



Northwest Health Law Advocates

May 27, 2009

The Honorable Maria Cantwell
Office of Senator Cantwell
915 Second Avenue
Suite 3206
Seattle, WA 98174

Sent by email: teresa_fruitrich@cantwell.senate.gov

Re: Expanding Health Care Coverage: Proposals to Provide Affordable Coverage to All Americans published after Roundtable Discussion on "Expanding Health Care Coverage" on May 5, 2009

Dear Senator Cantwell,

I write on behalf of Parents Organizing for Welfare and Economic Rights (POWER), an organization of low-income parents, many of whose families are on Medicaid and Apple Health for Kids. As you consider proposals for national health reform in the Senate Finance Committee, please consider how these proposals would impact Washington's ability to provide affordable health care to its low-income residents.

Our state has a proud tradition of providing health care access, including the creation of Basic Health and the expansion of children's health, prenatal and family planning programs. But the current economic crisis has led to a devastation of Basic Health, and erosion of Medicaid and other safety-net programs. On Friday, I wrote a letter to Steve Hill at the Health Care Authority, providing input on what criteria Basic Health can use to force the disenrollment of enough members so that the program could be cut by 43%. There is simply no way to do this that does not result in suffering, the worsening of health conditions and outcomes, and increased uninsurance.

Washington is desperate for a national solution that reverses these trends. Our recent experience offers the following lessons that I urge you to take to heart in your current deliberations on a national plan.

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1. Preserve and strengthen Medicaid.

- **Medicaid is a good model for a healthcare system serving low-income people.**

In contrast with Basic Health, Medicaid has built-in protections for low-income individuals to ensure that they continue getting health care, even in tough times. Medicaid-eligible individuals cannot be disenrolled to cut costs – as is happening in Basic Health – and although the program can be trimmed, federal law protects a robust core of benefits and prevents severe benefit erosion. Medicaid laws contain equity and nondiscrimination provisions that are important to a group that may not have as healthy a “risk profile” as insurers might wish. Thus, Medicaid protects its enrollees from measures such as one currently under consideration for Basic Health – disenrolling those on the program the longest, which would “increase the healthiness of the risk pool while also moving the program to a ‘transitional’ type program.”¹ The Basic Health model simply does not square with the kind of health reform we envision – a system that covers everyone. We appreciate that this year, Congress took a step in this direction by tying federal stimulus payments to a Medicaid “maintenance of effort” requirement that prohibits states that accept the payments from disenrolling people.

- **The Washington Legislature has directed DSHS to seek a Medicaid expansion to help refinance Basic Health.**

In Senate Bill 5945, the state Legislature has just instructed DSHS to seek federal flexibility to expand and revise Medicaid and CHIP. Its goal is to expand Medicaid to all adults with incomes up to 200% of the federal poverty level, develop a common core benefit package, and maximize employer-sponsored insurance, where cost-effective. This approach recognizes the importance of Medicaid as a basis for low-income programs, and the need to broaden the program to all low-income people.

- **In creating a national plan, do not lower Medicaid and CHIP eligibility levels but rather support expansions sought by Washington and other leading states.**

The attached letter from the National Health Law Program (NHeLP) describes on pages 2-3 some of the issues raised by the income thresholds and changes in methodology suggested in the proposal. Please support income thresholds of 200% for Medicaid, as indicated in Senate Bill 5945, and 300% for CHIP, currently in effect in Washington. Make sure these levels allow for work-expense and dependent care deductions, in order to fully support existing Washington programs.

2. Pay careful attention to the needs of Medicaid and CHIP enrollees when designing a Health Insurance Exchange.

The proposal contains three potential approaches regarding how Medicaid would fit into health reform. Under the first approach, it is unclear whether Medicaid beneficiaries would continue to receive coverage through the current Medicaid structure and if childless adults would be added as a

¹ Health Care Authority, “BH Disenrollment Criteria, BHAC Meeting – May 22, 2009.”

Medicaid eligible group. We support strengthening the current Medicaid structure so that current categories of beneficiaries and childless adults get their benefits through Medicaid.


Under the second approach, Medicaid and CHIP enrollees are stuck in a hybrid system where they get “low option” benefit plans through an Exchange and other benefits as a wraparound. We agree with the NHeLP comments (page 3) that enrollees’ access to benefits will be hampered under this awkward system of a private plan and a public wraparound. In our own state’s Medicaid program, clients have had a great deal of difficulty accessing mental health services because the benefit is split between the Healthy Options managed care package and the Regional Support Networks. Placing Medicaid and CHIP into an exchange will undoubtedly cause similar problems with multiple benefits.

The third approach would increase coverage through both the current Medicaid structure and the Exchange. The voucher system used in the Exchange may or may not have many of the important Medicaid protections discussed above, but vouchers could also be used to buy Medicaid. If vouchers are only usable in the Exchange, the levels of benefits could be lowered, and the level of cost-sharing raised, in ways that render coverage unaffordable and make services inaccessible. Again, the recent Basic Health experience makes us realize the need to build in protections to prevent erosion of this benefit. We agree with the NHeLP comments (p. 4) regarding the safeguards needed if this approach is to be adopted.

3. Counter-cyclical funding for Medicaid should become permanent. By providing increased federal matching percentages this year, ARRA helped to address the cyclical problem of current Medicaid financing in a poor economy – there is less state funding available when more people need it. The Senate Finance proposals contain an option to make counter-cyclical federal matching payments automatic in tough times. This makes sense.

I have requested a meeting to discuss your position on these issues. Thank you very much. I look forward to hearing from you.

Sincerely,

A handwritten signature in cursive script that reads "Janet Varon".

Janet Varon
Executive Director

C Senator Karen Keiser