Filling the Gaps of Employer-Sponsored Health Coverage: Transitional Medical Assistance

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The Transitional Medical Assistance (TMA) program currently provides up to two years of HUSKY A coverage to families with earnings when family income goes above 100% of the federal poverty level[1] ($15,671 a year for a family of three). Connecticut has always recognized the importance of TMA by going beyond the one year federally mandated minimum benefit period. The Governor's proposal would reduce TMA coverage to a maximum of twelve months.

Who is on TMA?

TMA provides temporary health care coverage to families with low wages when they lose HUSKY A benefits due to increases in income. *TMA is not limited to families leaving the cash assistance program.*

- Only 16.7% (or 49,970) of enrollees in HUSKY A are receiving cash assistance. Almost twice as many HUSKY A enrollees --32.3% -- (or 96,649) are in working families with incomes below the poverty level.
- Currently, 77,694 individuals are enrolled in HUSKY A through the TMA pathway to coverage. [2]

The erosion of family coverage

Prior to federal welfare reform in 1996, medical assistance was generally available only to parents receiving cash assistance. Connecticut policymakers acknowledged that aligning HUSKY eligibility levels for parents and children was one strategy to increase children's enrollment and to improve family health outcomes.[3] To that end, in 1999, Connecticut enacted a statute that would have aligned parent and children's income requirements at 185% of the federal poverty level (FPL). However, the original statue was never implemented and instead parent coverage was set at 150% FPL in January 2001. Since that time, parent coverage has been eroded. In April 2003 the income level was reduced to 100% of the federal poverty level. Now the Governor's budget proposes to reduce TMA to one year. Reducing TMA would leave tens of thousands of working parents uninsured.

No savings from the reduction in TMA are proposed until SFY 2006 when the Governor's budget assumes the reduction in TMA will save $15.9 million. At an average monthly capitation payment of just under $178, these savings predict a substantial decrease in eligibility over the first year. This amount of money is enough to cover more than 7,500 parents for an entire year.

Low-wage workers unlikely to have employer-sponsored health coverage

While the primary source of health insurance is through employers for most Americans, low-income workers are less likely to have employer-sponsored coverage. In fact, low-income parents are actually more likely to be uninsured if they are employed than if they are unemployed.[4] The

[1] This brief uses the federal poverty levels which take effect on April 1, 2004.

[2] February 2004 HUSKY A enrollment reports, Department of Social Services.

[3] States that expanded coverage to parents had a 16% increase in child participation from 1990-98. M. Broadus and L. Ku. The Importance of Family-Based Insurance Expansions: New Research Findings about State Health Reforms. Available at www.cbpp.org

[4] Welfare Reform and Transitional Medical Assistance. Testimony of Cindy Mann, Kaiser Commission on Medicaid and the Uninsured before the Committee on

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recent decline in employer-sponsored health insurance disproportionately affected low-income adults.

- Low-income workers saw the sharpest declines in rates of health care coverage from 2000-2002.[5]
- Between 1994 and 2000, the percentage of low- income parents without health coverage increased from 34% to 41%.[6]
- Eight in ten low-income parents who are uninsured were working outside the home or living with a spouse who was working.[7]
- Nationally, over 30% of working women who left cash assistance remained uninsured after working for the same employer for 2 years or more.[8]
- A recent national study found that nearly one million people leave Medicaid or the State Children's Health Insurance Program every month. Only 28% succeeded in moving from Medicaid to employer coverage without a gap.[9]

Implications for family health

If the Administration's proposal is adopted, those most deeply affected by the cut in TMA would be low-income working women who do not have employer-sponsored coverage.[10]

- Over half of women who leave welfare report at least one health problem. 22% of women said they had a health condition that limits the type or amount of work they can do.[11]
- Insured adults have better health outcomes while uninsured adults experience greater declines in health status over time and die sooner.[12]

Conclusion

Many studies have found poor health status to be correlated with low income, and health problems are a barrier to work.[13] Health care coverage helps to decrease absenteeism in the workplace and increase productivity. Connecticut should continue 24 months of TMA for low-income parents. TMA helps working parents stay healthy, take care of their children and remain productive workers.

Energy and Commerce, Subcommittee on Health, US House of Representatives. April 23, 2002.

[5] J. Holahan and M. Wang, "Changes in health insurance coverage during the economic downturn: 2000-2002," Health Affairs. 28 January 2004. W. Scanlon, Director of Health Care Issues for the U.S. General Accounting Office. Testimony before the Subcommittee on Health, Committee on Energy and Commerce, U.S. House of Representatives. "Transitional Coverage Can Help Families Move from Welfare to Work. April 23, 2002.

[6] Kaiser Commission on Medicaid and the Uninsured. "Welfare and Work: How Do They Affect Parents' Health Care Coverage?" June 2002.

[7] Ibid.

[8] B. Garrett and J. Hudman, "Women who left welfare: health care coverage, access and use of health services." Kaiser Commission on Medicaid and the Uninsured, June 2002.

[9] P.F. Short, D.R. Graefe and C. Schoen. *Churn, Churn, Churn: How Instability of Health Insurance Shapes America's Uninsured Problem.* New York, NY: The Commonwealth Fund, November 2003. In Connecticut, parts of Medicaid are known as HUSKY A and SCHIP is known as HUSKY B.

[10] Children can maintain their HUSKY A coverage at a higher income eligibility level of 185% FPL or $28,990 for a family of three.

[11] See note 8.

[12] Institute of Medicine. *Care Without Coverage: Too Little, Too Late.* Washington, DC: National Academy Press, 2002.

[13] S. Callahan, *Understanding Health-Status Barriers that Hinder Transition from Welfare to Work*, National Governors Association, 1999.