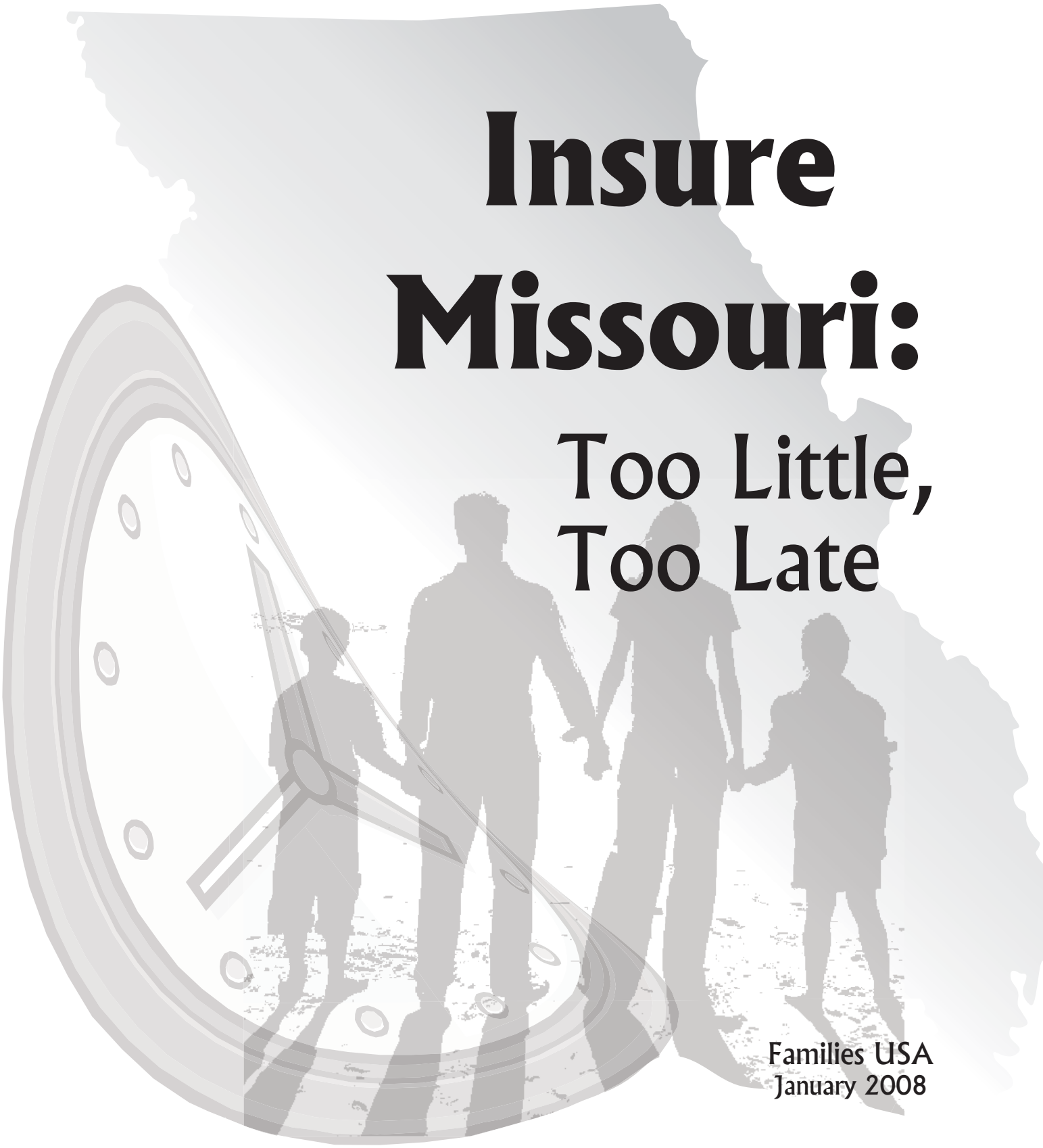

Insure Missouri:

Too Little, Too Late

Families USA
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Introduction

In 2005, Missouri Governor Matt Blunt pushed through large cuts in the state's Medicaid program, forcing more than 100,000 Missourians off of Medicaid and cutting services for another 300,000. In 2007, with great fanfare, the governor unveiled his proposal to provide coverage to uninsured Missourians, called "Insure Missouri." He claims that tens of thousands of Missourians could be enrolled in the new plan by July of 2008.

Families USA has reviewed the Insure Missouri proposal and has identified the following deficiencies:

1. The eligibility criteria leave out many low-income adults, including adults who were previously covered under Medicaid.
2. The coverage offered is missing key benefits that low-income Missourians need.
3. The cost-sharing is too high for many low-income Missourians.
4. The plan is built on shaky financing mechanisms that may do more harm than good to Missouri's uninsured.

Unfortunately, the governor's plan is, in many ways, too little, too late. His plan to "expand" coverage through Insure Missouri only just begins to undo the damage caused by his earlier, massive Medicaid cuts. Insure Missouri would not restore coverage to all of those who lost coverage in 2005, and it would cover too few of the state's uninsured.

Insure Missouri: The Basics

Insure Missouri will be implemented in three phases. Phase 1 will be open to certain low-income working parents and caregivers (those with earned incomes up to 100 percent of the federal poverty level, or $17,170 for a family of three in 2007). Funding for Phase 1 has been approved as part of the state's 2008 budget, and enrollment will begin in February 2008. The benefits package for Phase 1 does not include several crucial services, such as dental coverage. In addition, Insure Missouri requires copayments for certain services.

Most of the details for Phases 2 and 3 have yet to be determined. Phase 2 will be open to working adults with somewhat higher incomes (incomes purportedly up to 185 percent of poverty, or $31,765 for a family of three in 2007) and would require enrollees to pay copayments as well as premiums. Phase 3 would help employees of small businesses buy health coverage. Phases 2 and 3 will require additional funding, as well as federal approval, before they can be implemented. For these reasons, we focus primarily on Phase 1.

Insure Missouri Falls Short

In 2005 and 2006, more than 100,000 people—nearly one in eight Missourians with Medicaid—lost coverage.[1] These cuts left few groups unharmed, affecting low-income parents, working people with disabilities, seniors and other people with disabilities, people leaving welfare, and children. It is likely that most of these very low-income people became uninsured.[2]

Of all of these groups, low-income parents were the hardest hit, with approximately 68,000 losing coverage between 2005 and 2006.[3] The state once provided Medicaid to working parents with incomes up to 100 percent of poverty, but by 2006, it had drastically cut eligibility for this group to only 40 percent of poverty.[4] This dropped the state's ranking to 41st in the nation in terms of working parents' eligibility for Medicaid. Eligibility for non-working parents is even lower—just 21 percent of poverty, making Missouri 46th in the nation for this group. Insure Missouri will not expand coverage to non-working parents.

1. Eligibility Criteria Exclude Some Low-Income Missourians Who Should Qualify

Phase 1 of Insure Missouri will be open to working parents and caregivers with incomes up to 100 percent of the federal poverty level, or $17,170 for a family of three. However, certain individuals who should be eligible for Insure Missouri will be left out because of the way the state plans to calculate income.[5] Rather than simply raising the eligibility level for this group, Missouri is instead pursuing a state plan amendment with the Centers for Medicare and Medicaid Services (CMS) to use an "earned income disregard." Under this more complicated scheme, when the state is determining an individual's eligibility for Insure Missouri, it would be allowed to "disregard" income from an individual's salary or wages up to 100 percent of poverty. However, the state would *not* disregard *unearned* income, such as child support or Social Security Disability benefits.

Take, for example, Sue and Joan, two women with annual incomes at 130 percent of poverty (about $22,321 for a family of three). Sue earns this income at her job, but her employer does not offer health coverage. Because Sue's income is *earned*, the state disregards the portion of her income that falls between the Missouri Medicaid eligibility level (40 percent of poverty) and 100 percent of poverty, reducing her countable income to about 70 percent of poverty. The state determines that Sue is eligible for Insure Missouri because, after subtracting the income that is disregarded, her income is viewed to be below 100 percent of poverty. On the other hand, Joan has a severe disability and is unable to work. She receives Social Security Disability Income (SSDI). Because Joan's income is *unearned*, the state doesn't disregard any of her income, and she is ruled ineligible for Insure Missouri despite her severe disability.

Individuals whose *earned* income is below 100 percent of poverty could still be ruled ineligible for Insure Missouri if they have *unearned* income (such as child support) that pushes their total income above 100 percent of poverty. This unfairly penalizes these

low-income workers. Worse still, individuals with only *unearned* income that exceeds 100 percent of poverty—including people with disabilities who are unable to work and earn any income—would be ineligible for the program altogether. Approximately one-third of those who lost Medicaid due to the 2005 cuts reported having only *unearned* income.[6]

The state needs federal approval to use this method of income determination, and that approval is still pending. If it is approved, it will likely also be used for determining income—and eligibility—in Phases 2 and 3, and many very low-income individuals will continue to be left out of Insure Missouri.

2. Insure Missouri Is Missing Key Benefits

The benefits that will be offered in Phases 1 and 2 are described as being comparable to those offered to Missouri state employees. However, the Insure Missouri benefits package does not cover several services that the state employees' package does cover, including dental and vision care, as well as therapeutic services (physical, speech, and occupational therapies). [7]

Low-income parents who qualify for Phase 1 of Insure Missouri will receive many of the same benefits as individuals enrolled in MO HealthNet (the new name for the state's Medicaid program), but there are several significant differences between the two benefit packages, as well as between MO HealthNet and Missouri's Medicaid program prior to the 2005 cuts (Table 1).

Table 1.

Services Covered for Low-Income Parents

Service	Covered in Medicaid Prior to 2005 Cuts?	Covered in MO HealthNet?	Covered in Insure Missouri?
Dental Services	Yes	Limited	No
Vision Services	Yes	Limited	No
Hearing Aids	Yes	Limited	No
Non-Emergency Medical Transportation	Yes	Yes	No
Home- and Community-Based Services	Yes	Yes	No
Comprehensive Substance Abuse Treatment	Yes	Yes	No
Community Psychiatric Rehabilitation Services	Yes	Yes	No
Early and Periodic Screening, Diagnosis, and Treatment Services (for parents under age 21)	Yes	Yes	No
Maternity Care*	Yes	Yes	No

* If a woman enrolled in Insure Missouri becomes pregnant, she is then eligible for MO HealthNet.
Source: *Insure Missouri Request for Proposals*, State of Missouri Office of Administration, available online at www.oa.mo.gov/purch/bids/b3z08082.pdf; *Medicaid State Plan Amendment 07-16*, Missouri Department of Social Services, submitted on October 15, 2007; *MO HealthNet Division Fee-For-Service Participant Handbook*, Missouri Department of Social Services, November 2007, available online at www.dss.mo.gov/mhd/general/pages/about.htm.

It is clear from Table 1 that the parents who lost Medicaid coverage when the governor slashed the program in 2005 and who are now eligible for Insure Missouri will not have the same benefits they had in 2005. This is particularly troubling because low-income adults are far more likely to be in poor health and to have chronic conditions that require more frequent and intensive use of health care services.[8] One recent study found that nearly half (45 percent) of uninsured adults, precisely the kind of people Insure Missouri is intended to cover, have chronic health conditions.[9]

The current Insure Missouri benefits package will not meet many enrollees' health care needs, and going without health care could be devastating to some individuals. For example, for the thousands of Missourians with diabetes, annual dental and vision exams are especially important for managing the disease and preventing diabetes-related complications, yet Insure Missouri will not cover these services.[10]

Just as troubling, for the 40 percent of Missourians who live in rural areas, a benefits package that does not cover non-emergency medical transportation could leave many residents unable to obtain the care they need.[11] Only a quarter of the state's primary care providers are located in rural areas, so many rural residents must travel a significant distance for routine medical care. Specialist care is also less available in rural areas of the state. Even getting to a hospital can be an obstacle for rural residents: 40 percent of rural counties do not have a hospital within their boundaries.[12] Failure to cover non-emergency medical transportation is a huge barrier to care, which means that Insure Missouri will not meet the needs of many rural Missourians.

3. Cost-Sharing Is Too High for Many Low-Income Missourians

People enrolled in Phase 1 will not have to pay premiums, but they will have to pay co-payments that will range from $0.50 to $10, depending on the individual's income and the service obtained.[13] In Phase 2, it appears that out-of-pocket spending will be capped at 5 percent of income.[14]

Extensive research has shown that even nominal cost-sharing causes low-income people to delay or forgo needed care.[15] If the cost-sharing for Insure Missouri enrollees is too high, then these individuals will be forced to delay or forgo medical care until their condition becomes so serious that they need care in an emergency room. In fact, initial information available from the state suggests that the copayments in Insure Missouri will lead to lower use of doctors and prescription drugs and increased use of inpatient hospital and emergency services.[16]

It is extremely important that out-of-pocket costs for Insure Missouri be set at affordable levels. Individuals with incomes below 100 percent of poverty should not be required to pay cost-sharing of any kind, and individuals with income below 150 percent of poverty should not have to pay premiums.

Aside from the high cost-sharing, it is also unclear who will track families' out-of-pocket spending to assure that they are not paying more than the 5 percent limit in Phase 2. Materials from the state suggest that enrollees may be responsible for tracking their own out-of-pocket spending.[17] This is often referred to as the "shoebox method," since enrollees are required to save their receipts (sometimes in a shoebox) and present them to the state when they have reached the 5 percent limit. Enrollees may end up paying more than 5 percent if they are unable to document all of their out-of-pocket expenses. They may also delay or forgo care if they cannot afford additional cost-sharing and are unaware they have met the 5 percent limit.

4. The Plan Is Built on Shaky Financing Mechanisms

As noted above, Phase 1 of Insure Missouri is already being implemented. The Department of Social Services was granted the funding it needed to begin implementation as part of its fiscal year 2008 budget. A total of $51.6 million is available for this fiscal year through a combination of general revenue and federal Medicaid matching funds. The General Assembly will need to appropriate additional funding for future years of Insure Missouri Phase 1, and in order to implement Phases 2 and 3, it will need to pass legislation and obtain federal approval.

The governor has assumed that the state will receive federal Medicaid matching funds for Insure Missouri, despite the fact that it strays from traditional Medicaid in nearly every aspect of its design. In order to obtain matching funds, the state must obtain federal approval for several aspects of the plan, through both Medicaid state plan amendments and a Medicaid Section 1115 waiver.

Using a waiver is problematic for several reasons. Waivers require budget neutrality, which limits the amount of federal funding available to finance them (see box, "The Advantage of State Plan Amendments"). This leaves the door open for the state to freeze enrollment in Insure Missouri at any time in order to meet budget limitations. Individuals who would otherwise be eligible could be denied enrollment due to arbitrary

The Advantage of State Plan Amendments

Although some aspects of Insure Missouri, such as covering childless adults in Phase 2, require a Medicaid waiver, the state can choose whether to enact other parts of the proposal through state plan amendments or through a waiver. State plan amendments should be used whenever possible. The advantage of state plan amendments is that they do not require budget neutrality as Medicaid waivers do. Budget neutrality requires the state to prove that health coverage under the waiver will cost no more than the state would have spent on Medicaid without the waiver. In other words, if Missouri enacts Insure Missouri through a Medicaid waiver, the amount of federal funding the state can obtain for the program will be limited, and the state will be forced to shift existing funding to meet the new demand for services. This could jeopardize the funding available to all of the state's Medicaid-funded programs, including MO HealthNet, which provides services to the poorest and most vulnerable people in the state.

budget rules. Also, enrollment freezes often lead to precipitous drops in enrollment that can be difficult to overcome even after the freeze ends, and they can be burdensome to administer.[18]

The state also proposes to fund part of the program by shifting disproportionate share hospital (DSH) funds (federal funding provided to hospitals that serve a disproportionate share of Medicaid and uninsured residents) from hospitals to the Insure Missouri program. This strategy is worrisome because it shifts dollars away from the state's health care safety net and into a plan that provides inadequate coverage. If previously uninsured individuals enroll in Insure Missouri and that coverage does not meet their health care needs or is unaffordable, as many enrollees are likely to find, they will still need to seek out care in hospital emergency rooms. In the end, these hospitals may not see a decline in the demand for uncompensated care, but they will see a decline in the resources available to fund this care. Shifting money from one part of the safety net to another, instead of fortifying it with new money, weakens the safety net for everyone. Uninsured Missourians need new, sustainable funding for coverage.

Conclusion

Governor Blunt's slash-and-burn approach to reforming Medicaid has devastated tens of thousands of Missourians. Insure Missouri is an inadequate, piecemeal plan that addresses only a portion of the individuals who lost coverage. Non-working parents and people with disabilities are left out of this plan completely, and working parents and other adults would receive only some of the benefits they would have been entitled to in Medicaid before the 2005 cuts. Cost-sharing, both in terms of the copayments in Phase 1 and, presumably, copayments and premiums in Phases 2 and 3, may be too high for many low-income Missourians.

Luckily, the implementation and financing process for Insure Missouri provides opportunities for public and legislative input. Policymakers and advocates in the state must take advantage of these opportunities in order to strengthen the program and ensure that it delivers high-quality, affordable health coverage to as many low-income Missourians as possible.

How Does Insure Missouri Measure Up?

In evaluating the Insure Missouri proposal, we developed a series of important questions that can serve as a guide for advocates and policymakers as they debate the merits of the program and determine its future as a health coverage option for low-income Missourians.

- **Are all low-income Missourians treated equally with respect to eligibility determinations?**

  Eligibility for Insure Missouri should treat earned and unearned income the same for purposes of determining eligibility.

- **Are the cost-sharing requirements (both copayments and premiums) affordable for low-income families? Will they deter people from enrolling in the program or obtaining timely primary care?**

  Cost-sharing should not be required for those with incomes below the federal poverty level (Phase 1), and only nominal amounts should be required for those with incomes between 100 and 185 percent of poverty (Phase 2). Premiums should not be required for those with incomes below 150 percent of poverty.

- **Does the benefits package meet the health care needs of low-income Missourians? If a provider determines that a non-covered service is medically necessary, will the state cover such services so that individuals do not need to seek care in an emergency room?**

  Medically necessary services should be covered, and at the very least, dental and vision services should be covered under both MO HealthNet and Insure Missouri.

- **How will Insure Missouri meet the needs of the state's rural population?**

  Insure Missouri should cover non-emergency medical transportation, which is essential to rural Missourians.

- **How will using a Medicaid waiver (as opposed to a state plan amendment) affect the program and its financial stability? Will enough DSH funds still be available to cover the uncompensated care that is provided by safety net institutions?**

  State plan amendments should be used to the greatest extent possible to ensure more stable funding. Expanding coverage to some of the uninsured should not weaken the safety net for others, including those who remain uninsured.

Endnotes

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[4] *States that Have Expanded Coverage* (Washington: Families USA, November 2000); *2005 Annual Eligibility Levels for Adults: Medicaid or Medicaid-like State Programs* (Washington: Families USA, December 2005), available online at http://www.familiesusa.org/assets/pdfs/2005-Medicaid-eligiblity-table.pdf; State Health Facts Online, "Medicaid & SCHIP: Income Eligibility for Parents Applying for Medicaid by Annual Income as a Percent of Federal Poverty Level (FPL), 2006" (Washington: Kaiser Family Foundation, 2006), available online at www.statehealthfacts.org, accessed on December 24, 2007.

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[11] Missouri Department of Health and Senior Services, Office of Primary Care and Rural Health, *Missouri Office of Rural Health Biennial Report 2004-2005* (Jefferson City, MO: Office of Primary Care and Rural Health, 2005), available online at http://www.dhss.mo.gov/PrimaryCareRuralHealth/RuralHealthReport04-05.pdf.

[12] Ibid.

[13] Copayments for services under Insure Missouri Phase 1 range from $0.50 to $3, except for a $10 copayment that is required on the first day of non-emergency inpatient hospital care (excluding transfers from other hospitals). Other than this $10 copayment, cost-sharing in Insure Missouri falls within standard Medicaid cost-sharing limits. For more details, see *Insure Missouri Request for Proposals*, op. cit.

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