



Testimony Presented to the Michigan Competitiveness Committee on HB 4714

Gilda Z. Jacobs, President and CEO

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Good afternoon, Chairman Shirkey and members of the committee. I am Gilda Jacobs, president and CEO of the Michigan League for Public Policy, formerly the Michigan League for Human Services. The League has been advocating for low-income families and children in Michigan for more than 100 years, and I appreciate the opportunity to present our grave concerns about the recently introduced “Medicaid Eligibility Expansion” legislation.

Let me start by sharing an example of someone who might benefit from the Medicaid eligibility expansion. She is a direct care worker in an assisted living facility who is feeding, bathing, dressing and perhaps changing the adult diapers of our elderly or disabled family members and friends. This person works very hard providing compassionate care to those they serve and those we love. Do you know that the median annual earnings for this person are \$12,000 and that 41% of these workers do not have healthcare coverage themselves? This is only one example of the **working** individuals (an estimated 50,000 direct care **workers** in Michigan alone would qualify) who would benefit from the Medicaid eligibility expansion.

There is a misperception that the hundreds of thousands of residents who will be helped are taking a handout. That simply is not true. According to the Department of Community Health’s most recent *Michigan Uninsured at a Glance*, 78% of the uninsured are in households with at least a part-time worker as head of the family. These are low-income, **hard-working residents**.

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The following graphic displays the incomes and insurance status of direct care workers in Michigan. It is sad to see not only how low their incomes are, but how many are working in healthcare with no healthcare coverage themselves.



Of concern, too, is the impact on the employers of these workers, many of whom rely on Medicaid payments for their survival. If their workers are forced to seek coverage through the Healthcare Marketplace and receive federal subsidies, the employer is subject to penalties for not providing affordable coverage to its employees. Will the Medicaid program be liable for a portion of that penalty payment?

There are many other examples of **low-wage workers** who would benefit from the Medicaid eligibility expansion such as child care **workers** (those taking care of our children while we work), retail staff, servers in restaurants, to name a few. Expansion of Medicaid eligibility could help all of these low-wage **workers** be healthier and more productive in their jobs, also a great benefit to their employers. Again, 78% of the uninsured are in households with at least a part-time worker as head of the family.

I believe Secretary Sebelius must deny the waiver as specified in this legislation; it is simply unreasonable to expect the federal government to fund services for the **current** nondisabled adult population at 100% as well as all administrative costs, which are currently matched at 50%. In addition, as Joy Wilson, with the National Conference of State Legislatures, reminded us

in her conference call last week, the Secretary has repeatedly indicated that a state cannot implement a partial expansion (to less than 133% of the federal poverty level) and receive 100% federal funding. We believe the legislation's exclusion of those with disabilities who have incomes between 100% and 133% of the federal poverty level would constitute a partial expansion. In addition, it is not clear what the legislative intent is for 19- and 20-year-olds who must also be included in the expansion population.

While this legislation is a starting point for discussion, I believe there are *huge* unintended consequences for placing time limits on healthcare coverage that must be considered and addressed before moving forward. Healthcare is not a transitional program in which people move from sick to well and no longer need it. We are all one catastrophic diagnosis away from dependence on healthcare services for our survival.

I am very concerned about low-income pregnant women. What happens to them and their babies if the pregnancy occurs after the mom's 48 months of Medicaid coverage have ended? As you may know, Medicaid currently covers more than half of the births in Michigan due to limited or unaffordable options, or other reasons. There will certainly be more uninsured pregnancies and hospitals will still be forced to pick up the tab. What will be the outcomes? Will this policy force even more hospitals to close their obstetrical units? [Are you aware that 13 contiguous counties in northern Michigan have no hospitals that offer obstetrical services currently?]

In our recently released *Right Start* report, the findings are very disappointing and in fact "Michigan made little progress in improving maternal and infant well-being between 2005 and 2011." As you know, infant mortality is a priority of the governor and the Medicaid eligibility expansion provides an opportunity to improve maternal health prior to pregnancy and improve birth outcomes, while reducing risk factors for pregnancy and birth.

I am concerned about those with chronic disease (who are not classified disabled) who could lose the treatment services and the medications they need to manage their diseases. I'm particularly concerned about diabetics and the potential impact – both human suffering and healthcare cost – of someone losing access to his/her insulin. Diabetic comas are a very costly consequence. I live with a diabetic, and it is a disease that can't be cured.

I am very concerned about the impact of this legislation on those with cystic fibrosis or hemophilia who are over 21 and dually eligible for the Children's Special Health Care Services program. It appears they too could lose their Medicaid eligibility after 48 months. Will the state then cover the previous Medicaid costs, or will these vulnerable (many of whom are working) individuals lose their life-saving medications?

This legislation could force people back to the emergency room to obtain needed healthcare services and effectively shifts the costs back on the hospitals with little or no way to be compensated. On May 13, 2013, federal rules were released detailing the amounts states will be cut. Michigan's share in 2014, a 4.77% cut, or \$13.4 million, rises to an estimated 40% in 2018, a tenfold increase. Uncompensated care payments to hospitals will decline while uncompensated care costs will increase. Will the "hidden tax" on private policies grow as costs are shifted back on those who do have healthcare coverage? Placing time limits on coverage will not help achieve a healthier Michigan or reduce healthcare costs in the long run; it will merely increase uncompensated care. This is what the expansion of Medicaid eligibility is intended to fix.

This legislation specifies that if individuals do not wish to enroll in Medicaid, or they reach their time limits, they can purchase coverage through the new Healthcare Market Place (also called the Exchange). However, no premium assistance is provided for those with incomes below 100% of the federal poverty level (\$11,490 for an individual, \$23,550 for a family of four) who are ineligible for federal subsidies under the Affordable Care Act. Without premium subsidies it will be extremely difficult, if not impossible, for these individuals or families to purchase coverage. Look back at the earnings of the direct care workers.

I am also concerned that the Department of Community Health does not have the capacity to determine the ability of nondisabled adults to pay the 5% of their incomes into accounts to pay for healthcare expenses. Not only is this extremely staff intensive, but I have great concern about how "ability to pay" will be defined and what negative impact could result for hard-working families. This seems excessive for low-income individuals and families. Do you realize that 5% of a legislator's salary would require a contribution of \$3,584 or about \$300 per month, and that the lowest paid legislative assistant (\$22,330) would be required to pay \$1,117?

These are only a few of my concerns. This legislation, as drafted, does not get us to the healthy Michigan we all envision, and there are huge unintended consequences. It weakens the current Medicaid program by imposing arbitrary time limits; it doesn't address our long-term health needs or costs; and it takes time that we don't have to craft federal waivers and build costly recipient tracking systems.

Let's work together to develop a proposal that accepts the federal funds available to us now under the law, saves state dollars, does not impose time limits on current or future Medicaid recipients, and takes advantage of the many strengths of the current Medicaid program.

The Medicaid program does exactly what it is designed to do: it provides quality, comprehensive healthcare coverage in an efficient, cost-effective manner to those who qualify.