



# House and Senate GOP Health Bills Endanger Healthy Montana Kids Program

July 2017

Healthy Montana Kids (HMK) provides vital health care coverage to more than one in three children in Montana. HMK, which includes both children's Medicaid and the state's Children's Health Insurance Program (CHIP), not only improves the health of children, it also has lifelong impacts on recipients' physical and financial well-being.

The Senate GOP proposal to repeal and replace the Affordable Care Act (ACA), called the Better Care Reconciliation Act (BCRA), would cut Medicaid by nearly \$800 billion over ten years. By capping the amount of money states get from the federal government, this bill would shift significant costs to the states, forcing them to cut services and potentially the number of individuals covered. Because Healthy Montana Kids plays a critical role in health insurance for over 120,000 children, our elected representatives must recognize the negative impact this bill would have on the lives of tens of thousands Montana children.

## History of Medicaid and CHIP

Congress created the Medicaid program in 1965 to provide health coverage for low-income people, including children. In 1997, Congress created CHIP in order to expand coverage to uninsured children whose families' incomes were too high to qualify for traditional Medicaid but may not be able to afford to purchase insurance or receive coverage through an employer. CHIP acts as a block grant to the states to expand Medicaid eligibility or create a separate program.<sup>1</sup>

In 2009, the Children's Health Insurance Program Reauthorization (CHIPRA) reauthorized funding for CHIP. CHIPRA allowed states the option to cover pregnant women and legal immigrants and required states to include dental services in plans.<sup>2</sup> In 2010, the ACA extended CHIP funding through 2015 and required states to maintain eligibility standards through 2019. The ACA also expanded Medicaid coverage to low-income adults, many of whom are parents. In 2015, the Medicare Access and CHIP Reauthorization Act (MACRA) extended funding through September 30, 2017.

## Key Facts and Figures

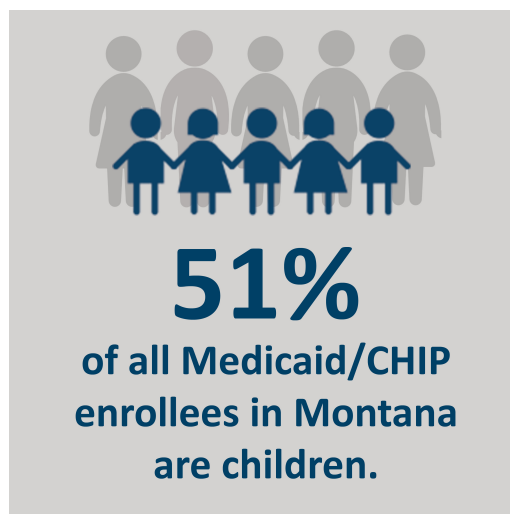
- Over 120,000 (more than 1 in 3) children in Montana are covered through Healthy Montana Kids (HMK) – the state's Medicaid and CHIP program.
- HMK covers children with family incomes below 261% FPL (for family of three, income below \$53,300).
- Half of all births in Montana are covered through HMK.
- Ninety-two percent of all Montana children have insurance, in large part due to HMK.
- Roughly half of all Medicaid enrollees in Montana are children.
- Children who receive Medicaid coverage are healthier, do better in school, and are more successful adults.
- Under the House-passed bill, Montana will lose \$5.3 billion in federal Medicaid funds, putting at risk Healthy Montana Kids and access to coverage for thousands of Montanans.

Covering children through Medicaid is an affordable way to ensure coverage for Montana's children. The average annual expenditure to cover a child through Medicaid is \$3,389 – significantly less than what it costs to cover an adult. Nationwide, in 2015, children comprised 41 percent of individuals enrolled in Medicaid but accounted for only 19 percent of Medicaid spending. In Montana, 51 percent of all Medicaid and CHIP enrollees are children. Additionally, the administrative costs for Medicaid are typically half that of private insurance.<sup>3</sup>

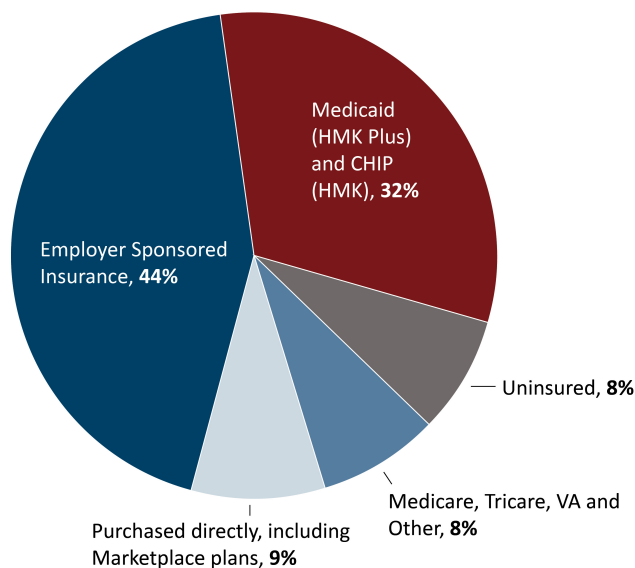
### Children's Insurance in Montana

In Montana, the children's Medicaid and CHIP programs are collectively known as Healthy Montana Kids. Formally, the program is divided into HMK (the CHIP portion of the program) and HMK Plus (the Medicaid portion), but publicly they are rolled into one program under the title Healthy Montana Kids (HMK). Benefits for HMK are administered through a third party, currently Blue Cross Blue Shield. Montana expanded its coverage through a ballot initiative in 2008, which was approved with 70 percent of the vote.<sup>4,5</sup>

Eligibility for Healthy Montana Kids is based on income. Children aged 0-18 whose families have incomes at or less than 261 percent of the federal poverty level (FPL) are eligible for HMK coverage. For a single parent with two children, this is the equivalent of \$53,296. For a two-parent household with two children, it equals \$64,206.<sup>6</sup>



### Healthy Montana Kids is an Important Source of Coverage



Source: Center for Children and Families, Georgetown University.

HMK provides health care access for a significant percentage of Montana's children. Approximately 120,000 children in Montana were enrolled in HMK coverage in 2016.<sup>7</sup> **Of this, nearly four out of five children in HMK are covered through Medicaid.**

Through the ACA, Medicaid, and CHIP, the rate of uninsured children in Montana has dropped to historic lows. In Montana, 92 percent of children now have insurance coverage, compared to 87 percent in 2008. Nearly half of babies born in Montana are covered through HMK, which continues to cover 40 percent of all infants, toddlers, and preschoolers when these children are at their most critical points in development.<sup>8</sup>

Without Medicaid and CHIP, thousands of low- and moderate-income Montanans would be left without health insurance and access to vital health care they need to become healthy and successful adults.

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## Benefits of Medicaid Coverage

Providing health care to low- and moderate-income children in Montana is more than just the right thing to do – it is a smart investment in our children’s future. Medicaid coverage has numerous proven health and financial benefits for children, from birth to adulthood.

### Health benefits

The benefits of Medicaid coverage start at birth. In Montana, pregnant women with incomes of 157 percent FPL are eligible for Medicaid coverage.<sup>9</sup> One study found that expanding eligibility for prenatal Medicaid decreased the probability children would be obese in adulthood by over half. The same study also found that increases in eligibility led to decreased hospital visits for endocrine, nutritional, and metabolic diseases and immunity disorders such as Type 2 Diabetes during early adulthood.<sup>10</sup>

Children who have Medicaid coverage before the age of six likewise experience lifelong benefits. Early Medicaid coverage leads to better overall health in adulthood, including lower blood pressure and fewer hospitalizations.<sup>11</sup> Childhood Medicaid coverage also leads to fewer deaths in adulthood.<sup>12</sup>

### Healthy Montana Kids (HMK) serves the most vulnerable children in our state.

A large share of at-risk children rely on public coverage. Below is the percentage of Montana children in each group who depend on HMK for the health care they need.

71%



Children living in or near poverty.

50%



Children with disabilities or other special health care needs such as juvenile diabetes, congenital heart conditions, or asthma.

100%



Children in foster care who face poverty, family dysfunction, neglect, and abuse that result in high rates of chronic health, emotional, and developmental problems.

Source: Georgetown University Health Policy Institute Center for Children and Families.

### **Educational benefits**

The benefits of Medicaid coverage extend beyond better health and also correlate with improved educational outcomes. One study found that gaining eligibility for prenatal care through Medicaid increased the likelihood children would graduate from high school by 6.7 percentage points. Individuals who are eligible for coverage during their childhood are more likely to attend college.<sup>13</sup> These improvements in graduation and attendance are especially pronounced for women of color.

### **Economic and financial benefits**

Medicaid helps to improve not only families' physical health, but their financial health as well. Medicaid is the third-largest anti-poverty program in the country, lifting an estimated 3 million individuals out of poverty nationwide. For families with children, a move out of poverty is especially important. Medicaid reduces bankruptcies in families with children, decreasing the risk that a medical emergency can eliminate a family's savings.<sup>14</sup>

The financial benefits of Medicaid extend beyond the families who use it. One study found that adults who were eligible for Medicaid as children in the 1980s and 1990s paid more in taxes by age 28. For every additional year of coverage from birth to age eighteen, tax payments increased by \$186 and Earned Income Tax Credit (EITC) receipts decreased by \$75. Women increased their tax payments by \$247 and received \$109 less in EITC payments.<sup>15</sup>

### **Benefits to schools**

Public schools provide children with disabilities with the health care services they need in order to have a successful education. For example, a school might provide speech or physical therapy to students who require them, as well as equipment such as wheelchairs or hearing screening equipment. Medicaid then reimburses the school for these health care supplies and services for eligible children. This funding, however, benefits more than just the Medicaid recipients. Medicaid reimbursements help fund school health care staff who serve all children in the school. Montana schools receive over \$55 million in total Medicaid funds – \$36 million of which is federal.<sup>16</sup>

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### **Congressional proposals put Healthy Montana Kids coverage at risk for thousands of Montana children**

The Senate GOP bill, the Better Care Reconciliation Act (BCRA), would have devastating consequences for Medicaid recipients in Montana. Under the Senate BCRA, Montana would lose \$5.3 billion in federal Medicaid funds over six years, putting significant strain on Montana's state budget and its Medicaid program.<sup>17</sup>

The Senate BCRA would effectively end Montana's bipartisan Medicaid expansion program – the Health and Economic Livelihood Partnership (HELP) plan, which has provided coverage to nearly

80,000 Montanans.<sup>18</sup> While the HELP plan covers only adults, children benefit as well. If parents have poor physical or mental health, the stress of these challenges can cause children to suffer. Children are also more likely to receive preventive care and other health care services when their parents are insured.<sup>19</sup>

The Senate GOP proposal also cuts funding for traditional Medicaid. The proposed legislation institutes a cap on federal funding for each beneficiary based on current cost and increases federal spending each year by a slower rate than by that which the Congressional Budget Office predicts health care costs will grow. Because the federal government is not increasing spending at a suitable rate, Montana and other states will see a drastic shift in costs to the states. The state will then either have to come up with state funds to maintain current programs or make cuts to the services provided, the number of people covered, and/or provider payments.<sup>20</sup>

The state might also cut optional, but nevertheless critical, services such as home- and community-based services that assist children with disabilities. As discussed earlier, schools also benefit from Medicaid funding to employ school nurses, school counselors, speech therapists and other health professionals, as well as purchase needed medical equipment and provide health-monitoring programs. Cuts to Medicaid funding would not only jeopardize the health of children who rely on the program for their health care coverage, but for all Montana school children.

The Senate bill would likely force Montana to consider changes to its Medicaid eligibility limits for children. Currently, Montana covers children under 143 percent of the poverty line under Medicaid, but with the state needing to make drastic cuts it is possible the eligibility level could change.<sup>21</sup> While CHIP is not directly addressed in the BCRA, President Trump's proposed budget also makes significant cuts to the program.<sup>22</sup>

## **Congress must protect children's health insurance funding**

Montana's families rely on affordable health care in order to raise healthy children. With Congress threatening to cut Medicaid funding, the health care for thousands of children could be in jeopardy. Our elected representatives should oppose any health care law reforms that could cause Montana children to lose health coverage.

## **Acknowledgement**

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