Applying a model developed by researchers at the Urban Institute to Connecticut data shows that more than 86,000 people in Connecticut can be expected to lose coverage as a result of the planned imposition of premiums. Over two-thirds – 69 percent – would be children.

The expected impact of premiums on HUSKY A enrollment is as follows:

- Enrollment can be expected to decline by a total of 86,744 adults and children. Of those who could lose coverage, 59,638 – approximately 69 percent – would be children. The remaining 27,106 are parents or pregnant women.

- Of these adults who can be expected to lose coverage, 1,006 are pregnant women.

- Just under half of those who can be expected to lose coverage would be children and parents whose incomes fall below the poverty level – 26,212 children and 15,070 adults – a total of 41,282 people with monthly family incomes ranging from $604 to $1,196.

- The remaining 33,426 children and 12,036 adults who can be expected to lose coverage come from families whose incomes range from 100 percent to 184 percent of the poverty line.
INTRODUCTION

In August 2003, the Connecticut General Assembly passed the state’s budget for fiscal years 2004 and 2005. The “budget implementer” directs the Department of Social Services (DSS) to make dramatic and unprecedented changes to HUSKY A.

Under the premium proposal:

- All families with incomes at or above 50 percent of the FPL – $636 a month for a family of three – would be assessed premiums.
- Families with incomes between 50 percent and 100 percent of the FPL (between $636 and $1,272 a month) would pay $10 per family member per month, with a $25 family maximum.
- Families with incomes from 100 percent to 185 percent of the FPL (between $1,272 and $2,353 a month) would pay $20 per person, with a $50 family maximum.
- Families who do not pay their premiums for two months would lose coverage.

HOW WILL THESE CHANGES BE IMPLEMENTED?

The Department of Social Services cannot impose premiums without obtaining a federal waiver of Medicaid minimum standards. The Department will request a waiver under section 1115 of the Social Security Act from the Centers for Medicare and Medicaid Services (CMS), the federal agency that oversees the Medicaid program. Before submitting the waiver to CMS, DSS must allow for a 15-day public comment period and submit the proposed waiver and any public comments it receives to the Appropriations and Human Services Committees of the Connecticut General Assembly. While the Committees may advise the Commissioner of Social Services of their approval, denial or modifications of the waiver proposal, the Committees’ actions are not binding on the Commissioner.

PREMIUMS AND FAMILY BUDGETS

Most families participating in HUSKY A are earning a living through low-wage jobs.

In August 2003, only 17 percent of adults and children enrolled in HUSKY A were receiving cash assistance.

Almost all the families who would be charged premiums have incomes between 50 percent and 185 percent of the FPL – annual incomes ranging from $7,630 to $28,231 for a family of three. With the high cost of living in Connecticut, these families are struggling just to meet their basic needs. For example, the average cost of a two-bedroom apartment in Connecticut is $936 – almost one and a half times the monthly income of the lowest-income families required to pay premiums.

Additional premium costs are especially difficult because, despite strict cost-sharing limits in Medicaid, low-income families are already spending much more of their incomes on health care than higher-income families. Specifically, non-disabled, non-elderly adult Medicaid beneficiaries with incomes below poverty spent an average of 2.3 percent of their incomes on out-of-pocket health expenses. By comparison, middle-income adults with private insurance spent an average of 0.5 percent.

With the high cost of housing, child care, food and transportation, many HUSKY A families simply will not be able to afford premiums to purchase their health coverage. The result: many are likely to lose coverage and become uninsured.
The premiums adopted by the Connecticut legislature require families to pay between 1.7 percent to 3.9 percent of their incomes to enroll in coverage. No other state in the country has charged premiums to children with incomes below the poverty line. Families at the lowest income levels would face the greatest hardship because they would pay the highest amount relative to their income – and they have the least discretionary income. When premiums are adopted, families will be deterred from enrolling their children, or they may drop out of the program because of their inability to pay. This loss of coverage would be an enormous problem because the vast majority of these children and families are likely to become uninsured.

Studies of Medicaid and the State Children’s Health Insurance Program (SCHIP) programs in Oregon and Florida found that when premiums were imposed, children and families disenrolled at substantially higher rates. In Oregon re-enrollment declined by 38 percent when premiums were imposed.\(^\text{10}\) The Florida study also found that imposing premiums in its SCHIP program caused healthier children to disenroll at higher rates – a phenomenon known as “adverse selection.” Adverse selection can raise the cost of serving children left in the program.\(^\text{11}\)

This loss of coverage would be an enormous problem because the vast majority of these children and families are likely to become uninsured. Children in Medicaid clearly enjoy better access to needed health services than children who lack insurance. In 2002, for example, 75 percent of Medicaid-covered children received one or more well-child visits as compared to 46 percent of uninsured children.\(^\text{13}\)

### THE IMPACT OF PREMIUMS ON HUSKY A PARTICIPATION

Research findings are clear: charging premiums to low-income families reduces participation in public health insurance programs.\(^\text{8}\) A model developed by Urban Institute researchers, based on the experiences of three states that charged premiums to eligible low-income individuals and families, found that the higher the premium the lower the rate of participation. Even a relatively small premium – equivalent to 1 percent of a family’s income – reduced enrollment by 16 percent (see figure 3).\(^\text{9}\)

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FINDINGS

Applying the model developed by Urban Institute researchers to estimates of families in Connecticut who will be required to pay, the effects of premiums on enrollment in HUSKY A can be estimated as follows:

- Enrollment in Husky A can be expected to decline by 86,744 adults and children. Of these persons who can be expected to lose coverage, 56,638 – approximately 69 percent – would be children; the remaining 27,106 would be parents or pregnant women.

- Of the adults that can be expected to lose coverage, 1,006 would be pregnant women.

- Just under half of those who can be expected to lose coverage would be children and parents whose income falls below the poverty level – 26,212 children and 15,070 adults – with monthly incomes ranging from $604 to $1,196 a month.

- The remaining 33,426 children and 12,036 adults who can be expected to lose coverage come from families whose incomes range from 100 percent to 184 percent of the poverty line.

CONCLUSION - THE COST OF IMPOSING PREMIUMS

Imposing premiums on low-income families, particularly at the very low-income levels that Connecticut is contemplating, will cause severe and dramatic reductions in enrollment in HUSKY A. As a result, the vast majority of these children and their parents will become uninsured and lose access to needed health services; hospitals and other providers can expect to provide increasing levels of uncompensated care; and higher costs may ensue due to the potential for “adverse selection” among children and families who remain in HUSKY A.

REFERENCES

1. See Methodology section for more details.

2. Section 72, Public Act 03-3.


4. The only time a family could have income above 185 percent of the federal poverty level and remain on HUSKY A is during the two-year period after the family loses coverage because its income has gone above the poverty level. During that two-year period, there is no income eligibility test.


