The Reality of Washington's Uninsured

Recommendations for Providing Secure, Affordable Health Care for All Washington Residents

Northwest Federation of Community Organizations

Washington Community Action Network

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Overview

Quality health insurance is the gateway to the health care that all people need and deserve. Yet an increasing number of Washington residents are uninsured, and many more have health insurance that doesn't meet their needs. Currently, approximately 9.3 percent of Washington's population, or about 593,000 individuals, live without health insurance.[1] This is a large number – but the problem of the uninsured is one that can and must be solved.

The topic of health care reform and the uninsured has become the subject of increased discussion among policymakers and the public. This attention is well deserved. However, as the discussion continues, it is also important that all participants understand who the uninsured really are, so that policymakers can develop clear, effective solutions.

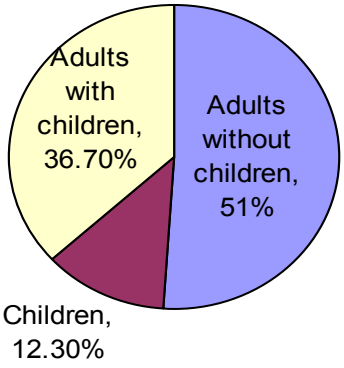
This report provides an accurate picture of the uninsured, addressing common misperceptions of this population. The report then provides policy recommendations for comprehensive reform that will make health insurance accessible to all Washington residents.

Who are the Uninsured?

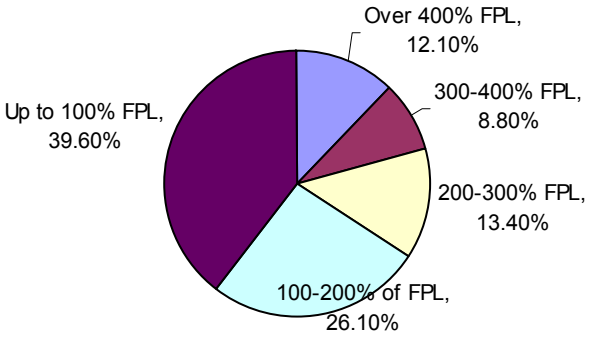
A number of different estimates of the uninsured population exist in Washington. These variations result from the fact that different surveys ask different questions to assess the number of uninsured. For example, the Washington State Population Survey (SPS) asks respondents if they are *currently* uninsured.[2] The Current Population Survey (CPS), conducted by the U.S. Census Bureau, asks respondents if they have been uninsured *at any time during the last calendar year*.[3] The latest report from the Office of Insurance Commissioner averages these two sources to estimate the number of uninsured in Washington.[4]

Who Are Washington's Uninsured?

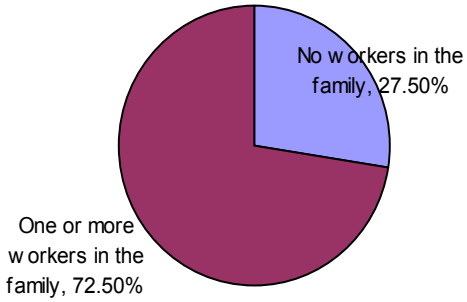
Adults without Children (51 percent)

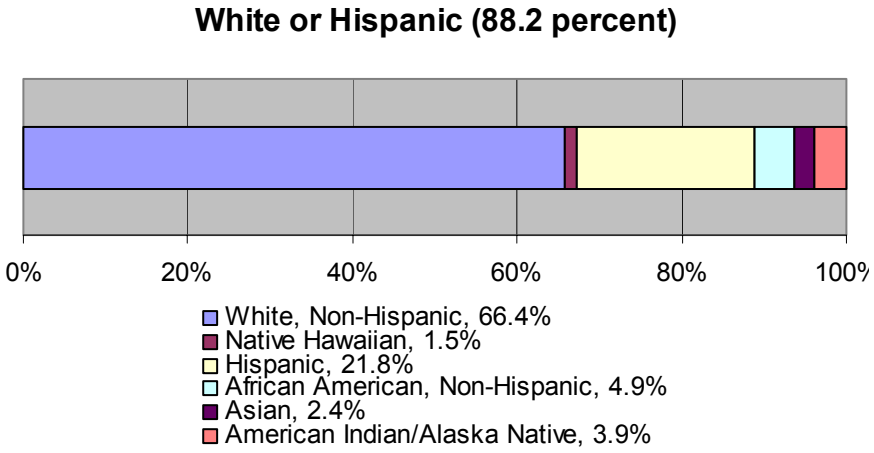


Poor or Near Poor (65.7 percent)



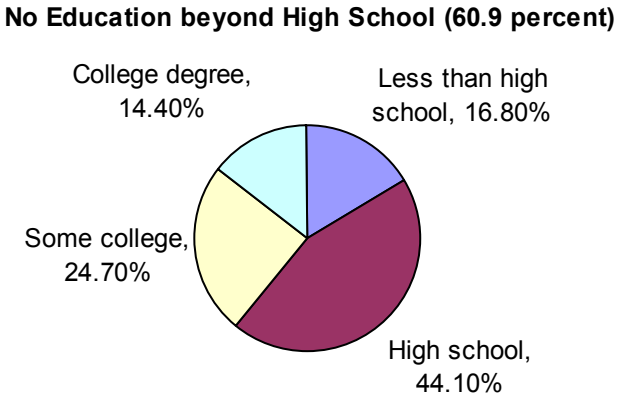
Workers or Members of Working Families (72.5 percent)





Each of these methods is valid. This report uses the data from the SPS because this survey uses a larger sample size than the federal survey. By determining the respondent's current coverage status, the SPS avoids problems with the responder's faulty recall. In addition, last year the state's Blue Ribbon Commission on Health Care Costs and Access (Blue Ribbon Commission) relied on information from the SPS in its discussions of health care reform. In a presentation to the Commission, the Director of the Washington State Planning Grant Access to Health Insurance Project provided 2005 and 2006 SPS data showing that the typical uninsured Washington resident is:[5]

- An adult without children (51 percent)
- A worker or a member of a working family (72.5 percent)
- Poor or near-poor (65.7 percent)
- Young (between the ages of 19 and 34)(50.7 percent)
- White or Hispanic (88.2 percent)
- Has no education beyond high school (60.9 percent)



Myths and Facts about the Uninsured

Myth: Most uninsured are young and healthy, and therefore do not need health insurance.

FACT: A majority of the uninsured are young. However, it is important for all people to have health insurance, whether young or old, healthy or sick.

Young adults without insurance lack access to preventive health care, delay medical care when they need it, and are at risk for financial ruin when faced with severe illness or injury. According to the Commonwealth Fund, among adults ages 19 to 29 who experienced being uninsured in 2005, due to cost over half went without health care they needed. This included things such as:

- Not filling a prescription.
- Not seeking a doctor or specialist when sick.
- Skipping a recommended medical test, treatment, or follow-up visit.[6]

Like all others, young adults have health needs that they cannot adequately address without quality health insurance. For instance:

- Proportionally, young adults make more injury-related emergency room visits than do either children or older adults. [7]
- A recent study suggests "a rising prevalence of diverticulosis in young patients; the disease has traditionally been associated with older adults.[8]
- The highest birth rate is among women ages 25-29 years old.[9]

In addition, going without health insurance can permanently undermine the financial well-being of young adults. According to the 2005 Commonwealth Fund Biennial Health Insurance Survey, 35 percent of all young adults (both insured and uninsured) reported having had trouble paying medical bills, including such things as "being contacted by a collection agency because of inability to pay bills, significantly changing their way of life in order to pay medical bills, or paying off medical debt over time."[10] Those most likely to experience problems with medical bills and debt were uninsured young adults, of whom 46 percent reported at least one of these problems.[11]

Myth: Most of the uninsured do not have health insurance because they do not work.

FACT: Almost three out of four (72.5 percent) uninsured in Washington State work or have a worker in their family—but they do not receive benefits through their families' employers.

Many employers do not make health insurance available to their employees. According to the Employer Health Insurance Data Book, as of 2004 38 percent of companies in Washington State did not offer health insurance.[12] Twelve percent offered it to only full-time employees, 38 percent to full-time employees and their dependents, and 10 percent to full-time and part-time employees and their dependents.[13]

The smaller a business, the less likely it is to offer health insurance.[14] As of 2004, 32.9 percent of the uninsured were self-employed. Twenty-five percent were employed in businesses employing from 2 to 49 workers, while 13.4 percent work in businesses that employ over 50 or more workers.[15]

Small businesses are especially feeling the pinch. According to a discussion guide prepared for the Blue Ribbon Commission, among Washington employers that have fewer than 50 employees and offer coverage, the average monthly premium for single coverage increased from $164 in 1998 to $317 in 2004.[16] Many workers and their employers simply cannot pay the high costs of premiums. Moreover, a recent study indicates that although premium costs have increased more rapidly for small businesses than for large ones, the quality of coverage they receive is lower.[17]

Myth: Most uninsured are middle income, making over $50,000 a year.

FACT: The majority (65.7 percent) of Washington's uninsured are poor or near poor.

Forty percent of Washington state residents ages 0-64 without insurance have incomes under the poverty level (FPL).[18] (As of 2007, the federal poverty level for an individual is $10,210 a year; for family of four it is $20,650 a year.)[19] Twenty-six percent have incomes between 100 and 200 percent FPL.[20] Nationally, since 2000 the number of uninsured adults has increased by over five million, with almost 75 percent of coming from low-income families.[21] (Generally, a family is considered low-income if it has income at or below 200 percent FPL.) Moreover, the lower a person's income bracket, the more likely he or she is to be uninsured.[22]

Myth: Many uninsured are eligible for public programs, but do not apply for them.

FACT: Many of the uninsured do not qualify for public programs because these programs have strict eligibility criteria. Others who may be eligible cannot participate because programs have enrollment limitations or the costs of participating are too high.

Public health coverage programs in Washington have restrictive eligibility requirements that exclude many people. The largest such program, Medicaid (a joint state-federal program), is limited to individuals who fall within a specific category, meet financial guidelines, and meet other eligibility requirements.

In Washington, the categories include children with income at or below 200 percent FPL, parents with income below the poverty line, low-income seniors and people with disabilities, and select other groups. Those who do not fall into one of the eligibility categories will not qualify, no matter how low their income. For example, a thirty-five year-old man who has no children and is not disabled cannot enroll in Medicaid.[23]

Similarly, access is limited to Basic Health (BH), a state health coverage program. The income ceiling for BH eligibility is 200 percent FPL. This means that, as of 2007, an individual will not qualify if he or she makes more than $20,420 annually. A family of four is not eligible if its income is more than $41,300 annually.[24] Furthermore, the state funds a limited number of slots in BH, so enrollment may be capped.

Additionally, even if a person or family is eligible for BH, many cannot afford to participate. The program requires that participants pay a monthly premium, an annual deductible, and co-pays for doctor visits, hospital services, and drugs. The premiums for the BH program vary by age, income, and other factors; for some enrollees they can run close to, or even well over, $200 a month.[25] Many people simply cannot afford these costs in addition to housing, transportation, food, and utility bills.

Recommendations

Washington State policymakers have a long record of establishing innovative health care programs. These programs can be refined to provide the basis for health care for all. For example, the state has extended health coverage to more children through the SCHIP

program, for poor and low-income adults through the Basic Health program (BH), and for low-income uninsured employees of small businesses through the Small Employer Health Insurance Partnership Program (SEHIP).

However, these and other programs currently are not designed to eliminate uninsured rates among the poor and near poor. To accomplish that, eligibility requirements would have to be changed. Indeed, policymakers can refine these established programs to ensure the health security of all Washington residents.

Recommendation 1: Provide the funding necessary to meet the goal of having every child in Washington State covered by health insurance by 2010.

In Washington, approximately 73,000 children (ages 0-18) are uninsured.[26] The state's goal of covering all children cannot be implemented without an expansion of existing public programs.

This expansion would involve lifting enrollment caps and increasing eligibility to all children with family income up to 300 percent FPL. It has been estimated that by 2010, over 65,000 additional children could receive coverage through such an expansion.[27]

Implementing Recommendation 1 would provide health insurance to over 65,000 additional children.

Recommendation 2: Provide funding to expand the Small Employer Health Insurance Partnership (SEHIP) to cover employees up to 300 percent of the Federal Poverty Level.

Created by the 2006 legislature, SEHIP will provide subsidies to employees with income at or below 200 percent of the FPL. Eligible small businesses are those employing between two and fifty employees. The employer arranges for health insurance coverage and pays at least 40 percent of an employee's monthly premium. SEHIP helps pay the employee's share of the premium for the employee, spouse, and dependents. The amount SEHIP pays is based on a sliding scale.[28]

This partnership among individuals, businesses, and government has the potential to offer affordable insurance to the majority of uninsured who work for small businesses and have low incomes. This recommendation includes the following incremental revisions:

Year 1: Fund the subsidies for SEHIP.
Year 2: Expand eligibility for SEHIP to employees that earn 300 percent FPL. Fund an outreach and small business health care assistance program designed to help small businesses enroll in the program.
Year 3: Expand eligibility to businesses with 75 or fewer employees.
Year 4: Expand eligibility to businesses with 100 or fewer employees.

An estimated 169,944 Washington uninsured residents have incomes less than 300 percent FPL and are employed in firms with less than 100 employees. Since the SEHIP program is voluntary, not all small businesses can be expected to enroll in its employees

in the program. However, if only a third of eligible firms utilized the SEHIP program, almost 57,000 eligible low-income employees could become insured.[29]

Implementing Recommendation 2 would provide coverage for approximately 57,000 uninsured employees in small businesses.

Recommendation 3: Protect and build on the state's Basic Health (BH) and Medicaid programs to cover low-income, self-employed, and unemployed adults.

Adults who do not work or are self-employed also need health care insurance. As of October 2005, BH provided state subsidized health care coverage to an average of 102,400 Washington residents each month that year.[30] To receive BH coverage, an applicant must have income at or below 200 percent of the FPL. Those who qualify pay a portion of the premium on a sliding scale based on family income.

In a proposal to the Blue Ribbon Commission, the Community Health Network of Washington and Washington Association of Community and Migrant Health Centers pointed out that, "[e]ven with year-to-year changes in benefits, cost sharing, member demographics, and underlying medical trends, [BH] has consistently constrained its costs more effectively than private insurance." The organizations explained that "[w]hile average per-member costs for private health insurance were growing at 9% to 15% annually, increases in the annual per member cost for [BH] were consistently lower."[31]

To decrease the number of uninsured, eligibility must be expanded up to 300 percent of the FPL. Cost-sharing must also be kept at a reasonable level to encourage eligible participants to apply.

An expansion of subsidies for low-income residents is outlined below in Recommendation 5. This recommendation also includes broad scale reforms intended to improve access to health insurance. While waiting for those reforms to be implemented the state should move toward restoring levels of Basic Health access to earlier levels, expanding BH by 20,000 slots. (In 2004, the Legislature reduced access to the program, capping enrollment at 100,000.)[32]

A discussion paper prepared for the Blue Ribbon Commission addressed a proposal to expand Medicaid and BH enrollments through a merging of these resources under current state options and a waiver from the federal Department of Health and Human Services. The paper suggested that approximately 450,000 low-income and uninsured Washington residents could receive coverage through a plan that was based on such an expansion.[33]

There are reasons to be concerned about such a waiver. Among these concerns is the potential abandonment of important benefit protections for Medicaid enrollees, such as those relating to quality of coverage. These protections must be retained to prevent further erosion of the quality of health insurance.

However, if the state does retain current protections, the reform could permit a more efficient deployment of resources and permit more low-income residents to receive

quality coverage through subsidized programs. Assuming that only half of the original estimate could be served through such a reform, 225,000 additional people could receive coverage.

Fully implementing this recommendation would provide health care access to approximately 245,000 Washington currently uninsured residents.

Recommendation 4: Establish a minimum standard for health insurance expenditures among the state's largest businesses over a five-year period.

State-funded health insurance programs provide coverage to many employees of large employers. Throughout 2004 more than 3,100 – or as many as 20 percent – of Wal-Mart's employees in Washington benefited from state-subsidized health coverage for themselves or their dependents. McDonald's came in second, averaging 1,824 employees enrolled in Medicaid, followed by Safeway, with 1,539 employees in Medicaid and 173 employees in BH for that period.[34]

Under this recommendation, large employers would have a choice of providing a minimum standard of employee health coverage or paying an assessment, which would be used to fund a pool that would provide insurance to workers. Because this plan is phased in over a five-year period, employers can integrate these costs into their business planning cycles.

This proposal will provide insurance to workers without health insurance who work for Washington's largest employers. The proposal will also:

- Ensure a fair health care contribution by large profitable employers. Many employers are able to maintain a healthy workforce because of the coverage their employees receive through public programs. These businesses should share in the responsibility of paying for health care in the state.
- Set a reasonable minimum standard that is already met by the vast majority of large employers.
- Level the playing field so employers who abuse the system do not have a competitive advantage over employers who pay their fair share.

This Employer Responsibility Plan would be phased-in as follows:

Year 1: Employers with more than 5000 employees.
Year 2: Employers with more than 2500 employees.
Year 3: Employers with more than 1000 employees.
Year 4: Employers with more than 500 employees.
Year 5: Employers with more than 100 employees.

When phased in over a five-year period, this recommendation would provide health care insurance access to Washington's residents who are uninsured but working in firms with 100 or more employees. This would provide coverage to 48,302 of the uninsured.[35]

Implementation of Recommendation 4 would deliver coverage to 48,302 uninsured.

Recommendation 5: Combine the private health insurance market pools for individuals, small businesses, and associations. Create a reinsurance market for the combined pool. Allow large employers to join.

This recommendation would create a market change that would make it easier to purchase insurance comprehensive enough to cover the customary needs of individuals and families.

Currently, separate insurance markets exist for individuals, small groups, and associations. This structure (and the rules within each market) contributes to risk pool "segmentation," in which insurers break groups of insured people into smaller pools, making it harder to evenly spread health care costs among many.

Premiums in the small group market are set according to "adjusted community rating." Under adjusted community rating, insurers spread risk more equitably among policyholders than they would without it, because it bars insurers from factoring health status into premiums. (They may factor in only age, family size, and location.)[36]

But such risk pooling is undermined by the existence of both the individual and association markets. The association market draws small businesses away from the small business community rating system into association plans that may vary charges according to health status.[37] And, in the individual market, insurers are permitted to take applicants' health status into account when deciding whether to offer insurance.[38] Not only does this prevent many individuals from finding affordable insurance, it also undercuts the benefits of risk pooling.

Combining these markets will address the problem of risk segmentation. By merging all three groups into one market, risk will be spread through a larger number of individuals and costs will become reasonable for all. After the pool is formed, the state can implement a reinsurance fund designed to help prevent bankruptcy caused by high medical bills and to pull extreme risk out of the market. Removing this risk would also drive down costs for the entire pool.

By making these market changes, Washington would be following the lead of other states including Connecticut, Idaho, New Mexico, New York, and Massachusetts that have used reinsurance to support small-group coverage, improve individual access, or both.[39] Washington must consider this proven strategy to spread risk in insurance markets, improve the predictability of claims, and reduce the mark-up of premiums that insurers charge as a buffer against unanticipated claims.

Allowing large employers to enter this pool will spread risk even more broadly and enable a transition away from an employer-based health care system. Large employers will have an incentive to join this pool, because the reinsurance and reduced administrative expenses that the pool offers will lead to lower rates. To attract large

employers, it is important that the insurance products offered through the pool have a high standard of benefits.

One approach would be to use the "connector" model pioneered in recent reforms in Massachusetts. This tool would provide access to a set of standardized health insurance plans, as well as permit better risk sharing and the implementation of a reinsurance program in a single reform. The connector also could be used as a tool for expanding subsidization programs for small businesses and low-income individuals.

This improved market will help those not served by the reforms suggested in the first four recommendations by providing access to guaranteed, reasonably priced health insurance in the private market – a needed alternative to unaffordable policies and substandard products that fail to offer the quality coverage people need.

Implementing Recommendation 5 will provide health insurance access to the 177,698 Washington residents who cannot acquire health insurance in the current market.

Conclusion

These five recommendations build upon existing and proven programs and provide the tools to insure all residents, including the 593,000 Washington residents who are currently uninsured. These recommendations will:

- Provide access for all regardless of income, race, ethnicity, age, or physical condition;
- Include comprehensive benefits to meet the medical needs of Washington families;
- Improve affordability of health insurance and level the playing field for small business;
- Require greater accountability of insurance companies' rates and coverage; and,
- Include cost containment measures that limit administrative costs and improve the sharing of risk.

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[4] *Ibid*.

[5] Vicki Wilson, Ph.D., Director, Washington State Planning Grant Access to Health Insurance Project, Presentation to the Washington State Blue Ribbon Commission on Health Care Costs and Access, October 27, 2006, accessed at: http://www1.leg.wa.gov/documents/joint/HCCA/Uninsured%2010-27%20Wilson%20OFM.pdf [hereinafter Wilson].

[6] Sara R. Collins, et al, "Rite of Passage? Why Young Adults Become Uninsured and How New Policies Can Help," The Commonwealth Fund, May 24, 2006, p. 6 [hereinafter Rite of Passage].
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[8] Eram Zaidi and Barry Daly, "CT and Clinical Features of Acute Diverticulitis in an Urban U.S. Population: Rising Frequency in Young, Obese Adults," *American Journal of Roentgenology*, September, 2006.
[9] Brady E. Hamilton, Ph.D., et al, National Center for Health Statistics, Division of Vital Statistics. Preliminary Births for 2004.
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[11] *Ibid*, p. 7.
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[15] Wilson, p. 23.
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[19] United States Department of Health and Human Services, 2007 HHS Poverty Guidelines, accessed at: http://aspe.hhs.gov/poverty/07poverty.shtml [hereinafter HHS Poverty Guidelines].
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[21] Kaiser Commission on Medicaid and the Uninsured, "Ten Myths About the Uninsured.," April, 04, 2005, p. 2.
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[25] Washington State Health Care Authority, Basic Health, Health Plans and Premiums, November 2006, p. 4, accessed at: http://www.basichealth.hca.wa.gov/doc/24-375.pdf.
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[27] *See*, Department of Social Health Services Fiscal Note for Substitute Senate Bill 5093, Washington State Legislature, February 19, 2007, pp. 2-3, accessed at: http://www.basichealth.hca.wa.gov/doc/24-375.pdf. The fiscal note estimates that by the end of the 2007-2009 biennium, 21,400 children would be covered by relevant expansion of the Children's Health Program, which currently covers approximately 10,000 children. It estimates that by July 2010, "the state will be able to provide coverage to a approximately 54,400 additional children."
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Northwest Federation of Community Organizations (NWFCO) is a regional federation of four 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), and Washington Community Action Network (Washington CAN!). Collectively, these organizations engage in community organizing and coalition building in14 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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Washington Community Action Network is a statewide, grassroots organization. With over 50,000 members, we are the largest consumer advocacy group in the state. We work on a range of issues with the broad aim of bringing about greater economic justice in our state and the country. Our board represents a coalition of groups, including labor, senior, faith, and community organizations. Our field and telephone canvasses do education, activation, and fundraising with our members. Our strength as an organization depends on our members' involvement.

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