# Lessons Learned: Health Coverage Benefits Maine

**March 4, 2013**

The Maine Legislature's decisions in the past to cover low-income parents and childless adults with Medicaid has reduced Maine's uninsured rate and helped to mitigate rising charity care and bad debt to hospitals. In addition, Maine's investment in health care for people with low income has paid off in better health outcomes overall.

Maine Department of Health and Human Services Commissioner Mary Mayhew recently testified before Florida lawmakers. She made three assertions:

- Increased access to health care through Medicaid has had little impact on Maine's uninsured rate.
- Increased access to health care has not reduced charity and bad debt in Maine hospitals.
- Increased access to health care has not improved health outcomes for Medicaid enrollees.

These claims and the arguments used to support them are overly simplistic and inaccurate. This memo aims to correct the flawed reasoning inherent in the commissioner's testimony.

Contrary to the commissioner's assertions, coverage for certain Medicaid groups, namely childless adults and parents, has reduced the uninsured rate in Maine and has worked to mitigate the rising levels of bad debt and charity care by the hospitals. In addition, Maine's health outcomes have improved as Medicaid coverage has expanded to insure more people.

## Medicaid coverage for low-income parents and childless adults has helped to reduce Maine's uninsured rate

**Maine's overall uninsurance rate has decreased since 2001.** Maine's investment in public health insurance for people with low income has driven down the uninsured rate.

Maine has the 6th lowest rate of uninsured in the United States[1] in great part because of Maine's Medicaid program, MaineCare.

In 2001, Maine's overall uninsured rate was 10.6%. A decade later, after implementing the childless adult waiver program in 2002 and expanding coverage of parents with income up to 200% of the federal poverty level in 2005, Maine's uninsured rate has dropped to 9.7%.[2]

[1] http://www.statehealthfacts.org/comparetable.jsp?typ=2&ind=126&cat=3&sub=39&sortc=5&o=a.

**Maine's rate of uninsurance for low-income, childless adults decreased significantly between 2002 and 2008. Legislatively mandated enrollment freezes have moderated that effect in recent years.** A recent Muskie report, commissioned by DHHS, found strong evidence that the childless adult waiver program played a significant role in the decline in the number and rate of uninsured low-income adults without children in Maine from 2001 to 2005, and that an enrollment cap on the program was associated with renewed growth in the number of uninsured.[3]

Despite the need for the program, as evidenced by long waiting lists, the childless adult waiver program has been capped and enrollment has been frozen several times over the last decade.

Nevertheless, Maine's overall uninsured rate still declined during that period as did the number of uninsured childless adults. Prior to the implementation of the childless adult waiver in 2002, almost 40% of childless adult Mainers with income below the poverty level ($10,890 for a single person), ages 21-64, were uninsured.

As a result of this program, the percent of uninsured low-income adults was reduced from 40% to 29% by 2008.[4] Maine's rate of uninsured would have declined even more significantly if not for the fact that the childless adult waiver program was frozen several times.

**Maine's uninsured rate declined over the last decade despite a deep economic recession.** Maine's economic climate is an important factor that cannot be ignored when assessing the state's uninsured rate. With the recession, Maine's unemployment rate rose from 4.7% to 7.5% between 2006 and 2011. With the loss of employment came a loss of employer-sponsored health insurance coverage. In addition, the childless adult waiver program was capped in 2008. The combination of these events contributed to an increase in the number of uninsured in Maine.

**Over the last decade, Maine also experienced a serious erosion of employer-sponsored insurance, another factor in the state's uninsured rate.** According to a 2012 Economic Policy Institute report, employer-sponsored insurance rates for the younger than 65 group in Maine dropped 8.2% between 2000 and 2011, a decrease in coverage for more than 70,000 people. For those between the ages of 18-64, the drop in Maine during the same period was 6.2%, representing about 53,000 people.[5] Undeniably, the loss of employer-sponsored coverage also contributed to the increase in the number of uninsured in Maine. The people losing employer-sponsored coverage did not necessarily obtain Medicaid coverage when they lost their private insurance. They either did not meet Medicaid's income restrictions or they could not enroll in

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[2] http://www.americashealthrankings.org/ME/HealthInsurance/2012-2002.

[3] MaineCare Non-Categorical Waiver Year 4 Annual Report: Oct. 1, 2005 – Sept. 30, 2006, The Institute for Health Policy, Muskie School of Public Service, University of Southern Maine.

[4] Anderson, N. and Gressani, T., MaineCare for Childless Adults Waiver Year 7 Annual Report: October 1, 2008 – September 30, 2009. Muskie School of Public Service, University of Southern Maine (Feb. 23, 2010). Notably, the numbers presented by the Commissioner are different than numbers provided in this report.

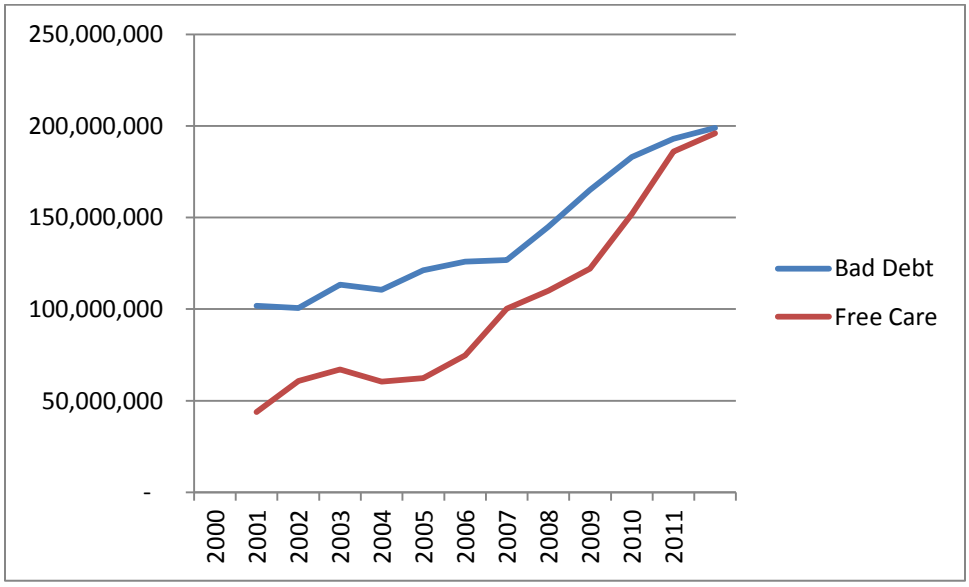
[5] http://www.epi.org/publication/bp353-employer-sponsored-health-insurance-coverage/

the childless adult waiver program because it was capped. However, the availability of Medicaid coverage is the principal reason that the uninsured rate was not higher in Maine during this time.

**Bad debt and charity care have increased over the last decade because of: (1) a downturn in the economy, (2) changes in the private insurance market, and (3) expanded access to charity care.**

Medicaid coverage for low-income parents and childless adults has helped to mitigate the rise in charity care and bad debt to hospitals.

The commissioner claims that bad debt and charity care continue to grow despite expanded coverage through Medicaid. What she failed to acknowledge, however, are the multiple factors responsible for that growth and the fact that bad debt and charity care would be higher if not for expanded parent coverage and the childless adult waiver. The rise of bad debt and charity care is in large part due to the recession. As more people became uninsured with the recession, it is no surprise that the amount of bad debt and charity care increased for Maine's hospitals. As the unemployment rolls increased in response to the recession, many people lost their health insurance when they lost their job.




The erosion of employer-based coverage, discussed above, also contributed to this increase. What is more, private health insurance costs increased significantly. From 2000 to 2010, private health insurance costs rose 84.6%.[6] With these increases, it is not surprising that employer-sponsored insurance dropped dramatically. Fortunately, Medicaid has helped to fill the gap to some extent as employer-sponsored coverage has declined.

[6] The Kaiser Family Foundation May 2012 report, located at http://www.kff.org/insurance/upload/7670-03.pdf

An increase in the number of Maine people who are under-insured has also contributed to the rise in bad debt to hospitals. Data released in 2012 indicate that the use of health savings account/high-deductible health plans (HSA/HDHPs) is increasing. Nationally, the number of HSA/HDHP accounts more than doubled between 2008 and 2012 (going from 6.1 million to 13.5 million).[7] In Maine, 65,701 people under age 65 were covered by a health savings account/high-deductible health plan (HSA/HDHP) in 2011, which accounts for 9% of those with private health insurance. The percent of people with HSA/HDHPs was higher in Maine than was found in most states. Even with a high deductible, premiums for these families were among the highest in the nation ($1,026/month on average).[8] According to the Commonwealth Fund, experience with HSA/HDHPs reveals low satisfaction, high out-of-pocket costs, and cost-related access problems.[9]

In Maine, the proliferation of very high deductible plans has resulted in more Maine people being under-insured. Prior to July 2012, 44% of insurance plans being purchased in the individual market were plans with a deductible of $15,000. If all high deductible plans – plans with $5,000, $10,000 and $15,000 deductibles – are combined, they accounted for 88% of the plans being purchased in the individual market prior to July 2012. When people are unable to meet the high out-of-pocket costs associated with these plans their unpaid debt to hospitals increases. Given the proliferation of these plans during the time frame in question, it is clear why hospitals have seen a continued increase in bad debt.

The rise in charity care is also due, in great part, to the fact that DHHS changed the requirement to provide free care from 100% to 150% of the poverty level in 2007. Prior to 2007, several hospitals had already increased their level above 100% yet the increase promulgated in rule established a uniform standard. This becomes an important part of the story that should not be ignored when assessing the rise in charity care over the last decade.

If the Maine Legislature had not chosen to insure parents and childless adults, Maine's uninsured rate and the level of bad debt and charity care paid by the hospitals would have grown significantly more over the past decade.

## Health Outcomes

Commissioner Mayhew also testified that the health of Maine people has not improved as a result of expanding Medicaid coverage to provide more people with health insurance. She pointed to a New England Journal of Medicine study claiming that it demonstrates that expanding Medicaid does not "save lives" because compared to New Hampshire, where Medicaid was not expanded, Maine's "all-cause mortality" among adults between 20-64

[7] Center for Policy Research, America's Health Insurance Plans, http://www.ahip.org/HSA2012/
[8] America's Health Insurance Plans (AHIP) analysis of Census data, located at http://www.ahip.org/hsa2012/
[9] Testimony, Committee on Finance, September 26, 2006 CMWF.org

increased by 13.4 deaths per 100,000 post-expansion. The commissioner cherry picked this one statistic from a report that in its entirety actually contradicts the statements she made to Florida lawmakers related to this issue.

This same 2012 study from Harvard School of Public Health (HSPH) found that expanding Medicaid to low-income adults led to widespread gains in coverage, access to care, and — most importantly — improved health and reduced mortality. The findings suggest that expanding coverage to the uninsured may save lives.[10] The lead author of the study, Benjamin Sommers, stated that it "provides evidence suggesting that expanding Medicaid has a major positive effect on people's health."

The HSPH researchers analyzed data from three states with childless adult programs, including Maine, and compared them to neighboring states without expanded coverage as controls, in Maine's case New Hampshire. The results showed that Medicaid expansions in three states were associated with a significant reduction in mortality of 6.1% compared with neighboring states that did not expand Medicaid, which corresponds to 2,840 deaths prevented per year for each 500,000 adults gaining Medicaid coverage. Expansions also were associated with decreased uninsurance, decreased rates of deferring care due to costs, and increased rates of "excellent" or "very good" self-reported health. Senior author of the study, Arnold Epstein, aptly stated that "[s]ometimes the political rhetoric is at odds with the evidence, such as claims that Medicaid is a 'broken program' or worse than no insurance at all; our findings suggest precisely the opposite."

Contrary to the assertions made by the commissioner when she encouraged Florida lawmakers to reject Medicaid expansion, Maine's investment in health care has paid off in better health outcomes. According to the United Health Foundation, Maine ranked 9th from the top with respect to overall health outcomes in 2012. In 2002, prior to the expansion of Medicaid for childless adults, Maine ranked closer to the middle of the pack, coming in at 16th.[11] Maine people are healthier because of Maine's longstanding strategy of increasing access to health care.

[10] *New England Journal of Medicine (*Sept. 13, 2012).
[11] http://www.americashealthrankings.org/ME/2012-2002