



# Healthy Maryland:

*A Building Block  
for Maryland's  
Economy*



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Families USA Publication No. 07-111

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## INTRODUCTION

In March 2007, the Maryland House approved a significant health reform bill known as the Healthy Maryland Initiative, which was recently introduced as the Working Families and Small Business Health Care Coverage Act of 2007. While the law was not enacted during the regular 2007 legislative session, Governor Martin O'Malley has pledged to support its passage during the special session that began October 29. If Healthy Maryland is enacted, it will expand coverage to 100,000 uninsured Marylanders and support the state's economy. At the same time, Healthy Maryland will deliver important economic benefits to the state—producing savings within the health care system, creating jobs, and generating business activity.

To find out more about those economic benefits, Families USA analyzed the impact of Healthy Maryland. We found that it would stimulate Maryland's economy while easing the burden on the state's working families.

## KEY FINDINGS

### **Insuring more people will strengthen Maryland's economy.**

State dollars that Maryland invests in expanding coverage through Healthy Maryland will draw new federal money into the state—dollars that otherwise would not flow into Maryland's economy.

- The federal funds drawn in by Healthy Maryland will generate approximately \$289.9 million in new business activity in Maryland in 2008.
- This investment will also create nearly 2,600 new jobs in the state in 2008. These jobs will be created in the health care sector and in other sectors as the new federal dollars circulate through the Maryland economy.

### **Marylanders who have job-based coverage pay more for health insurance premiums to cover the cost of care for the uninsured.**

- In 2007, premiums for Maryland families with job-based coverage are \$954 higher due to the cost of care for the uninsured.
- In 2007, premiums for Maryland individuals with job-based coverage are \$364 higher due to the cost of care for the uninsured.

## **Expanding coverage means lower health care costs for Marylanders.**

- In Maryland, the cost of care for the uninsured that is not paid out-of-pocket by the uninsured themselves is about \$826.9 million in 2007.
- With fewer uninsured people, less money will be needed to provide care for the uninsured.
- This, in turn, will reduce the costs that are passed on to those with health insurance.

## **DISCUSSION**

The Healthy Maryland plan is the right prescription for the “Free State.” Investing in expanding health coverage will not only improve the health and well-being of Marylanders, but it will also give a boost to the state’s economy.

Healthy Maryland will extend health coverage to more than 100,000 Marylanders who are currently uninsured. The benefits of providing health coverage for each of these individuals, including improved access to medical care and financial protection from catastrophic health care costs, are clear. What is less obvious is the unique role that expanding health coverage will have in stimulating the state’s economy and reducing health care costs for everyone.

Money that the state invests in expanding coverage through Healthy Maryland will pull new federal dollars into Maryland—dollars that would not otherwise flow into the state. These new funds create jobs and generate activity for both large and small businesses, passing from one person to another in successive rounds of spending. For example, health care employees spend part of their salaries on new cars, which adds to the income of employees of auto dealerships, enabling them to spend part of their salaries on washing machines, which allows appliance store employees to spend extra money on groceries, and so on. Economists call this the “multiplier effect.” Because of this multiplier effect, expanding coverage through Healthy Maryland will generate \$289.9 million in new business activity and create nearly 2,600 new jobs, a return on the state’s investment that far exceeds the cost of expanding coverage.

In addition to generating economic activity due to the multiplier effect, expanding coverage through Healthy Maryland will help bring down the cost of health care for all Maryland residents who have job-based health insurance. Currently, when a Marylander without health insurance gets sick, he or she is likely to delay or forgo care. If the symptoms get bad enough, however, these uninsured people see doctors and go to the hospital. Without insurance to cover the high costs of health care, the uninsured struggle to pay as much as

they can: Nationally, more than one-third (35 percent) of the total cost of health care services provided to people without insurance is paid out-of-pocket by the uninsured themselves. The remaining amount—approximately \$826.9 million in Maryland in 2007—is paid primarily by two sources: Roughly one-third is reimbursed by a number of government programs, and two-thirds is paid through higher premiums for people with health insurance.

How does the cost of care for the uninsured end up being passed on in the form of higher premiums for people with job-based insurance? Currently, the cost of care for the uninsured that is not paid out-of-pocket by the uninsured or covered by government programs is built into the rates that physicians and hospitals charge people who have health insurance. This means that insurance companies have to pay more for the care that people with insurance receive. These additional costs, in turn, are passed on to people with insurance in the form of higher health insurance premiums. In 2007, families in Maryland with job-based health insurance pay \$954 more due to the costs of care for the uninsured. Marylanders with individual coverage through their jobs pay \$364 more.

By expanding coverage, Healthy Maryland will lessen the burden of financing care for the uninsured and bring down health care costs for all Marylanders. Lower costs, coupled with the economic benefits generated by the new federal dollars drawn into the state, make the Healthy Maryland plan good medicine for Maryland's economy.

## CONCLUSION

Now is the time for Maryland leaders to pass the Working Families and Small Business Health Care Coverage Act of 2007. The health care reforms included in the act are crucial steps toward covering all Marylanders. Covering Maryland's families and small businesses will save money, improve the health and productivity of Maryland's workforce, and stimulate the state's economy.

## HEALTHY MARYLAND IN BRIEF

Healthy Maryland aims to expand coverage for working families in the state, improve the health of all Marylanders, and support the state's economy. If passed, the bill will:

- Reduce the number of uninsured Marylanders by expanding Medicaid to low-income parents and childless adults; and
- Support the state's small business community by offering subsidies to small businesses that contribute to health coverage for their employees.

Under Healthy Maryland, the state would expand Medicaid coverage to parents and childless adults with family incomes below 116 percent of the federal poverty level (\$19,917 for a family of three in 2007). Over the next four years, the Medicaid expansion will cover 62,000 low-income Marylanders.

The first phase of Healthy Maryland would expand coverage to low-income parents beginning in January 2008. Increasing coverage for low-income parents will reduce not only the number of uninsured adults, but also the number of uninsured kids.

- States that have expanded coverage to parents enrolled 20 percent more of their eligible children than states that have not.
- Children who have insured parents are more likely to see a doctor for well-child visits or when they're sick.
- Family coverage allows everyone in the family to get health care from the same doctors. It also makes coverage simpler and easier to use, because the family has a single source of coverage with the same cost-sharing rules, renewal processes, and other policies for all family members.

Small businesses in Maryland face very high premiums and struggle to afford health coverage for their employees.

- In Maryland, 73 percent of uninsured people under the age of 65 work or have a family member that works.<sup>1</sup>

- People who work for small businesses are less likely than those who work for large firms to have health insurance through their employer. In Maryland, 97 percent of businesses with 50 or more employees offer health benefits, while only 47 percent of firms with fewer than 50 employees do.<sup>2</sup>
- Those small employers that do offer health coverage often require a hefty contribution from employees. Workers in small firms contribute \$4,236 annually, on average, for family coverage, while workers in large firms pay \$2,831 annually, on average, for their family coverage.<sup>3</sup>

Under Healthy Maryland, subsidies would be available to small businesses with low-wage workers, offering much-needed relief to this key sector of the state's economy.

- Small businesses with two to nine employees that pay annual wages below about \$50,000 are eligible for the subsidy.
- Firms that have not previously offered coverage would be required to set up Section 125 health plans, which allow workers to purchase health benefits with pre-tax dollars.
- The employer and employees would receive subsidies of either one-half their contribution toward health benefits or \$1,000 per year, whichever is less.
- The proposal allocates \$30 million in 2008 for these subsidies, which would cover about 10,000 previously uninsured people.

<sup>1</sup> Kaiser State Health Facts Online, "Maryland: Distribution of Nonelderly Uninsured by Family Work Status, States (2004-2005), U.S. (2005)," available online at <http://www.statehealthfacts.org/profileind.jsp?ind=135&cat=3&rgn=22>, accessed on October 24, 2007.

<sup>2</sup> Kaiser State Health Facts Online, "Maryland: Percent of Private Sector Establishments That Offer Health Insurance to Employees, by Firm Size, 2003," available online at <http://www.statehealthfacts.org/profileind.jsp?ind=176&cat=3&rgn=22>, accessed on October 24, 2007.

<sup>3</sup> Kaiser Family Foundation and Health Research and Educational Trust, *Employer Health Benefits: 2007 Summary of Findings* (Menlo Park, CA: Kaiser Family Foundation and Health Research and Educational Trust, September 2007.)





## FACTS ABOUT THE UNINSURED

### Why are people uninsured?

- Their jobs don't offer health insurance.
- They are offered job-based coverage, but they can't afford the employee share of the premium.
- They've recently been laid off or are between jobs.

### Who are the uninsured?

- Four out of five uninsured Americans are in working families.
- One out of five uninsured Americans is a child.
- Nearly nine out of 10 uninsured children come from families where at least one parent works.
- In more than half of all two-parent families with uninsured children, both parents work.

### What happens when the uninsured get sick?

- Uninsured people delay or forgo critical health care.
  - Uninsured children are nearly five times more likely than insured children to have a delayed or unmet health care need.
  - Uninsured adults are four times more likely to delay seeking medical care.
- Uninsured people are sicker when they seek care and are more likely to receive care at hospitals.
  - Two-thirds of care provided to uninsured Americans is provided by hospitals.
  - Uninsured children are five times more likely than insured children to use the emergency room as a regular source of care.
  - Uninsured adults are more likely to be diagnosed with a disease at a later stage and are less likely to receive therapeutic care (e.g., drugs, surgery) than the insured.
- Uninsured people pay more for the care they receive, and they have trouble paying for this care.
  - The uninsured are often charged more for health services than people with insurance.
  - Nearly 40 percent of uninsured adults reported problems paying their medical bills.
  - More than half of all bankruptcies are due, at least in part, to medical expenses.



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