal government matches state dollars invested in Medicaid. (See Chart 3 for current match rates.)

**Chart 3: Federal Matching Dollars for State Medicaid Expenditures, FY2000**

Medicaid Program	Federal Contribution (%)	State Contribution (%)
PWC, TAFI, AABD	70.7%	29.3%
CHIP	79.1%	20.9%

*Source:* Theo Murdoch, Financial Analyst, Division of Medicaid, Idaho Department of Health and Welfare, Boise, Idaho, Personal Communication, 1-11-00.

**Recommendation 2:**

**Expand the Children's Health Insurance Program (CHIP) to Cover Children up to 200% of the Federal Poverty Level**

Idaho currently covers children at 150% of the Federal Poverty Level.

Were Idaho to invest approximately \$3.8 million of state funds into the CHIP program, it could receive almost \$15 million in matching federal funds. Currently, Idaho is investing less than half of the \$3.8 million and, as a result, is failing to harvest \$8.8 million in matching federal funds.<sup>10</sup>

Idaho's current investment in CHIP (approximately \$1.676 million<sup>11</sup>) constitutes a modest 1.4% of the budget of the Idaho Department of Health and Welfare (DHW).<sup>12</sup> By increasing investment in CHIP by \$2.2 million -- also a modest amount relative to DHW's total budget -- Idaho could obtain the remaining \$8.8 million in available federal matching funds and, with this money, provide Medicaid coverage to children up to 200% of the Federal Poverty Level.

**Recommendation 3:**

**Increase Eligibility Levels under Current Medicaid Program for Working Parents**

Even representatives from the insurance industry agree that private health insurance is prohibitively expensive: "We have people that are paying more for health insurance than for

<sup>10</sup> The Division of Medicaid of the Idaho Department of Health and Welfare has requested that \$1,675,800 in state funds be appropriated for CHIP. (Idaho Department of Health and Welfare, "Facts, Figures, Trends: 1999 - 2000," <<www.state.id.us/dhw/hwgd\_www/organiza/FFT/facts\_figures\_and\_trends\_1999.htm>>.) This will result in a federal match of \$6,125,200 -- less than half of the almost \$15 million in federal funds available to Idaho for CHIP. (Idaho's total investment in CHIP will, therefore, be \$8 million.)

<sup>11</sup> Idaho Department of Health and Welfare, "Facts, Figures, Trends: 1999 - 2000," <<www.state.id.us/dhw/hwgd\_www/organiza/FFT/facts\_figures\_and\_trends\_1999.htm>>.

<sup>12</sup> Ibid.

mortgage payments,” notes Dan Jones, a member of Sedgwick Noble Lowndes, an insurance consulting firm.<sup>13</sup> Working families simply cannot afford the high cost of such insurance.

By expanding the Medicaid program to cover working parents, we ensure that our work force remains healthy and productive. This, in turn, means that Idaho’s economy remains productive. Businesses are attracted to states with strong infrastructures -- which includes a healthy and productive work force. Broad access to health care -- and, therefore, broad access to health insurance -- is crucial to the growth and development of Idaho’s communities. It is also a basic human necessity.

Idaho should expand coverage for families to 200% of Federal Poverty Level.

#### **Recommendation 4:** **Maximize Our Investments By Using More Fiscally Sound Methods For Calculating “Income” and “Resources” When Determining Eligibility**

In 1996, the federal government gave states the option of using more fiscally sounds methods of calculating “income” and “resources” when determining a child’s or working parent’s eligibility for Medicaid.<sup>14</sup> Among the options now available to Idaho are:

- Linking “income” and “resource” standards to shifts in the Consumer Price Index (CPI). If the purchasing power of the dollar declines, as it has in recent decades, income and resource guidelines adjust to reflect the *real* value of a given wage.
- Eliminating the asset test. (Currently, in Idaho, an asset limit of \$1,000 is applied to families who apply for Medicaid. Eliminating the asset test would have the additional benefit of saving the state money in administration costs.)

In 1996, the federal government also established provisions within Medicaid to help former welfare recipients transition to work. These include:

- “Transitional Medicaid” to cover parents leaving Medicaid for a job with no employer insurance. In January of 1996, just over 9,300 families in Idaho were receiving cash assistance through the state’s welfare program (Temporary Assistance for Families in Idaho (TAFI)). Today, fewer than 1,300 families receive such assistance.<sup>15</sup> In many states, families leaving welfare have not been informed of their right to receive continued Medicaid coverage while they transition into the work force. Idaho must set safeguards in place to make sure working parents moving from TAFI into the work force are not denied the Transitional Medicaid Coverage that is their right by law.

<sup>13</sup> Ken Miller, “Hikes Bring Health Insurance Cancellations, Task Force Says,” *The Idaho Statesman*, 8-4-99.

<sup>14</sup> Jocelyn Guyer and Cindy Mann, “Taking the Next Step: States Can Now Take Advantage of Federal Medicaid Matching Funds to Expand Health Care Coverage to Low Income Working Parents” (Washington, D.C.; Center on Budget and Policy Priorities, 1999), p. 20.

<sup>15</sup> Judith Brown and Mikey Kraicer, “Beyond Welfare Reform: Policy Alternatives to Aid Families Struggling to Make Ends Meet” (Boise, ID: United Vision for Idaho and the Idaho Community Action Network (ICAN), 1999).

## IV. Funding Medicaid Expansion

There are four sources of funding available for Medicaid expansion:

- **The Budget Stabilization Fund (The “Rainy Day Fund”): \$36 Million<sup>16</sup>**
- **1999 Budget Surplus: \$44.9 Million<sup>17</sup>**
- **Tobacco Settlement Money: Potentially, \$700 Million over a period of 25 Years<sup>18</sup>**
- **Federal Matching Funds for the Children’s Health Insurance Program (CHIP): \$8.8 Million<sup>19</sup>**

## V. Conclusion

ICAN is calling upon our state leaders to take action and expand Medicaid to cover low-income working families.

The rising number of families without health insurance in Idaho is a looming public health crisis. Eighteen percent (221,551) of the state’s population is without any form of health coverage.<sup>20</sup> Among the hardest hit are families with incomes at or below 200% of the Federal Poverty Level; in these families, 26% of children and 43% of parents are uninsured.<sup>21</sup>

Expanding Medicaid is the best solution to the state’s health coverage problems. Medicaid provides comprehensive care, statewide coverage, and continuity of care. It is effective immediately, has low administrative costs, maximizes the use of available federal funds and, by enforcing patient rights and provider accountability, ensures that enrolled children get the health coverage specified in the program. Idaho Community Action Network has placed this issue at the top of their legislative agenda. We will fight to ensure that Idaho’s children and working families get the best that we can afford to give them – a healthy future. It is time to make a public investment in Idaho’s future, Idaho’s families.

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<sup>16</sup> David Tolman, State Financial Officer, Division of Financial Management, Personal Communication, 1-11-00.

<sup>17</sup> Ibid.

<sup>18</sup> “Idaho Receives First Tobacco Monies,” <<<http://www.state.id.us/legislat/99news/>>>.

<sup>19</sup> Idaho Department of Health and Welfare, “Facts, Figures, Trends: 1999 - 2000,” <<[http://www.state.id.us/dhw/hwgd\\_www/organiza/FFT/facts\\_figures\\_and\\_trends\\_1999.htm](http://www.state.id.us/dhw/hwgd_www/organiza/FFT/facts_figures_and_trends_1999.htm)>>.

<sup>20</sup> Figures are for 1998. Current Population Surveys 1996-1998 (Washington, D.C.: U.S. Census Bureau, 1998), <<<http://www.census.gov/hhes/hlthins/hlthin98/3yr98>>>.

<sup>21</sup> Current Population Survey 1997-1999 (Washington, D.C.: U.S. Census Bureau, 1999).

## About The Organizations Releasing This Report

**The Idaho Community Action Network (ICAN)** serves as a powerful, consolidated voice for Idaho's poor, with chapters and membership clusters in six Idaho communities, including the state's three largest cities and numerous rural towns. Through ICAN, low-income Idaho families have a voice in the decisions that impact their lives. In addition to its direct action work, ICAN runs a statewide, volunteer-driven food program that helps low-income families supplement their monthly budgets. ICAN's community organizing model integrates the provision of food with training, leadership development and action on issues.

**The Northwest Federation of Community Organizations (NWFCO)** is a regional federation of five statewide, community-based social and economic justice organizations located in the states of Idaho, Montana, Oregon and Washington: Idaho Community Action Network (ICAN), Montana People's Action (MPA), Oregon Action (OA), Washington Citizen Action (WCA) and Coalition of Montanans Concerned with Disabilities (CMCD). Collectively, these organizations engage in community organizing and coalition building in fourteen rural and major metropolitan areas, including the Northwest's largest cities (Seattle and Portland) and the largest cities in Montana and Idaho.

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