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Health reform legislation and its impact on Arkansas's low- and moderate-income children and their families remains at the top of AACF's advocacy agenda. This issue of Moving Families Forward outlines AACF's top concerns with Senate Finance Committee Max Baucus' revised proposal released this week.

### **An Update on the Tax and Budget System: Federal Health Reform**

On September 16, 2009, Senate Finance Committee Chairman Max Baucus released America's Health Future Act, his health care reform proposal. On September 22, 2009, Chairman Baucus released a revised proposal. This past week, members of the Senate Finance Committee which includes Senator Blanche Lincoln will review and revise the Chairman's proposal. AACF would like to highlight three areas of concern for our most vulnerable children and families: (1) seamless and comprehensive care for children; (2) affordable health care; and, (3) holding employers accountable without hindering employment for low- and moderate-income families.

### **Seamless and Comprehensive Care for Kids**

We are pleased to see that the revised Baucus plan includes Early, Periodic Screening, Diagnosis and Treatment (EPSDT) for children up to 250 percent of the federal poverty level. This will ensure they receive the comprehensive services they need to grow and thrive. The Children's Health Insurance Program (CHIP) would transition into a program for necessary services not covered by children's private insurance plans. Under the revised plan, CHIP children would not be moved into the new Exchange until it is clear they will receive the same benefits and cost-sharing protections as the full CHIP program, and they are transitioned with no coverage gaps. Even with these improvements, concerns persist about whether low-income children will receive this good coverage in practice and not just on paper. The wraparound coverage should be simple and

seamless for families, even under multiple payers. For example, exchanges could contract with state agencies to administer the CHIP funds required for children's coverage, rather than requiring families to enroll in a separate wraparound benefit program.

### **Affordable Health Care Kids and Families**

We were pleased to see that the Chairman has revised his proposal to make health care more affordable for low-income people. However, we are still concerned about affordability for the low- and moderate-income households.

Families with incomes between 100 and 400 percent of the poverty line would be required to pay premiums based on a sliding scale beginning with 2 percent of income for those earning 100 percent of the poverty line. It increases to 12 percent of income for those at 300 percent of the poverty line and remains at that level for those between 300 and 400 percent.

These premiums also would be sharply higher than what would be required under the proposals adopted by the Senate HELP Committee and the House health reform bill (as amended by the Energy and Commerce Committee). For example, Arkansas families that live at 133 percent of poverty (a gross income of \$24,312) would have to pay \$887 per year in premiums (or 3.65 percent of income) under the revised Baucus plan, compared to \$365 and \$243 per year under the House and Senate HELP bills, respectively. Families at this income level would either have to pay these substantial premiums or face a significant penalty.

Many moderate-income families could have significant difficulty affording insurance under the Baucus plan. A family of three making \$46,000 per year — approximately 250 percent of the poverty line — would have to pay approximately \$4,370 — or 9.5 percent of its income — to purchase insurance.

By comparison, under the HELP bill, the family would pay about \$2,600 (5.6 percent of income), while under the House bill the family would pay \$3,700 (or 8 percent of income). Inadequate subsidies would impose considerable economic burdens on many families, particularly in view of what they already have to spend on necessities. Moreover, these figures are for the premiums alone; deductibles and co-payments would impose additional costs.

A substantial body of research shows that high premiums and other out-of-pocket costs can cause low- and moderate-income people to forgo needed care, undermining the goal of insuring all families. Because insurance market reforms, individual requirements and adequate subsidies all depend on one-another, ensuring affordability and access will be vital for these families. Moreover, if premiums and out-of-pocket costs are too high, then comprehensive health reform will unravel.

We applaud the fact that the plan is deficit neutral and that it contains offsets by finding ways to streamline costs and reduce fraud in the health market. To enhance the subsidy structure, the Committee should also consider including more ways to reduce costs in order to help working families comply with the

proposal's mandate that they obtain health coverage.

### **Holding Employers Accountable without Hindering Employment**

The revised Baucus plan will require businesses with more than 50 employees to comply with an employer mandate commonly known as the “free rider” provision which will have a detrimental effect on the ability of low-income and minority workers to secure employment. Under this provision, employers who do not offer health insurance would have to pay the full costs of the subsidies provided to employees who purchase coverage through the new health insurance exchange and qualify for a subsidy because their family income is between 100 and 300 percent of poverty (\$66,150 for a family of four at 300). But, employers would not have to contribute to the health insurance costs of employees with higher family incomes. Consequentially, employers have an economic disincentive not to hire low- and moderate-income workers. Those workers with higher representation in lower-income brackets, like racial and ethnic minorities, would stand to lose the most under this provision.

To circumvent this problem, the Committee should require employers who do not offer coverage to pay a small, graduated percentage of their total payroll. This would not intensify the already harsh job market that low-income and minority workers fight against daily.

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