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## The Facts About Health Care Reform: What It Really Means for Missouri Families

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As the U.S. Congressional debate on federal health care reform intensifies, the myths about what it might mean for Missourians are also escalating. The following provides a summary of what is really being considered as part of reform, and how it would impact all Missourians.

### Background: Why Health Reform Is Needed

According to the U.S. Census Bureau 729,000 Missourians (13 percent of the state) were uninsured in 2007, prior to the economic recession.<sup>1</sup> **The vast majority of uninsured Missourians, 72 percent, are in a family with at least one full time worker.**<sup>2</sup> Uninsured Missourians are not only within low-income families or unemployed, but a growing portion of middle-income employed families are struggling to find adequate and affordable health coverage. A recent study by the Kaiser Family Foundation indicates that 70 percent of the growth in the uninsured between 2004 and 2007 were middle-income families. **In 2007, one-fourth of the uninsured in the United States were middle-income families.**<sup>3</sup>

**In addition, a growing number of Missouri families lack comprehensive health care coverage.** In 2009, an estimated 25 million Americans were underinsured. These families may have health care coverage that does not provide comprehensive coverage to meet all of the health care needs for their family, excludes coverage for a pre-existing condition, or have high deductible plans.<sup>4</sup>

Businesses in Missouri, **particularly small businesses are also struggling to secure affordable health coverage for their employees.** The percent of Missourians who accessed health care through their employers dropped from 69 to 61 percent between 2000 and 2007.<sup>5</sup> **In 2006, just 55.4 percent of Missouri employers offered health coverage to their employees, and only 42.4 percent of small businesses provided health coverage.**<sup>6</sup>

The main reason for the decline in employer-sponsored coverage is attributable to the growing cost of health care coverage. **In the last decade alone, family premium costs in Missouri increased by 92 percent.**<sup>7</sup> The rise in costs for health care is a burden for families and businesses, particularly small businesses, as well as Missouri's economy. **In 2009, small businesses nationally will spend \$156 billion on employee health benefits and the cost is expected to more than double over ten years without health reform.**<sup>8</sup> The cost of health care coverage not only impacts Missouri businesses ability to provide coverage to their employees, but

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<sup>1</sup> U.S. Census Bureau, Current Population Survey 2007

<sup>2</sup> IBID

<sup>3</sup> "Health Care Reform and the Middle Class: More Costs and Less Coverage", Kaiser Family Foundation, July 2009, available at [www.kff.org](http://www.kff.org)

<sup>4</sup> "Frequently Asked Questions about U.S. Health System Reform", Cover Missouri, available at [www.covermissouri.org](http://www.covermissouri.org)

<sup>5</sup> IBID #1

<sup>6</sup> Kaiser State Health Facts, available at <http://www.statehealthfacts.org>. Small business is categorized as firms with fewer than fifty employees.

<sup>7</sup> Centers for Medicare and Medicaid Services, <http://www.cms.hhs.gov>

<sup>8</sup> "The Economic Impact of Health Reform on Small Businesses", Small Business Majority, June 11, 2009, available at: <http://www.smallbusinessmajority.org/>

also impedes economic growth in the state. As businesses struggle to maintain benefits, their ability to invest profits in innovative strategies or expand employment is diminished.

### **The Essential Components of Health Reform Being Considered**

The U.S. Congress is considering several options for Health Reform. The bills are currently being debated and could be altered; however, the following describes the major components of the bills that are being discussed.

**Insurance Market Reforms, Containing Cost, and Preexisting Conditions:** Federal health reform includes long-needed reforms of the insurance industry. Insurance companies will be restricted from limiting or denying coverage based on age, gender or pre-existing health conditions. Premium variations for people with a pre-existing condition or based on age and/or gender will be limited to a 2 to 1 ratio. In addition, health insurance companies will be required to spend a minimum of what they collect in premium payments, potentially 85 percent, on patients' medical care rather than administration, advertising or profits.<sup>9</sup>

**Health Insurance Exchange & Transparency in Coverage:** New Health Insurance Exchanges would give people options for affordable, comprehensive coverage. Individuals and Businesses would be able to remain with their current health care coverage *or* select a plan from the exchange. The Health Insurance Exchanges would provide transparency in coverage with adequate provider networks so that individuals and businesses would know what they are purchasing and be able to select the plan that works best for their needs. The insurance plans that participate in the exchange will be required to provide standard, comprehensive benefits, without denial of care.<sup>10</sup>

**Ensuring Affordability, Limiting Out-Of Pocket Costs, Premium Assistance and Medicaid:** To ensure affordability of coverage, health reform will limit the amount of out-of-pocket costs that families are required to pay. The House proposal eliminates co-payments for preventive care, and caps additional out-of-pocket expenses.<sup>11</sup> In addition, health reform includes two provisions to ensure affordable access to health care for low and middle income families: premium subsidies and strengthening Medicaid.

The United States currently has significant variation in Medicaid eligibility levels. In Missouri, a parent can earn no more than 20 percent of the poverty level (or \$292 per month for a family of three) and still qualify for Medicaid. Health Reform would require all states to have the same minimum eligibility level for Medicaid at 133 percent of the federal poverty level, **ensuring that families with very low incomes could qualify for access to adequate health care coverage.** The increase in Medicaid would be fully federally funded.<sup>12</sup>

**Middle Income Families would also receive assistance in paying for health insurance.** The average cost of a family premium in Missouri in 2006 was more than \$11,000 per year (or approximately 9 percent of a middle-income family's income), making health care coverage difficult to afford.<sup>13</sup> Families with incomes up to 400 percent of the poverty level (or a maximum income of \$74,000 per year for a family of three) would be given premium subsidies based on income.<sup>14</sup>

**Tax Credits for Small Businesses:** Federal health reform would also ensure that health care packages are affordable for small businesses. In addition to the reforms of the insurance industry and other cost containment measures, small businesses would be provided with tax credits to offset the cost of providing health care benefits to their employees.<sup>15</sup>

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<sup>9</sup> "Ten Reasons to Support the Health Care Reform Bills", Families USA

<sup>10</sup> House Energy & Commerce Committee

<sup>11</sup> IBID

<sup>12</sup> The financing aspect of the strengthening Medicaid is currently being debated. At this time, the House appears to be moving toward full federal financing to ensure that states are not burdened with increased costs.

<sup>13</sup> Kaiser State Health Facts

<sup>14</sup> IBID # 10

<sup>15</sup> IBID # 10

**Improving Medicare for Seniors & People with Disabilities:** The proposal is expected to eliminate or significantly reduce the “doughnut hole” in Medicare Part-D prescription drug benefits to ensure that seniors and people with disabilities can access affordable prescriptions. In addition, federal health reform would simplify Medicare savings programs and enhance the Medicare Part-D subsidies.

**Public Option:** One provision of federal health reform that is still under considerable debate would create a public insurance plan that would compete with private insurers through the Health Insurance Exchange. A public option could provide access to affordable health care coverage while limiting administrative costs, particularly in areas of the state that have limited provider networks within traditional insurance coverage. A recent survey indicates that 69 percent of Missouri small business owners prefer being able to choose insurance from a public or private health plan.<sup>16</sup>

### **Impact of Health Reform on Missourians**

Federal Health Care Reform will provide access to quality, affordable health care for an expected 374,000 Missourians who are currently uninsured by 2013 and up to 600,000 Missourians by 2019.<sup>17</sup> However, all of Missouri’s 5.9 million residents will benefit from increased security, affordability, and freedom to choose the insurance coverage they need.

**Security & Peace of Mind for Middle-Income Families:** Adequate, affordable health care coverage is a growing concern for middle-income Missourians. By making insurance more accessible, transparent and affordable, federal health reform will provide access to affordable health care coverage for Missouri’s middle-income families. New insurance reforms including restrictions on denying coverage or increasing costs due to pre-existing conditions ensure that **Missouri families will have access to affordable health care coverage when they need it most.** Families who have a child diagnosed with **Autism**, or a parent diagnosed with **breast or prostate cancer** will be able to access care. Strengthening Medicaid and providing premium subsidies ensures that if a parent loses a job, or a child graduates from college, health care will be available. Correcting the Medicare Part-D “doughnut-hole” will ensure **that 92,800 Missouri Seniors will have access to comprehensive prescription drugs to help them stay healthy and active.**

**Affordable Options for Small Employers:** Federal health care reform is expected to provide a 20 percent savings to small businesses within the first year.<sup>18</sup> Health Care reform will create a **more prosperous, productive Missouri economy** by providing the **135,000 Missouri small businesses** with tax credits and affordable options for health care for their employees.

**Rural Missourians will have Lower Costs and Adequate Coverage:** Rural areas of Missouri will benefit significantly from Federal Health Reform. Rural areas tend to have higher rates of uninsured than their urban counterparts, with 24 percent of non-elderly adults uninsured compared to 22 percent in urban areas.<sup>19</sup> A recent study indicates that rural areas in particular would benefit from a Public Option for health insurance. According to this study, public health insurance plan premiums could be between 16 to 30 percent less expensive than private insurance plans. In addition, private plans struggle to provide comprehensive provider networks in rural areas.<sup>20</sup>

**Enhancing Health Care Options for All Missourians:** All Missourians will benefit from federal health reform. Health Reform ensures that Missourians can get a **fair price for health care** and have access to **affordable health care insurance choices for their families and employees.**

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<sup>16</sup> “Missouri Small Business Owners’ Perspectives on Healthcare Reform”, Small Business Majority, 2009, available at [www.smallbusinessmajority.org](http://www.smallbusinessmajority.org)

<sup>17</sup> IBID #10

<sup>18</sup> IBID #8

<sup>19</sup> “Why Rural America Needs a Public Health Insurance Option”, Center for Rural Affairs, July 2009

<sup>20</sup> IBID