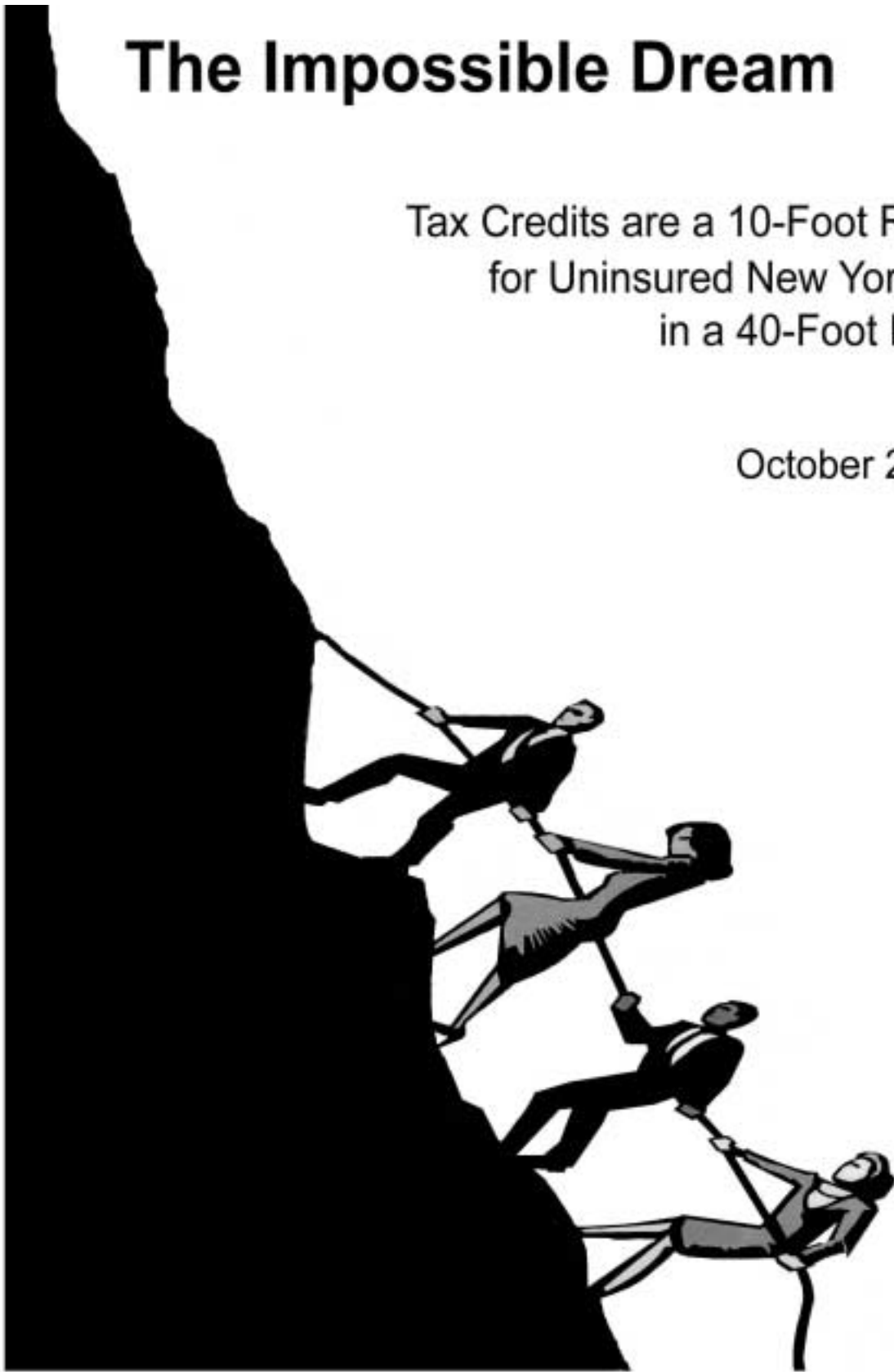


# The Impossible Dream

Tax Credits are a 10-Foot Rope  
for Uninsured New Yorkers  
in a 40-Foot Hole

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Public Policy and Education Fund of New York

# The Impossible Dream

## Tax Credits are a 10-Foot Rope Thrown to Uninsured New Yorkers at the Bottom of a 40-Foot Hole

Affordable health insurance is still the impossible dream for many New Yorkers. Three million New Yorkers are uninsured and half of them do not qualify for any of New York's public insurance programs: Medicaid, Child Health Plus and Family Health Plus. Recent reports from United Hospital Fund and Families USA indicate that the vast majority, 8 out of 10, of the uninsured in New York are adults and only about one-third of these uninsured adults are eligible for Medicaid.<sup>1,2</sup>

More than three-quarters of the 3 million people who are uninsured in New York State are adults between the ages of 19 and 64 and most of the uninsured are working or are children whose parents work.<sup>3</sup> Adults without dependent children who work full-time at minimum wage earn too much to qualify for Medicaid and Family Health Plus. Even if fully implemented as required by law by October 2002, Family Health Plus will cover less than half of the uninsured adults in New York State.

In response to concerns about the growing number of uninsured people in this country, the May 2001 federal Budget Resolution approved by congress and the president included \$28 billion to be used to decrease the number of people without health insurance. Since then, policymakers have put forward various proposals about how to use that \$28 billion. Although the details of the policy initiatives vary, there are two distinct types of proposals that are expected to dominate any debate about how to spend that \$28 billion. One category of proposals seeks to give states the opportunity to expand public insurance programs. The other category seeks to give individuals

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<sup>1</sup> United Hospital Fund. *Coverage Trends Among New Yorkers 1995-1999*. New York: United Hospital Fund, August 2001.

<sup>2</sup> Families USA. *The Health Care Safety Net: Millions of Low-Income People Left Uninsured*. Washington, DC: Families USA, July 2001.

<sup>3</sup> *Op. Cit.* United Hospital Fund.

federal tax credits to offset the cost of purchasing coverage in the private, individual health insurance market. President Bush has proposed expanding health insurance coverage by providing a tax-credit of up to \$1,000 for a low-income uninsured individual and a tax-credit of up to \$2,000 for a low-income uninsured family.

A recent report by Families USA, *A 10-Foot Rope for a 40-Foot Hole: Tax Credits for the Uninsured*, indicates that the costs of individual health insurance policies across the country are far more expensive than the cash value of the proposed tax-credits. This report investigates whether this is true in New York as well. To determine what the president's tax-credit proposal would mean for uninsured adults in New York State, the Public Policy and Education Fund of New York (PPEF) collected data to answer two questions:

1. Is the proposed tax-credit enough to purchase health insurance coverage in New York State?
2. Is the proposed tax-credit enough to offset the cost of health insurance so that coverage is affordable for low and moderate income New Yorkers?

## **Methodology**

On September 6, 2001, PPEF collected information on the cost of purchasing individual and family health insurance policies in the private insurance market in 24 counties in the following regions of the state: Buffalo, Capital Region, Long Island, Mid-Hudson, New York City, Southern Tier, and Utica. For this study we used the New York State Department of Insurance website's section on "Premium Rates for HMO Standard Individual Health Plans by County" which explains that there are at least two types of managed care plans available for purchase in the private, individual health insurance market in each of the 62 counties of New York State:

There are two standardized comprehensive managed care plan options available in New York....The two plans have standard benefits that offer inpatient and outpatient hospital services, doctor services, preventive health services, including well child care from birth, emergency services, prescriptions drugs obtained at participating pharmacies and other benefits. Under the HMO option, your coverage applies to care given by providers who have contractual arrangements with the HMO and are part of the HMO's network. Under

the POS (Point of Service) option, your coverage includes care received from network and out-of-network providers.<sup>4</sup>

The standardized plans required by New York State are very similar to the benchmark plan used by Families USA<sup>5,6</sup> in its recent study on tax-credits and the cost of health insurance.

Data on the qualifications and costs for Child Health Plus and Family Health Plus were obtained from the New York State Department of Health website in August 2001.<sup>7</sup>

There is no regional variation in the qualifications and costs for participation in these two New York State public insurance programs.

## Findings

See Tables one, two and three for data on out-of-pocket costs for individuals and families purchasing the cheapest managed care policy available in seven regions of the state: Buffalo, Capital Region, Long Island, Mid-Hudson, New York City, Southern Tier, and Utica. In every region, the cost of health insurance would consume a significant portion of total annual income for any low or moderate-income individual or family that does not now qualify for a public insurance program. Purchasing health insurance competes with paying for other necessities like food, shelter, clothing and transportation. Low and moderate-income people often have difficulties paying for these daily essentials and cannot pay out the money needed for health insurance and then wait for months to get any kind of money returned in the form of a tax-credit. Key findings include:

*The amount of the proposed tax-credits is too little to purchase a health insurance policy anywhere in New York State.* There are no policies sold anywhere in New York State for \$1,000 or \$2,000.

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<sup>4</sup> NYS Department of Insurance. *Premium Rates for HMO Standard Individual Health Plans by County*. <http://www.ins.state.ny.us/> September 6, 2001. Note: rates may vary depending on the month of enrollment.

<sup>5</sup> Families USA. *A 10-Foot Rope for a 40-Foot Hole: Tax Credits for the Uninsured*. Washington, D.C.: Families USA. September 2001.

<sup>6</sup> The only bright spot in New York, compared to many other states, is that New York requires managed care companies to offer all New Yorkers the opportunity to purchase a standard plan that compares favorably to the standard plan used as the benchmark in the Families USA study. In some other states, only expensive policies with very limited coverage were available for purchase.

<sup>7</sup> NYS Department of Health. <http://www.health.state.ny.us/home.html> August 24, 2001.

Depending on where you live, it costs three times or more the amount of the individual \$1,000 tax-credit to purchase a health insurance policy to cover one person. Although anyone in New York State can purchase an individual managed care (HMO) policy, the lowest cost individual HMO policies range from a low of \$2,939 per year in Buffalo to a high of \$3,640 in Utica, based on the monthly rates posted on the NYS Department of Insurance website.<sup>8</sup>

Depending on where you live, it costs three to six times the amount of the family \$2,000 tax-credit to purchase a health insurance policy to cover a family. The lowest cost HMO policies for families range from a low of \$6,126 per year in New York City and Long Island to a high of \$11,098 per year in the Mid-Hudson area.<sup>9</sup>

These findings give clear answers to the two study questions posed at the beginning of this study: (1) the proposed tax-credits are too little to purchase any health insurance policy anywhere in New York State; (2) the proposed tax-credits are too little to make health insurance affordable for low and moderate-income uninsured New Yorkers who do not qualify for Medicaid and Family Health Plus, the current state insurance programs. While individual New Yorkers earning 100% of the federal poverty level (\$8,590) do qualify for Family Health Plus, they are not eligible for Medicaid.

**Individuals working full time at minimum wage (\$10,712) do not qualify for either Medicaid or Family Health Plus.** Individual New Yorkers who earn 105% of the federal poverty level (\$9,019) will have to pay out more than one third of their total annual income PLUS out-of-pocket co-payments to purchase the lowest-cost managed care policy and then wait until the next year to see if they qualify for the maximum tax-credit of \$1,000.

Even middle income families of four, with two adults and two children, that earn 250% of the federal poverty level (\$44,136) will have to pay a minimum of \$6,126 to \$11,098 per year (15% - 24% of their total annual income) to purchase the cheapest managed care

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<sup>8</sup> *op. cit.* NYS Department of Insurance.

<sup>9</sup> *ibid.*

plan for the adults in the family and then wait to see if they will qualify for the maximum \$2,000 tax-credit the next year. This same family of four earning 250% of the poverty level can obtain a full year's coverage of Child Health Plus for the two children for just \$360 a year.

## **Conclusion and Recommendations**

This study confirms that the costs for a standard health insurance policy are prohibitive for low and moderate-income New Yorkers. We found that:

1. The proposed tax-credits are too little to purchase any type of health insurance coverage anywhere in New York State.
2. The proposed tax-credits do not make health insurance affordable for low and moderate-income uninsured New Yorkers.
3. **Even with current state programs like Family Health Plus and Medicaid, affordable health care is not available to many New Yorkers and tax-credits won't help.**

Tax-credits clearly won't work; however there are steps that federal and state policymakers can take to make affordable health insurance available to all low and moderate-income uninsured adults in New York:

- Congress should use the \$28 billion in the Budget Resolution to expand public insurance programs like Medicaid and the State Child Health Insurance Program.
- The federal government must make it easier for states to design and secure funding for expanded public insurance programs to include all uninsured low and moderate-income adults regardless of their parental status. This change would mean that New York could continue to create and expand new models like Family Health Plus without facing the complicated waiver-approval process that delayed the start of this program.
- The federal government must continue to set minimum standards for state programs, including continuing the protection of the long-established Medicaid benefits package without co-pays that create incentives to avoid getting preventive care and regular care for chronic conditions.

- New York State should expand Family Health Plus to make the income levels consistent with the higher income levels allowed under Child Health Plus. This will enable all members of a family to qualify and enroll at the same time.

In addition to making public insurance programs available, federal and state policymakers must streamline the process to apply for and to obtain re-certification for Medicaid, Family Health Plus and Child Health Plus. New York, like many other states, has made health insurance coverage available and affordable for the majority of uninsured children, even though enrollment and retention problems persist.<sup>10</sup> New York is making an investment in affordable health care for working families, but the way the programs are set up now is too complicated for families and health care providers. These complicated procedures waste time and money for the state and providers and cause hundreds of thousands of eligible people to remain uninsured. In addition, tens of thousands more New Yorkers lose coverage each year due to complex re-enrollment procedures.

For example, Family Health Plus and Child Health Plus have no limits on how much savings an individual or family can have but Medicaid does. To apply for Family Health Plus, adults must first prove that they do not qualify for Medicaid. This entails a complicated process of producing many documents to prove what resources they have and going to the correct place to have a face-to-face interview to prove they don't qualify for Medicaid before they can get approval for Family Health Plus. In most cases this means that adults must take off time from work and lose pay at a time when they have very limited income.

There are steps that federal and state policymakers can take to make it easier to enroll and easier to re-certify eligibility for continued coverage in a public insurance program:

- The federal government must require states to eliminate administrative enrollment barriers that make it arduous for uninsured individuals to apply for public insurance programs. Such requirements must include the elimination of the asset test for low-income uninsured adults who must currently choose between protecting their health or saving to pay for their children's college education or for their own retirement.

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<sup>10</sup> Deborah Bachrach and Anthony Tassi. *Coverage Gaps: The Problem of Enrollee Churning in Medicaid Managed Care and Child Health Plus*. New York: New York State Coalition of PHSPs. June 2000.

- The New York State Legislature does not have to wait for a federal mandate to stop penalizing people for saving money. It should use its authority to move immediately to eliminate the “assets test” to allow people on Medicaid to save and receive health care. Ten other states have already eliminated the “assets test” and New York must do the same.
- The New York State Department of Health must move to streamline all administrative procedures to apply for and keep Medicaid, Family Health Plus, and Child Health Plus coverage. The combined application form is a first step in the right direction but the documentation requirements are still burdensome and the required personal interviews for Family Health Plus are still hurdles that are difficult to overcome.
- The New York State Department of Health should make it clear that all legal immigrants are eligible for Family Health Plus.

Now it is time to make health insurance coverage affordable for all adults. Congress and the New York State Legislature must expand the public insurance programs (Medicaid and Family Health Plus) to make the dream of affordable health insurance a reality for all New Yorkers.

# Health Costs After Proposed Tax-Credit

## Table 1

Out-of-pocket cost of insurance policy<sup>1</sup> and percent of income even with maximum tax-credit subtracted<sup>2</sup>

Region	INDIVIDUAL earning \$9,019 per year <sup>3</sup>	INDIVIDUAL earning \$17,180 per year <sup>4</sup>	PARENTS in family of 4 earning \$26,475 per year <sup>5</sup>	PARENTS in family of 4 earning \$44,136 <sup>6</sup>
Capitol Region	\$2129 (24%)	\$2129 (12%)	\$7177 (27%)	\$7177 (16%)
Buffalo	\$1939 (21%)	\$1939 (11%)	\$6148 (23%)	\$6148 (14%)
Long Island	\$2293 (25%)	\$2293 (13%)	\$4126 (16%)	\$4126 (9%)
Mid-Hudson	\$2293 (25%)	\$2293 (13%)	\$9098 (34%)	\$9098 (21%)
New York City	\$2293 (25%)	\$2293 (13%)	\$4126 (16%)	\$4126 (9%)
Southern Tier	\$2244 (25%)	\$2244 (13%)	\$6457 (24%)	\$6457 (15%)
Utica	\$2640 (29%)	\$2640 (15%)	\$7464 (28%)	\$7464 (19%)

<sup>1</sup> Based on monthly rates posted on the NYS Department of Insurance website <http://www.ins.state.ny.us/> September 6, 2001; rates may vary depending on the month of enrollment.

<sup>2</sup> Federal proposals generally include \$1,000 maximum for individuals and \$2,000 maximum for families.

<sup>3</sup> \$9,019 is 105% of the federal poverty level; an individual with this income earns too much to qualify for Medicaid and Family Health Plus.

<sup>4</sup> \$17,180 is 200% of the federal poverty level; an individual with this income earns too much to qualify for Medicaid and Family Health Plus.

<sup>5</sup> \$26,475 is 150% of the federal poverty level; a family with this income earns too much for the parents to qualify for Medicaid and Family Health Plus.

<sup>6</sup> \$44,136 is 250% of the federal poverty level; a family with this income earns too much for the parents to qualify for Medicaid and Family Health Plus.

# Health Costs with Family Health Plus and Child Health Plus

## Table 2

**Annual out-of-pocket costs for  
insurance for parents and Child Health Plus contributions  
before tax-credit**

Region	Family of 4 earning \$23,475 yearly <sup>1</sup>		Family of 4 earning \$26,475 yearly <sup>2</sup>		Family of 4 earning \$44,136 yearly <sup>3</sup>	
	Cost for parents for Family Health Plus	Child Health Plus contribution for 2 children	Cost for parents to purchase coverage	Child Health Plus contribution for 2 children	Cost for parents to purchase coverage	Child Health Plus contribution for 2 children
<b>Capitol Region</b>	\$0	\$0	\$9,177	\$0	\$9,177	\$360
<b>Buffalo</b>	\$0	\$0	\$8,148	\$0	\$8,148	\$360
<b>Long Island</b>	\$0	\$0	\$6,126	\$0	\$6,126	\$360
<b>Mid-Hudson</b>	\$0	\$0	\$11,098	\$0	\$11,098	\$360
<b>New York City</b>	\$0	\$0	\$6,126	\$0	\$6,126	\$360
<b>Southern Tier</b>	\$0	\$0	\$8,457	\$0	\$8,457	\$360
<b>Utica</b>	\$0	\$0	\$9,464	\$0	\$9,464	\$360

<sup>1</sup> \$23,475 is 133% of the federal poverty level; a family with this income earns too much to qualify for Medicaid; this is the maximum income allowed in 2001 for the parents in a family of four to qualify for Family Health Plus.

<sup>2</sup> \$26,475 is 150% of the federal poverty level; a family with this income earns too much for the parents to qualify for Medicaid and Family Health Plus.

<sup>3</sup> \$44,136 is 250% of the federal poverty level; a family with this income earns too much for the parents to qualify for Medicaid and Family Health Plus.

## Table 3

### Regional Yearly Costs for Standard Individual and Family Health Plans<sup>1</sup> Before Tax-Credit

Region	Number of plans <sup>2</sup> in region	Lowest cost HMO Individual	Highest cost HMO Individual	Lowest cost HMO Family	Highest cost HMO Family
Capitol Region <sup>3</sup>	5	\$3,129	\$6,729	\$9,177	\$15,763
Buffalo <sup>4</sup>	4	\$2,939	\$3,272	\$8,148	\$10,477
Long Island <sup>5</sup>	13	\$3,293	\$7,873	\$6,126	\$22,044
Mid-Hudson <sup>6</sup>	7-13 <sup>7</sup>	\$3,293	\$6,234	\$11,098	\$17,455
New York City <sup>8</sup>	12-15 <sup>9</sup>	\$3,293	\$7,873	\$6,126	\$22,044
Southern Tier <sup>10</sup>	2-6 <sup>11</sup>	\$3,244	\$5,356	\$8,457	\$14,340
Utica <sup>12</sup>	5	\$3,640	\$5,356	\$9,464	\$14,340

<sup>1</sup> Based on monthly rates posted on the NYS Department of Insurance website <[www.ins.state.ny.us](http://www.ins.state.ny.us)> September 6, 2001; rates may vary depending on the month of enrollment. This website also includes the costs of the more expensive POS (Point of Service) option that gives insured individuals more choice than HMOs.

<sup>2</sup> The number of plans includes the total number of companies offering HMOs and POS (Point of Service) plans in each region. HMOs are managed care organizations that require insured individuals to get services from a network of specified doctors, hospitals and other benefits from participating providers. POSs have higher premiums because they allow insured individuals to go outside the network for services and pay the additional costs for using the selected services.

<sup>3</sup> Capital Region includes Albany, Columbia, Greene, Rensselaer, Saratoga, and Schenectady counties.

<sup>4</sup> Buffalo Region includes Erie and Niagara counties.

<sup>5</sup> Long Island includes Nassau and Suffolk counties.

<sup>6</sup> Mid-Hudson Region includes Dutchess, Orange, Putnam and Ulster counties.

<sup>7</sup> Dutchess has 9, Orange has 13, Putnam has 10 and Ulster has 7.

<sup>8</sup> New York City includes the five boroughs of the Bronx, Manhattan, Brooklyn, Queens and Staten Island.

<sup>9</sup> Brooklyn has 14, Bronx has 13, Manhattan has 13, Queens has 15, Staten Island has 12.

<sup>10</sup> Southern Tier includes Broome, Chemung, Tioga and Tompkins counties.

<sup>11</sup> Broome has 6, Chemung has 3, Tioga has 5 and Tompkins has 2.

<sup>12</sup> Utica includes Oneida county.

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