

Broken Promises, Broken Hearts

**New Yorkers Still Waiting for Health Insurance
Governor and Legislature Promised Two Years Ago**

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Public Policy and Education Fund of New York

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The Promise to insure one million

On December 18, 1999, the Albany *Times Union* reported: "In an agreement that keeps New York's health care system in the national forefront, Governor George Pataki and legislative leaders unveiled a sweeping package ...that will offer medical benefits to nearly 1 million uninsured residents while adding a new 55-cent-per-pack tax on cigarettes."¹ The agreement between the Governor and Legislature became law by the end of 1999, known as the Health Care Reform Act of 2000 (HCRA 2000).

This bold promise to provide health insurance coverage to one million New Yorkers was designed to cover about one third of the three million plus uninsured residents of the state. Recently, Gregory V. Serio, the Superintendent of the New York State Insurance Department, indicated that HCRA 2000 actually made a larger promise to cover nearly three million uninsured New Yorkers. A December 27, 2001 NYS Insurance Department press release quotes Serio as saying: "When Governor Pataki signed the Health Care Reform Act of 2000 he was careful to ensure that this new legislation included health insurance coverage for the nearly 3 million people without health insurance who live in New York State."²

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.^{3,4} 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.⁵ HCRA 2000 created two new health insurance programs, Family Health Plus and Healthy NY to provide health coverage for uninsured New Yorkers.

¹ Lara Jakes. *Times Union*, "Health care reforms unveiled." December 18, 1999. p. A1.

² NYS Insurance Department. *Study finds That Healthy NY Program Makes Health Insurance More Affordable for the Working Uninsured*. December 27, 2001. www.ins.state.ny.us/p0112271.htm.

³ United Hospital Fund. *Coverage Trends Among New Yorkers 1995-1999*. New York: United Hospital Fund, August 2001.

⁴ Families USA. *The Health Care Safety Net: Millions of Low-Income People Left Uninsured*. Washington, DC: Families USA, July 2001.

⁵ *Op. Cit.* United Hospital Fund.

Family Health Plus⁶

Family Health Plus is a new public insurance program of free, comprehensive health coverage for adults between the ages of 19 and 64. Parent(s) or legal guardians with dependent children under the age of 21 will be eligible up to 150% of the federal poverty level once the program is fully phased in by October 2002. Adults without dependent children are eligible up to 100% of the poverty level. Once the program is fully implemented, an estimated 620,000 adults will be eligible for Family Health Plus.

Healthy NY⁷

This new state sponsored program offered through HMOs and other approved insurers aims to increase access to health insurance for employees of small businesses with 50 or less employees and low-income sole proprietors. The Healthy NY insurance program allows eligible individuals whose employer doesn't offer a group health plan the same standardized benefit package available to small businesses.

All HMOs in New York State must offer eligible businesses a benefit package with a required set of inpatient and outpatient services that is more restrictive than current state law requirements for benefit packages. In addition, the consumer must pay higher co-payments and deductibles. The state helps to subsidize the cost of the insurance by assuming almost all of the payment for selected high cost claims.

These changes have lowered the cost of insurance by 30 to 50 percent for people purchasing the individual plan and by 15 to 30 percent for small employers buying a group policy.⁸ Advocates of Healthy NY hope that these lower premiums will encourage more small businesses and their employees to purchase a Healthy NY insurance policy.

Financing the promise

HCRA 2000 doubled the state tax on each pack of cigarettes from 56 cents to \$1.11 with the expectation that it would generate \$400 million a year.⁹ During 2000 and 2001, NYS collected close to one billion dollars in new cigarette

⁶ See NYS Department of Health website for more detailed information about the Family Health Plus program. www.health.state.ny.us.

⁷ See NYS Insurance Department website for more details about this program. www.ins.state.ny.us

⁸ Katherine Swartz. *Healthy New York: Making Insurance More Affordable for Low-Income Workers*. The Commonwealth Fund, New York. November 2001. p. viii. www.cmwf.org

⁹ Laura Jakes. *Op Cit.* p. A5.

taxes.¹⁰ Additional funding for HCRA 2000 came from New York's share of the tobacco settlement.

Methodology

Given the 1999 promise that HCRA 2000 would provide health coverage to one million uninsured New Yorkers, PPEF collected data to answer three questions:

1. What progress has been made in fulfilling the promise to provide coverage to one million uninsured New Yorkers?
2. How many people are enrolled in Family Health Plus?
3. How many people are enrolled in Healthy NY?

Enrollment data were collected from the NYS Department of Health and the NYS Insurance Department between January 24 and 31, 2002 to answer these questions. Other sources were used to provide additional data.

Findings

Family Health Plus implementation and enrollment

HCRA 2000 stipulated that Family Health Plus (FHP) was to start on January 1, 2001. A dispute between the state and federal administrations delayed the approval of the federal waiver needed to guarantee federal financing for FHP. That approval was finally announced by the federal Department of Health and Human Services at the end of May 2001. At the same time, the Governor announced that there would be an additional delay because a new application would not be available until September 2001 and actual enrollment would not become effective until October 2001.

The start-up of this program was further complicated by the World Trade Center attacks of September 11th. The computer systems used for public programs like Medicaid in New York City were nonfunctional. The state government promptly established a temporary Disaster Relief Medicaid (DRM) program that included the higher income eligibility for Family Health Plus. The DRM program is discussed further in this report starting on page 5.

Contracts with health insurance plans to provide Family Health Plus in the 57 counties outside of New York city were not finalized until after the planned start-up date of October 1st, so no one was able to actually enroll until later that month.

¹⁰ Governor's Office. Executive Budgets for 2001-2002 and 2002-2003.

A total of 91 people in 8 counties were enrolled in October 2001. By November, 677 people in 38 counties were enrolled. Enrollment in all 57 counties outside of New York City did not happen until December 2001. For February 2002, a total of 10,080 people were enrolled in all 57 counties.¹¹ See Tables I and II for additional data.

New York State set up a toll-free number for people to find out about FHP and to ask to have an application mailed to them as soon as it became available. Information about the program was available on the NYS Department of Health website, but the state did not engage in other types of outreach to let people know about the new program. For example, NYS did not follow its neighbor, New Jersey, which mailed out a letter to the parents of all the children enrolled in the NJ Child Health Insurance Program to tell them about its new state program for uninsured adults. Despite the fact that there were no TV ads or other outreach efforts promoting FHP, enrollment in FHP increased significantly once it was implemented. In just 5 months, FHP enrolled twice as many as the Healthy NY program enrolled in 12 months.

Healthy NY implementation and enrollment

According to a November 2001 Commonwealth Fund report, authored by Katherine Swartz of the Harvard School of Public Health, the NYS Insurance Department drafted all the regulations and procedures in one year so that the program could be launched in January 2001 as required by law.¹² The law requires all HMOs in the state to participate in the program and to assist with marketing the program.

New York State promoted the program through its Insurance Department website as well as a toll-free number. In the fall of 2001, TV ads also promoted the availability of the program. Swartz notes in the report that the “premiums [for Healthy NY] still account for more than 5 percent of before-tax income for most individuals and many low-income workers in eligible small firms. As a result, it is not clear that Healthy New York’s target beneficiaries will purchase coverage through the program in large numbers.”¹³

Total monthly enrollment in Healthy NY in 27 HMOs is compiled by the NYS Insurance Department. In February 2001, there were 44 enrolled in 5 HMOs. By June 2001, there were a total of 1,197 enrolled in 22 HMOs. At the end of the first year of the program, January 2002, there were a total of 4,676 enrolled in 26 HMOs.¹⁴

¹¹ NYS Department of Insurance. January 2002.

¹² Katherine Swartz. *Op Cit.* p. 1.

¹³ *Ibid.* p.viii.

¹⁴ NYS Insurance Department. January 2002.

Disaster Relief Medicaid

One of the casualties of the World Trade Center attack was the computer system that processed Medicaid applications in New York City. New York State immediately made a prompt agreement with the federal government's Department of Health and Human Services that granted a temporary waiver to allow New York State to quickly set up Disaster Relief Medicaid (DRM) in New York City. This four-month temporary program sensibly responded to the World Trade Center disaster by suspending the burdensome documentation requirements for processing regular Medicaid, Child Health Plus, and Family Health Plus applications.

The DRM program application is simple and straightforward – one page – that does not require the usual bureaucratic paperwork. There was no publicity about the program other than information given to advocates and staff in New York City's social service agencies. Word of mouth was the primary way that individuals who needed health coverage learned that they could get a temporary Medicaid card on the same day that they came to apply for DRM. Media coverage and other anecdotal reports indicate that people soon started lining up outside the designated city offices in the wee hours of each morning to be among the number of people who would get into the building to complete the application process. When enrollment in the DRM program ended on January 31, 2002, more than 251,494 authorizations, covering 378,798 individuals, had been completed.¹⁵

This experience could be characterized as a "natural experiment" that provided evidence that making it easy for people to enroll in the public insurance programs that they qualify for will result in many more eligible people actually getting enrolled in the programs. In a very short period of time, DRM enrolled significantly more people than both Healthy NY and Family Health Plus. The number of people who qualified for DRM included those adults who would otherwise have qualified for Family Health Plus. The next challenge is transitioning all people on DRM into regular Medicaid, Child Health Plus, and Family Health Plus. As people reach the end of their four-month coverage period, everyone on DRM will have to complete the regular application process to continue their coverage through one of these public insurance programs.

Recommendations and Conclusion

Fifteen thousand people have received health insurance coverage through Family Health Plus and Healthy NY, the two programs authorized by HCRA 2000. This is a tiny fraction of the one million New Yorkers promised insurance coverage at the time HCRA 2000 was announced. An additional group of people

¹⁵ NYC Human Resources Administration. February 2002.

who qualify for Family Health Plus received coverage through a temporary program, Disaster Relief Medicaid in New York City, that stopped accepting applications on January 31, 2002. We found that:

- 1. Family Health Plus was and continues to be successful in enrolling people once the program was implemented.**
- 2. Healthy NY is a failure; very few people actually enroll in the program even though it is widely available and heavily promoted in advertising.**
- 3. Easy enrollment procedures, like the simple one-page Disaster Relief Medicaid application, make it possible for many more eligible people to actually enroll in the public insurance programs for which they are eligible.**

Clearly the findings show that state policymakers must streamline the initial application process as well as the re-certification process 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.¹⁶ 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.

All individuals enrolled in DRM must now go through the normal application procedures to get approval for coverage through regular Medicaid, Child Health Plus, or Family Health Plus. The transition plan for this process has just been announced, so it is difficult to judge how many of the more than 378,000 people enrolled in DRM will be able to complete the more complicated application process so they can continue to receive insurance coverage.

Although HCRA 2000 changes enacted into law in January 2002 will simplify a few of the steps for enrollment and re-certification starting in 2003, many documentation requirements will continue. For example, to apply for Family Health Plus, adults must first prove that they do not qualify for Medicaid. This entails a complicated process that includes going to the correct place to have a face-to-face interview. 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. These bureaucratic hurdles are not in federal law or regulations. Almost all of the

¹⁶ 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.

questions and documentation requirements for NYS Medicaid applications are based on New York State law, regulations, and administrative policy.¹⁷

Recommendations

There are additional 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.

Recommendations for New York State

- Expand Family Health Plus to make the income levels for all adults 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.
- Eliminate the Healthy NY program and use the state funding that subsidizes this program to expand eligibility for Family Health Plus. Healthy NY's failure – which follows the failure of similar programs in many states – is because it is based on a flawed analysis of the health-insurance market in low-wage sectors. Low-wage businesses cannot afford health insurance at virtually any price and do not feel competitive pressures to offer coverage to workers. The Family Health Plus model provides good benefits coverage directly to low-wage workers. At income-eligibility levels higher than that now offered for Family Health Plus, it is reasonable to charge low-wage workers a small premium to help pay for coverage, as is now done for their children under Child Health Plus.
- Make the simple Disaster Relief Medicaid application form permanent and statewide. Data requirements should be limited to those required by the federal government. This will streamline all administrative procedures for applying for and keeping 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 make it difficult to complete the application process.
- Distribute the simplified application forms throughout the community, including a wide range of providers' offices where people go to get care. Allow people to apply for Family Health Plus through the mail and the Internet.

¹⁷ Care for the Homeless. Barriers to Medicaid – Challenges and Opportunities for New York. New York, March 2001.

- Assure that all local social service personnel receive adequate re-training in how to correctly process simplified applications.
- Stop penalizing people for saving money. The New York State Legislature should use its authority to immediately eliminate the “assets test” to allow people on community-based Medicaid to save and receive health care. Since Family Health Plus does not have an assets test the Medicaid assets test serves absolutely no purpose; instead it costs New York money. An adult who is disqualified for Medicaid because of assets qualifies for Family Health Plus. However, New York must first go to the expense of verifying assets under Medicaid. In addition, by asking about assets on the Medicaid application, New York discourages applications by low-income families who are eligible for Family Health Plus. There are very few working low-income people with savings; using the asset test to find these few people costs the state more than it saves.¹⁸ Ten other states have already eliminated the “assets test” and New York must do the same.

Recommendations for the Federal Government

- 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.
- 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.

Conclusion

The Governor and the Legislature must keep the 1999 promise they made to one million uninsured New Yorkers. The steady uptake in Family Health Plus enrollment demonstrates that this program can be even more successful if eligibility is expanded. The Disaster Relief Medicaid program demonstrates that simplifying the enrollment/re-certification processes for the public health insurance programs (Medicaid, Child Health Plus, and Family Health Plus) is a proven way to fulfill the promise by actually enrolling those who are eligible.

¹⁸ For a fuller discussion of the argument for eliminating the Medicaid assets test, see *Your Savings or Your Health*, May 2001 available at http://www.citizenactionny.org/Your_Savings_or_Your_Health.pdf

Table I

Number Enrolled in Healthy NY, Family Health Plus, and Disaster Relief Medicaid

	Healthy NY¹⁹	Family Health Plus²⁰	Disaster Relief Medicaid²¹ (Includes people eligible for Family Health Plus and Child Health Plus)
Month 1	44 (Feb. 2001)	91 (Oct. 2001)	Not Available (Sept. 2001)
Month 5	1,197 (June 2001)	10,080 (Feb. 2002)	378,798 (Jan. 2002)
Month 12	4,676 (Jan. 2002)	Not Available (Sept. 2002)	Enrollment ended Jan. 31, 2002

¹⁹ *Op. Cit.* NYS Insurance Department. January 2002.

²⁰ *Op. Cit.* NYS Department of Health. January 2002.

²¹ *Op. Cit.* NYC Human Resources Administration. February 2002.

Table II

Family Health Plus Enrollment - by County²²

County	October Rosters	November Rosters	December Rosters	January Rosters	February Primary Roster
Albany	3	27	84	199	274
Allegany	0	12	35	85	143
Broome	0	4	45	110	183
Cattaraugus	0	4	73	157	209
Cayuga	0	13	43	120	189
Chautauqua	0	9	120	217	291
Chemung	0	0	0	55	112
Chenango	0	0	18	46	84
Clinton	0	5	110	198	275
Columbia	0	5	29	55	83
Cortland	0	0	0	12	35
Delaware	0	0	0	2	42
Dutchess	1	22	37	79	107
Erie	0	46	296	774	1117
Essex	0	5	39	87	131
Franklin	0	0	0	88	117
Fulton	0	13	79	137	171
Genesee	0	0	8	38	68
Greene	0	5	30	77	102
Hamilton	0	0	0	0	1
Herkimer	12	57	130	221	259
Jefferson	0	0	79	127	216
Lewis	0	0	54	79	115
Livingston	0	11	26	58	75
Madison	0	12	44	78	93
Monroe	0	2	201	486	848
Montgomery	0	0	11	37	59
Nassau	0	0	0	5	89
Niagara	0	34	108	248	320

²² New York State Department of Health. January 2002.

Table II Continued

Family Health Plus Enrollment - by County

County	October Rosters	November Rosters	December Rosters	January Rosters	February Primary Roster
Oneida	6	37	106	318	429
Onondaga	0	25	112	265	387
Ontario	0	6	41	96	143
Orange	3	24	62	135	196
Orleans	0	16	32	58	80
Oswego	2	23	77	174	299
Otsego	0	0	0	9	38
Putnam	0	0	0	17	34
Rensselaer	63	96	169	213	296
Rockland	0	3	66	207	285
St. Lawrence	0	0	32	92	214
Saratoga	0	8	38	112	163
Schenectady	0	27	48	85	131
Schoharie	0	14	31	46	70
Schuyler	0	0	0	27	36
Seneca	0	11	32	50	77
Steuben	0	0	0	188	263
Suffolk	0	0	17	108	169
Sullivan	0	2	8	27	42
Tioga	0	2	6	12	19
Tompkins	0	0	0	12	16
Ulster	0	15	36	79	112
Warren	0	16	53	109	163
Washington	0	0	25	64	99
Wayne	0	19	42	78	110
Westchester	1	30	77	131	255
Wyoming	0	1	15	40	56
Yates	<u>0</u>	<u>16</u>	<u>40</u>	<u>68</u>	<u>90</u>
Totals	91	677	2,864	6,695	10,080

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