



**BlueCross BlueShield
Association**

An Association of Independent
Blue Cross and Blue Shield Plans



The Uninsured in America

Healthcare. Affordable. Now.

Dear Friends,

The rising number of Americans without health insurance concerns us all. The ability to live a healthy and productive life is important to everyone. Quality healthcare coverage is essential to that goal, and the lack of coverage can be devastating to families.

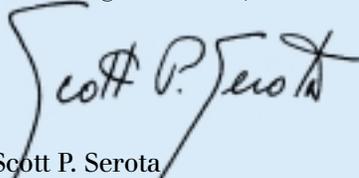
Reducing the number of uninsured Americans and keeping quality healthcare affordable are the top priorities of the Blue Cross and Blue Shield System. As healthcare companies that have been members of the American community for more than 75 years, Blue Cross and Blue Shield Plans want to be part of the solution.

There is no single magic answer to this problem. Research shows that the uninsured are diverse and that there are many reasons why some individuals and their families are uninsured.

This report highlights how Blue Cross and Blue Shield has taken a leadership role at the national and local levels to keep costs in line and increase opportunities for affordable coverage. The broad range of initiatives outlined here addresses the specific needs of the many millions of people who make up the uninsured in America.

At the same time, we know that the continuing vitality of America's healthcare system depends on thoughtful, coordinated contributions from all sides. That is why we also set out a series of legislative proposals in this document calling for the private sector and government to work hand-in-hand to reduce the number of the uninsured. Taken together, these proposals could reduce the ranks of the 44.7 million uninsured Americans identified in the 2004 Census report by as much as two-thirds.

Yours in good health,



Scott P. Serota

President and CEO

Blue Cross and Blue Shield Association

The Uninsured in America



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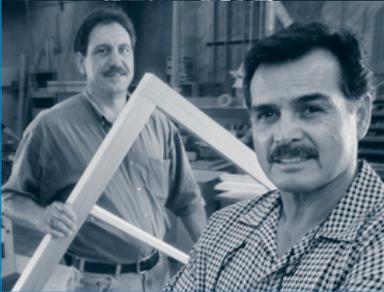
Their diverse needs underline the relationship between *affordability* and *access*.



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Nearly one-third of the uninsured are reachable through existing public programs.



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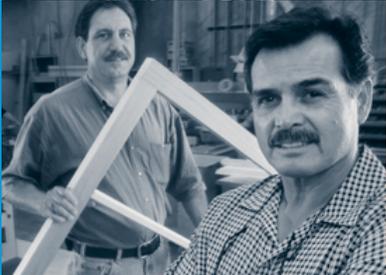
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It is time for action.



Their diverse needs underline the relationship between *affordability* and *access*.

Who Are The Uninsured?

Uninsured Americans represent diverse populations, and there are many complex reasons for their lack of healthcare coverage. The overwhelming reason, however, is that mounting healthcare costs are pushing coverage beyond the reach of millions of Americans. Any strategy for increasing the number of insured individuals and families must begin by addressing the underlying problem of rapidly rising healthcare costs.

Our nation's annual healthcare expenditures have topped \$1.7 trillion, and given current trends, by 2012 we can expect to spend more than \$3 trillion on healthcare. Primary factors driving healthcare costs include increases in utilization of services and dramatic increases in hospital and physician services, pharmaceuticals and technology costs. Changing demographics – including an aging population – and excessive regulation are also driving up costs.

The 2004 Census Current Population Survey (CPS) identified 44.7 million non-elderly uninsured in 2003. Blue Cross and Blue Shield Association contracted with the Actuarial Research Corporation (ARC) to provide a detailed analysis of the uninsured identified by the Census Bureau, which found:

- **Nearly one-third** were reachable through public programs, such as Medicaid and the SCHIP program for children
- **One-fifth** earn \$50,000 or more annually and may be able to afford coverage
- **Almost half** may have difficulty affording coverage because they earn less than \$50,000 per year. Many of these people work for small firms that do not offer health coverage

Blue Cross and Blue Shield Plans have put into action a wide range of initiatives specifically designed to meet the needs of these three groups, including:

- Administration and promotion of existing public programs such as SCHIP in a number of states
- Communication of the benefits of health insurance to those who currently lack coverage but may be able to afford to enroll
- Providing reduced-cost, quality products and services for families and individuals who may not be able to afford more traditional health plans

This document is intended to shed new light on who the uninsured are and what public policy initiatives can help them. Blue Cross and Blue Shield Plans also have initiated a wide range of innovative programs to help specific segments of the uninsured obtain coverage and address rising healthcare costs. This collaborative, public-private partnership offers sound opportunities to significantly reduce the number of uninsured.



Americans Reachable Through Existing Public Programs

Nearly one-third of the uninsured are reachable through existing public programs.

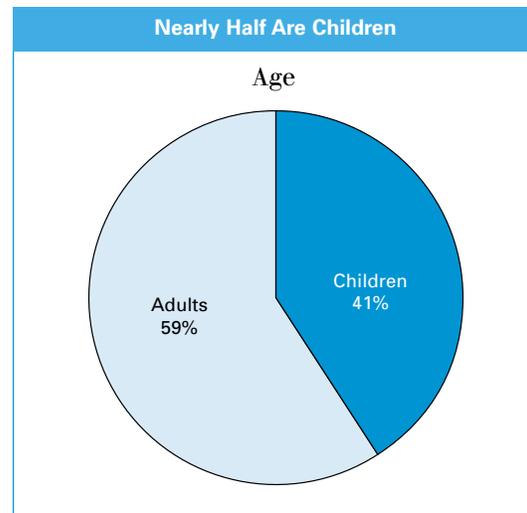
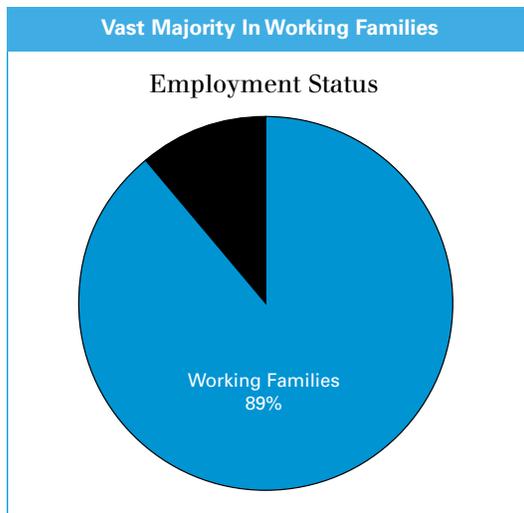
Of the 44.7 million non-elderly uninsured individuals identified in the 2004 Census Current Population Survey (CPS) data, nearly one-third – almost 14 million – were reachable through existing government health programs such as Medicaid and the State Children’s Health Insurance Program (SCHIP) under current rules.

The Actuarial Research Corporation (ARC) estimates that about 9 million of these individuals actually were enrolled in Medicaid during the year, but were categorized as uninsured in the Census survey. In the latest Census health insurance report, the Census Bureau acknowledges that the survey “...underreports Medicare and Medicaid coverage compared with enrollment and participation data from the Centers for Medicare and Medicaid Services (CMS)”

According to ARC, this “Medicaid undercount” leads to an over-assessment of the uninsured population and needs to be taken into consideration when developing uninsured estimates. While this view is shared by some policy analysts, others disagree and there is no consensus. It is important that this issue be resolved so that targeted solutions for the uninsured can be developed based on the most accurate data possible.

Among uninsured individuals eligible for public programs, but not enrolled during the year: 89 percent were in working families, 41 percent were children under the age of 18 who could be enrolled in Medicaid and/or SCHIP, and 44 percent were Hispanic.

Snapshot Of Unenrolled Medicaid/SCHIP Eligibles



Source: Actuarial Research Corporation (ARC) analysis of March 2004 CPS data (CY2003)

There are several reasons for the lack of enrollment in public programs. Some may be unaware they are eligible for these programs. Others may perceive a stigma associated with government programs. Still others may be unable to maneuver through complicated application procedures, extensive paperwork and language barriers.

Blue Cross and Blue Shield initiatives that encourage participation:

Blue Cross of California provides free health information through Spanish-speaking representatives at the Mexican Consulate's "Ventanilla de Salud" (Health Window). The Health Window helps consumers understand the coverage options available to them through California's Healthy Families (SCHIP) and Medi-Cal programs and how to apply for them. In addition, the program benefits thousands of Mexicans living in California who now are encouraged to apply for private health insurance.

Blue Cross and Blue Shield of Alabama administers Alabama's State Children's Health Insurance Program (SCHIP) while offering, through the Alabama Child Caring Foundation, free coverage to low-income children who are ineligible for state-funded programs. Benefits include outpatient visits and procedures, immunizations, emergency care, vision care and drugs administered in an outpatient setting. Since the Foundation was established in 1987, 47,000 previously uninsured children have been covered.

Wellmark Blue Cross and Blue Shield supports Iowa's State Children's Health Insurance Program (SCHIP) by covering eligible children in those counties where no managed care plans exist, while its affiliated private charity, The Wellmark Foundation, awards nearly \$1 million annually in grants to community healthcare initiatives in Iowa and South Dakota. The Foundation provides first-dollar, or seed money, to non-profit organizations to help local communities establish or expand healthcare projects that impact health status.



Americans Earning \$50,000 Or More Per Year

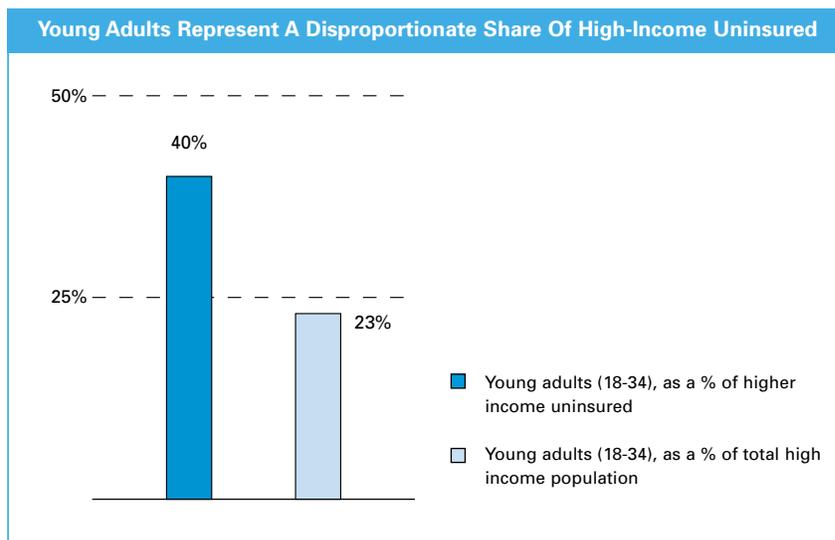
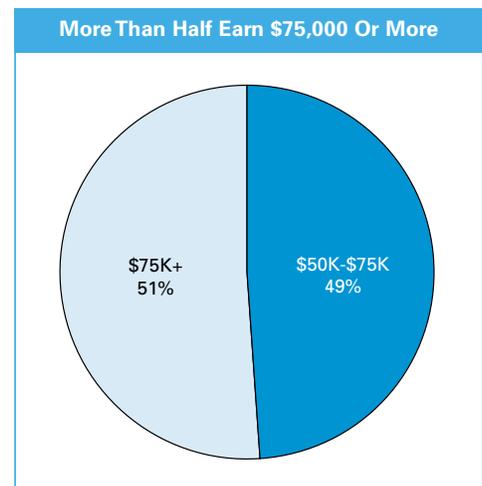
One-fifth of the uninsured earn \$50,000 or more annually.

9.3 million uninsured individuals and families earn \$50,000 or more annually and may be able to afford health insurance. More than half of this group – 4.8 million people – earn more than \$75,000 per year.

Of those earning \$50,000 or more per year:

- 40 percent are young adults under the age of 35
- 15 percent are self-employed
- 48 percent are workers or dependents in small firms

Some higher-income individuals may not believe they need coverage – perhaps because they are young and/or healthy. Others may be unaware of coverage options for individuals, or may overestimate the cost of health coverage. Still others may not know about important tax advantages – such as the fact that self-employed individuals can deduct the full cost of coverage.

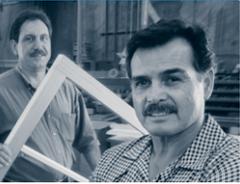


Source: Actuarial Research Corporation (ARC) analysis of March 2004 CPS data (CY2003)

Blue Cross and Blue Shield initiatives for the higher-income uninsured:

Blue Cross and Blue Shield of Kansas City has addressed one of the major issues for the higher-income uninsured – lack of awareness – through a series of high-impact communications initiatives. Tom Bowser, the Plan CEO, has published two editorials in the *Kansas City Star*: “Kansas City’s Hidden Tax – Uninsured Health Care” and “The Health Care Dollar – Where It Goes.” In addition, the Plan has executed a “Medical Heroes” campaign in print that communicates the ultimate benefits of medical care covered by insurance. The campaign highlights cases in which medical care saved lives or made an important difference in patients’ lives. Each case ties to, and is co-branded with, an individual hospital.

Regence BlueCross BlueShield of Oregon created its Individual Short Term Medical Insurance plan for the significant number of the uninsured who find themselves without coverage for short intervals. The product provides coverage for 30 to 185 days and is designed for individuals and families including those who are between jobs or who are laid off, waiting for employer group coverage, dependents falling off a parent’s plan and uninsured children. To be eligible, individuals must be younger than age 65, not eligible for Medicare and not covered under any other hospital or medical plan.



Americans Ineligible For Public Programs Who May Not Be Able To Afford Coverage

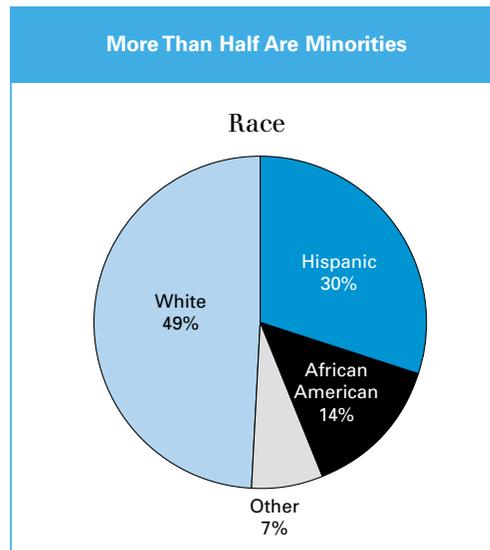
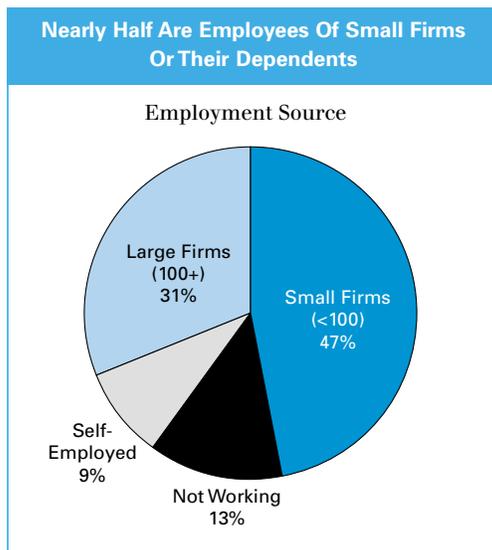
Almost half of the uninsured may have difficulty finding coverage they can afford.

21.9 million uninsured individuals earn less than \$50,000 annually, and are not eligible for government assistance. Many of these people choose not to have health insurance for a variety of reasons. Some may be between jobs or recent college graduates who decide to go without coverage, or they work for firms that don't offer health benefits. Others cannot afford healthcare insurance because they are unemployed or don't earn enough to pay for coverage on their own.

Of the 21.9 million total uninsured in this group:

- 87 percent are in working families
- 47 percent are workers in small firms or their dependents
- 51 percent earn less than \$10 per hour
- More than half are minorities

Snapshot of Lower-Income Uninsured



Source: Actuarial Research Corporation (ARC) analysis of March 2004 CPS data (CY2003)

Blue Cross and Blue Shield initiatives for the lower-income uninsured:

Anthem Blue Cross and Blue Shield contributes to the Care Partners, a third-party organization that has established a network of volunteer doctors and hospitals to provide healthcare services to lower-income individuals and families. Anthem provides free administrative services including claims processing and membership cards to the program. The program is available in three counties with plans to expand to several others and is promoted through newspapers, posters, doctors' offices, social service agencies and referrals from state agencies.

Arkansas Blue Cross and Blue Shield designed its Group BasicBlue product to offer lower-income individuals and families a \$1 million lifetime maximum benefit for covered services including inpatient and outpatient care, physician services, catastrophic major medical coverage and ambulance services. With Group BasicBlue, members are not required to choose providers from a predefined list. However, members can save money by selecting from a directory of healthcare facilities, physicians and other medical professionals who have agreed to offer their services at predetermined fees. The Arkansas Plan also offers a similar BasicBlue product for individuals and families not covered by a group plan.

Blue Cross and Blue Shield of Florida's Blue Foundation for a Healthy Florida awarded nearly \$1.1 million in 2004 to support non-profit organizations throughout the state that reflect the Foundation's dual priorities of improving access to quality healthcare and fostering the development of innovative programs for the delivery of care. Foundation grants serve a broad spectrum of needs – from providing on-the-spot eyeglasses to children in need, to funding prenatal education programs for lower-income and uninsured pregnant women in four rural Florida counties. In 2004 the Foundation focused on funding community centers.



More about the uninsured population's circumstances and characteristics.

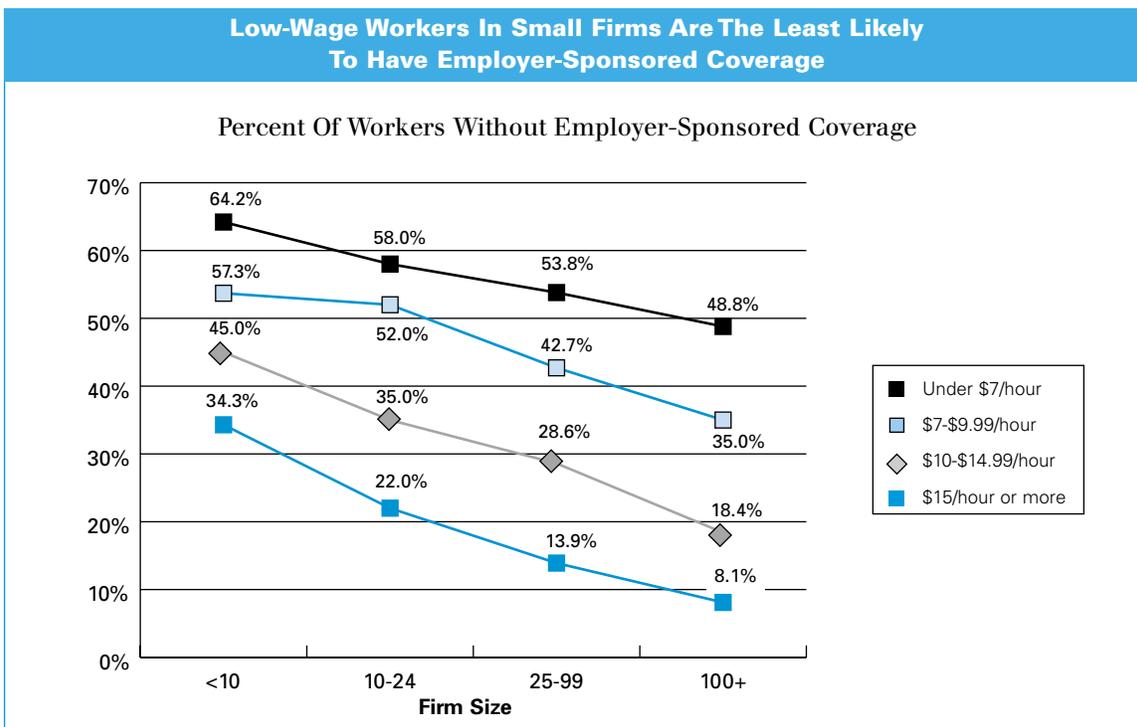
Another Look At The Uninsured

In tailoring solutions, it is helpful to recognize that the uninsured share other common characteristics. The uninsured are often:

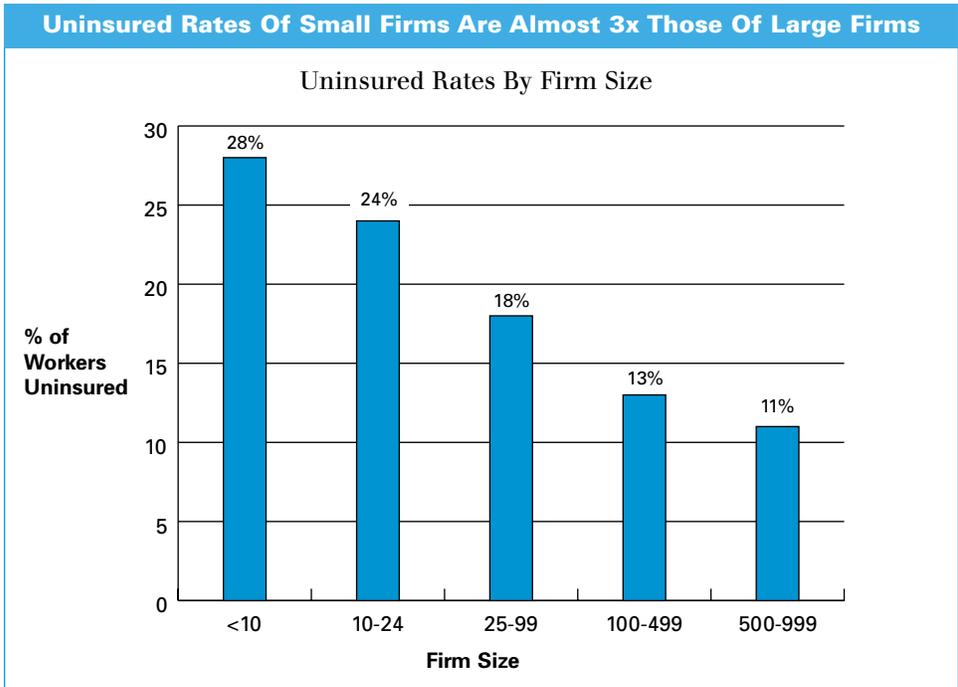
- Workers in small firms
- Young adults (18-34)
- People in families with part-time and temporary workers
- Minorities

Workers in small firms

Low-wage workers in small firms are far more likely to lack coverage than other workers. Sixty-four percent of low-wage workers in firms with fewer than 10 employees lack employer coverage. Firms with fewer than 10 employees have the highest overall uninsured rate, regardless of worker income level.

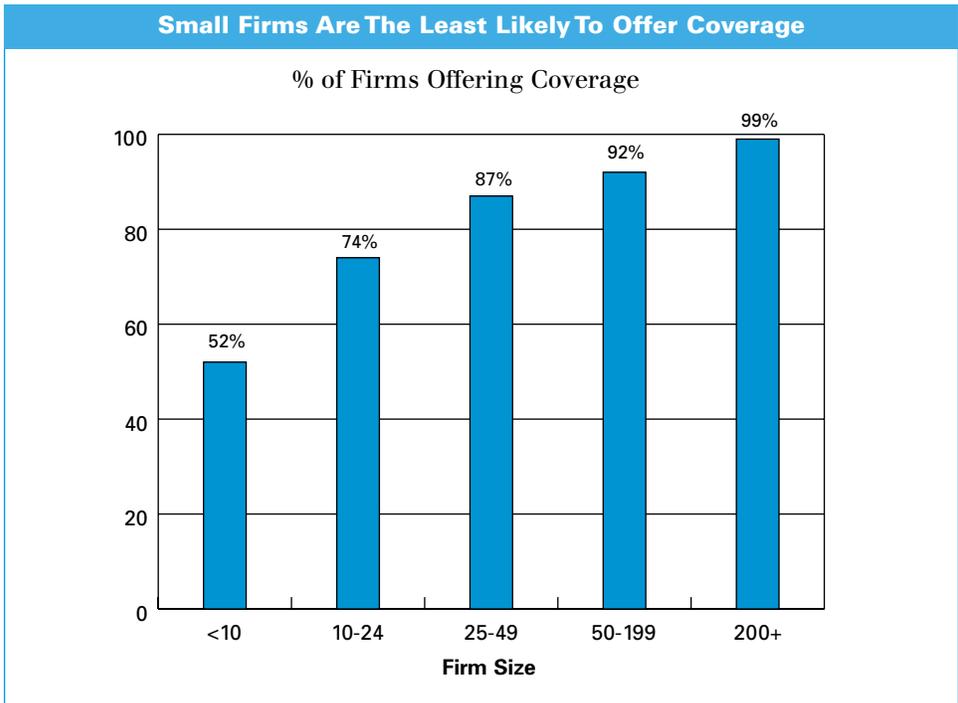


Source: Actuarial Research Corporation (ARC) analysis of March 2004 CPS data (CY2003)



Source: Actuarial Research Corporation (ARC) analysis of March 2004 CPS data (CY2003)

Affordability is the critical barrier to small firms offering coverage. According to recent surveys, 79 percent of small firms not offering coverage cited cost as an issue, and 61 percent said their employees could not afford the premiums.



Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits (2004)

Young adults

Adults under age 35 are nearly twice as likely to be uninsured as those 45 and older. They represent 26 percent of the overall population, but 45 percent of those uninsured for a year or more.

Young adults may lack coverage for many reasons. They may no longer be covered under a parent's policy or Medicaid, may earn less than older adults, and/or may not believe insurance is needed because they are more likely to be healthy.

People in families with part-time and temporary workers

Slightly more than 8 million uninsured individuals are in families of part-time or temporary workers. This is due partly to the fact that employment-based coverage is often limited to full-time employees. Frequently, uninsured part-time and temporary workers are young adults (55 percent) or Hispanics (24 percent). More than half of uninsured part-time/temporary workers had annual earnings under \$10,000; 89 percent of uninsured part-time/temporary workers had annual earnings under \$25,000.

Minority groups

Hispanics and African Americans represent 15 percent and 13 percent, respectively, of the non-elderly population, but 29 percent and 13 percent, respectively, of the uninsured.

Hispanics represent almost one-third of the uninsured population and are disproportionately uninsured across all income levels. Almost all uninsured Hispanics (93 percent) are in working families. Other challenges may include language barriers and lack of awareness of the need for health insurance, as many Hispanics come from countries with national healthcare systems.

The vast majority (86 percent) of uninsured African Americans are in working families. More than one-third are small-firm employees or their dependents. African Americans under the poverty level are somewhat less likely to be uninsured than Whites (13 percent vs 21 percent). However, African Americans above the poverty level are more likely to be uninsured than Whites (14 percent vs 10 percent).



How Blue Cross and Blue Shield Plans are keeping quality healthcare affordable and increasing access to coverage for millions of the uninsured.

Blues Take A Leadership Role: Keeping Quality Healthcare Affordable

Blue Cross and Blue Shield Plans are leading the effort to increase affordability and expand access in many ways, including: support of federal and state legislation to keep quality healthcare affordable, our BlueWorks program to share what is working in local Blue Plan markets to improve affordability and quality, consumer education programs, research on healthcare cost drivers, and operating efficiently and eliminating waste.

Supporting Federal and State Legislation

Blue Cross and Blue Shield works with federal and state legislators to advance proposals that make affordable, quality healthcare more readily available. We support the following measures, among others:

- Federal regulatory and legislative actions to ensure consumers have access to safe, effective and affordable medications
- Reasonable tort reforms to help control litigation and medical malpractice expenses that add to healthcare costs
- Clinical/evidence-based determinations of the most effective means of treatment, particularly for drugs and new technologies
- Development of a national strategy on healthcare information technology standards by the Commission on System Interoperability under the Medicare Modernization Act
- Adequate funding for federal and state healthcare programs such as Medicare and Medicaid

BlueWorks

A first-of-its-kind partnership between Blue Cross and Blue Shield and Harvard Medical School, the BlueWorks program identifies and promotes Blue Plan initiatives that succeed at improving affordability and quality. BlueWorks concentrates on efforts to:

- Partner with physicians and hospitals to offer providers incentives based on improving quality and efficiency
- Create safe and affordable product and service options (e.g., pharmaceutical benefits) for consumers and employers
- Engage consumers by providing them with better information, incentives and access to programs that can help them control costs



BlueWorks Award-Winning Programs

Selected by Harvard Medical School Researchers

We at the Harvard Medical School are pleased to be contributing to the Blue Cross and Blue Shield Association's BlueWorks campaign — an effort to focus on programs currently at work in local markets nationwide to keep quality healthcare affordable... We believe the program has the potential of making real and meaningful improvements in the nation's healthcare system.



~ Harvard Medical School Researchers

Incenting Quality

Blue Cross of California

partnered with local organizations and developed bilingual materials in 11 languages on childhood asthma, and arranged for members to meet with pharmacists to discuss medication dosage and administration.

Blue Cross of Northeastern Pennsylvania

partnered with a non-profit healthcare network to provide affordable, accessible care to patients with mental, alcohol and substance abuse issues.

Blue Cross and Blue Shield of Illinois

established a quality improvement program that rewards physician groups that help to manage the rate of hospital admissions for influenza and pneumonia.

Blue Cross and Blue Shield of Massachusetts

provides doctors with educational tools and materials and offers them payments based on performance to improve the quality of preventive care for members.

Blue Cross Blue Shield of Michigan

created a database that generates evidence-based guidelines for angioplasty and related procedures, resulting in lower mortality rates, and millions of dollars saved due to fewer complications.

Excelsus BlueCross BlueShield

uses community-wide clinical guidelines, practitioner performance profiles and other systems to improve quality for 370,000 enrollees in the Rochester area.

Highmark Blue Cross Blue Shield

encouraged a sharing of "best practices" among doctors, leading 88 percent of participating physicians to report an improved ability to care for patients while controlling costs.



Keeping Drugs Safe and Affordable

Anthem Blue Cross and Blue Shield reduced narcotic abuse up to 25% by establishing a tracking program that monitors members' pharmacy claims for these drugs and gives prescription providers member-specific profiles on their total drug use.

Blue Cross of California, Blue Cross and Blue Shield of Georgia, and Blue Cross and Blue Shield of Missouri launched a program to educate consumers and providers about generic drugs through informative communications and waived or discounted co-pays.

Blue Cross Blue Shield of Florida developed a series of mailings targeting members undergoing drug therapy for venous thromboembolic disease (VTE) informing them that lab testing and doctor follow-up are crucial for effective treatment of this disease.

Premiera Blue Cross encouraged physician review of medications for members taking five or more drugs, resulting in prescription refinements for one of every three targeted members.



Engaging Consumers

Anthem Blue Cross and Blue Shield developed a program that increases adherence to accepted standards of care by directly involving members and their families in the creation of a care plan for chronic conditions such as diabetes or congestive heart failure.

Blue Shield of California has enabled more than 1,000 physicians and all their Plan enrollees to interact regarding non-urgent medical needs and save time and money through online communication of treatment guidelines, education or prescriptions.

Blue Cross and Blue Shield of Montana collaborated with community members to enhance the effectiveness of the Helena Indian Alliance's clinic for low-income Native Americans through funding, IT upgrades and other initiatives.

Excellus BlueCross BlueShield partnered with the Ibero-American Action League in the Rochester area to enroll uninsured Hispanics not already under a doctor's care and facilitate communication with the Hispanic community.

Highmark Blue Cross Blue Shield became the first health insurer in the U.S. to offer, as a covered benefit, the Dr. Dean Ornish Program for Reversing Heart Disease, which works through nutrition, exercise and stress management.

Horizon Blue Cross and Blue Shield of New Jersey implemented a computerized phone call system to recognize members' preventive care needs and remind them to schedule important services.

Horizon Blue Cross and Blue Shield of New Jersey created a literacy program that helped more than 1,000 children improve their reading skills while learning about the benefits of healthy lifestyle choices.

Consumer Programs

The Blue Cross and Blue Shield System launched WalkingWorks to encourage healthier lifestyles and combat obesity and related diseases. Children and adults in communities served by Blue Cross and Blue Shield companies are walking their way to better health across America. WalkingWorks was developed in collaboration with the President's Council on Physical Fitness and Sports and the Congressional Fitness Caucus.



Blue Cross and Blue Shield Plans are working with employers to educate their employees about how to improve their health and that of their families, while holding down personal costs. These consumer-directed messaging campaigns include communications especially tailored for employers to use with their workers, such as newsletters, paycheck flyers, worksite posters and online communications available to employees and their families.

Operating Efficiently and Eliminating Waste and Fraud

Blue Cross and Blue Shield Plans are working to eliminate waste and fraud and hold down our own administrative costs. For example, last year, Blue Cross and Blue Shield companies investigated 20,000 fraud cases, saving our subscribers more than \$240 million. To step up the fight against healthcare fraud, we launched a special anti-fraud strike force made up of our top fraud investigators to work with the FBI and other national state and local law enforcement agencies. To help our subscribers fight back, we are educating consumers through a new annual "Consumer Guide on Healthcare Fraud." And we established a new nationwide toll-free hotline and a special Web address for consumers to turn to take action if they feel they are being cheated.

In addition, Blue Plans are continuing to eliminate waste in the healthcare system and we are investing in new technologies to improve customer service and reduce our own business and administrative operating expenses. On average, Blue Plans pay out more than 86 percent of their premium dollars in subscriber claims, while maintaining industry-low administrative operating expenses of only about 11 percent.

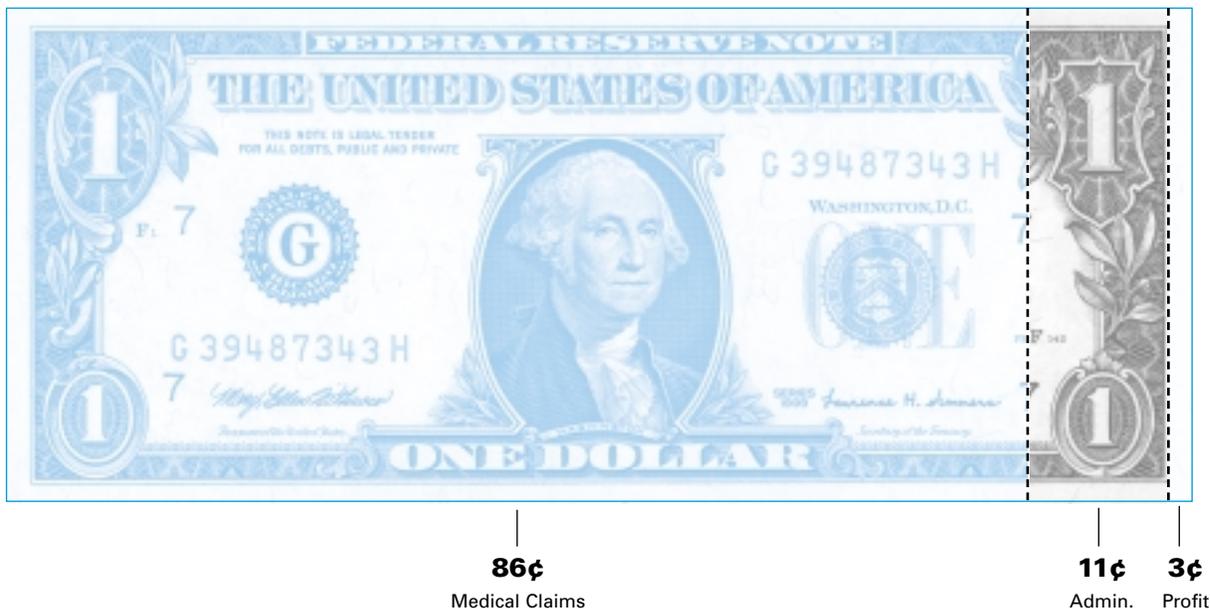


Blue Cross and Blue Shield of Louisiana saved almost \$250,000 by identifying a medical lab that was conducting various heart monitoring tests for many different physicians and billing at a higher level of service than actually performed. Specialized software allowed the Plan to compare the charges with those of other labs. The case represented nearly 8 percent of the Plan's total recovery and savings efforts of \$3.3 million in 2002.

Research on Healthcare Cost Drivers

As part of our campaign to keep quality healthcare affordable and reduce the number of uninsured Americans, Blue Plans have commissioned a comprehensive series of research studies examining healthcare cost drivers. Leading researchers from top academic institutions and private research firms have investigated numerous cost drivers across the industry over the last two years to help us better understand:

- Factors driving up physician costs as well as inpatient and outpatient hospital costs
- Increasing prescription drug costs
- The impact of new technology, especially expensive diagnostic imaging such as MRI, CT and PET scanners
- The mounting costs of federal regulation and the lack of legal reforms to protect physicians from the medical malpractice insurance crisis
- Health plans' administrative costs to help us do a better job of reducing our own business and operating expenses to help keep premiums down. We have shared our research findings with national, state and local stakeholders and policymakers across the country





Increasing opportunities
for affordable coverage.

Blues Propose Tailored Solutions for the Uninsured

The Blue Cross and Blue Shield Association has developed a series of options to reduce the number of uninsured by holding the line on costs and helping those who are struggling to afford coverage. The solutions envision a role for both the public and private sectors. Whether someone is uninsured because they have difficulty affording coverage within their family budget, are a low-wage worker in a small firm or are confronted with government paperwork – we need to make sure these people get the healthcare they need.

- **Option 1:** Helping Low-Wage Workers in Small Firms
- **Option 2:** Helping Individuals Struggling with Healthcare Costs
- **Option 3:** Helping Those Between Jobs
- **Option 4:** Expanding Government Safety Net
- **Option 5:** Helping Individuals and Families Through Collaborative Private Initiatives
- **Option 6:** Helping States Develop Tailored Initiatives
- **Option 7:** Helping States Assure Access to Coverage for Individuals
- **Option 8:** Helping States Enroll Low-Income People in Medicaid and SCHIP
- **Option 9:** Empowering States to Enroll Medicaid/SCHIP Beneficiaries in Employer Plans
- **Option 10:** Educating Americans About the Importance of Being Insured

Option 1: Helping Low-Wage Workers in Small Firms

The federal government would provide a refundable tax credit to small employers with low-wage workers. This option would work in tandem with Option 2 so that low-wage employees would have a refundable tax credit available to help with their share of the premium.

Low-wage workers in small firms are less likely to have employer-sponsored coverage than workers in large firms. Small employers are often not able to afford coverage. Even when employers can offer coverage, they may not offer it because they know their employees cannot afford their share of the premiums (Employee Benefit Research Institute, 2000, 2002). About 35 percent of workers in small firms earn less than 250 percent of the poverty level, compared to 23 percent of employees in firms with 100 or more employees.

The credit would be limited to firms with low-wage workers to avoid subsidizing those who would be able to afford coverage on their own.

Such tax credits are likely to have a significant impact on small employers' willingness to offer health coverage. According to a recent survey (EBRI 2000, 2002), 77 percent of uninsured small employers said they would consider offering a health plan if the government provided tax credits to help them pay for coverage.

How it might work

Michael owns a gasoline station with 10 full-time employees. He selected a health plan to offer to his employees, but the monthly premium of \$300 per employee far exceeded his budget that would have allowed him to contribute \$100 toward the cost of his employees' coverage. Since he knew his employees could not afford to pay \$200 a month, he cancelled his insurance application. With a 50 percent tax credit, Michael would be able to offer coverage so that employees only paid one-third of the premium. Michael would pay \$100, the tax credit would contribute \$100 and the employee would contribute the remaining \$100.

Option 2: Helping Individuals Struggling with Healthcare Costs

A new kind of refundable federal tax credit would help millions of individuals and families who are hard pressed to pay their health insurance premiums – because they do not qualify for government assistance, and health insurance premiums represent a large share of their income. Importantly, the credit would be available on an advanceable basis even to those who do not pay taxes.

These innovative tax credits would vary the amount of the federal support depending on the cost of insurance and income. Middle- and lower-income individuals and families whose health insurance premiums exceed five percent of their income would receive a refundable tax credit. The credit would be adjusted by income and calculated based on the amount of their insurance premium that exceeds the income threshold.

Individuals with employer sponsored coverage could use the credit to help pay for their share of the premium. Individuals without access to employer coverage could use the tax credit to purchase a policy on their own.

The intent of these credits is to assure that no one would have to pay a disproportionately high percentage of their income for health insurance premiums, whether they work in small or large firms, as part-time, full-time or temporary workers, or are self-employed.

How it might work

Sally is a single 45-year-old earning just under \$14,000 per year working part-time in a department store. She is uninsured because her employer does not offer coverage to part-time workers, and she cannot afford to pay the \$200 monthly premium for an individual policy. Under this proposal, Sally would be eligible for a tax credit equal to \$114 per month, reducing her cost to \$86 per month.

John is a married father of two who earns \$47,000 per year. He cannot afford the \$400 monthly premium contribution for a family policy required by his employer. However, John could afford the \$257 monthly contribution that would result if a tax credit for individuals whose premiums exceed 5 percent of their income were available.

Option 3: Helping Those Between Jobs

A refundable federal tax credit would help people who are between jobs – and who qualify for state unemployment assistance – to pay their health insurance premiums. This tax credit would be offered through an expansion of the current tax credit available to those who have lost their jobs because of international trade policy. The tax credit of 65 percent of the cost of qualified coverage would help these people keep their healthcare coverage while they seek other employment.

The credit could be used to pay for the previous employer's policy under COBRA, the spouse's employer coverage or other coverage available through the state. In recognition of cash flow problems faced by people who are unemployed, the credit could be available to pay premiums upfront rather than claimed on an individual's tax return.

How it might work

Suzanne is a single unemployed computer programmer who lost her health insurance when her company eliminated her division last month. She didn't elect COBRA coverage because she couldn't afford to pay the \$300 monthly premium. Under this proposal, the 65 percent tax credit would lower her premium to just over \$100 per month — and she would receive the subsidy on a monthly basis.

Option 4: Expanding Government Safety Net

The State Children's Health Insurance Program (SCHIP) would be extended to everyone with incomes at or below the federal poverty level (\$9,310 annually for individuals/\$18,850 annually for a family of four in 2004) and not already eligible for Medicaid. This would ensure that the government can help those who are truly in need.

Currently, eligibility rules for Medicaid and SCHIP vary by state and do not assure that all individuals below poverty are covered. Those most frequently ineligible for coverage are childless adults.

Federal funding would be provided to the states to cover 100 percent of the additional costs to enroll these individuals in SCHIP. In order to qualify for these additional funds, states would purchase employer-offered coverage – by paying the employee's share of premium – wherever available.

How it might work

Tom is a single 57-year-old former textile worker whose mill has closed. He can now only find part-time work earning \$8,500 per year. He is uninsured because he does not qualify for Medicaid (despite the fact that his income is below the federal poverty level), and he is not eligible for employer coverage because of his part-time status. Under this proposal, Tom would be eligible for coverage under the SCHIP program.

Option 5: Helping Individuals and Families Through Collaborative Private Initiatives

A new federal grant program would encourage innovative partnerships between insurers, physicians and hospitals to develop low-cost insurance products for uninsured individuals and their families. These partnerships would use new benefit design options, discounted fees or other methods to provide lower cost options.

Partnerships already created between Blue Cross and Blue Shield Plans and their local physicians are examples of initiatives to reach out to the uninsured.

How it might work

John is a 42-year-old married father of two children who started his own graphics design consulting business last year in Montana. He earns about \$33,000 per year and cannot afford the \$497 monthly premium for a non-group policy. Through an innovative product, Blue Care, developed recently by a statewide coalition of physicians, hospitals and Blue Cross and Blue Shield of Montana, John would qualify for family coverage that costs less than \$241/month. The lower costs are the result of deep discounts that were negotiated with hospitals and physicians.

Option 6: Helping States Develop Tailored Initiatives

Recognizing that the states may have unique uninsured populations, a new federal grant program would allow states to develop their own initiatives. For example, some states might want to develop a special strategy to improve coverage for migrant workers, while others may want to focus on a rural strategy or improving support for community health centers.

How it might work

A series of small towns located in California would like to address the healthcare needs of migrant workers who seasonally move through their communities. Although each town has committed to fund the program on an ongoing basis, they lack the start-up funds to initiate the project. Under this proposal, federal grants would be available to jumpstart this program.

Option 7: Helping States Assure Access to Coverage for Individuals

Federal funding for state high risk pools would be made permanent and would cover at least 50 percent of pools' annual operating losses. In addition, federal grants would be made available to help states start up new pools.

Thirty-two states have active high risk pools that offer subsidized coverage to individuals with serious health conditions. Most pools fund these subsidies through assessments on individual and small group insurance sold in their state.

Federal funding for state high risk pools was made available for two years through the Trade Act of 2002, but expired in 2004.

Increased federal funding would help ensure that individuals have access to coverage and help relieve the current assessment burden on individuals and small employers. Seed money grants would help those states without risk pools to establish them.

Option 8: Helping States Enroll Low-Income People in Medicaid and SCHIP

In order to enroll the more than 4 million adults and children who could be covered by Medicaid and/or SCHIP under current rules, the federal government would provide states with increased funding to improve their outreach programs. States would be encouraged to share best practices in effective outreach initiatives. There should be special emphasis on multi-lingual projects.

In addition, states would be encouraged to streamline enrollment requirements. Possible actions could include:

- Simplifying enrollment forms and processes
- Eliminating burdensome requirements for verifying income and residency
- Decreasing the number of face-to-face interviews for periodic re-determination of eligibility
- Increasing Medicaid/SCHIP eligibility staff in hospitals and clinics

How it might work

Joe is a father of four who earns \$15,000 a year as a truck driver for a small company. His entire family is eligible for public coverage, but when he tried to apply, he found the forms too confusing and was unable to supply the necessary documentation. Under this initiative, best practices – like simplified enrollment – would be shared among states.

Option 9: Empowering States to Enroll Medicaid/SCHIP Beneficiaries in Employer Plans

The federal government would make it easier for states to pay the employee premium for children of working parents whose children are eligible for Medicaid and/or SCHIP, as an alternative to enrolling them in public programs.

In addition, states would be allowed to pay the premium not only for the SCHIP-eligible children, but also for low income parents who are not otherwise eligible for public programs. The federal government would pay 100 percent of these additional costs.

One reason some families are not enrolled in Medicaid and SCHIP programs is the perception of a “stigma” related to enrollment in a public program. Many of these families have employer coverage available to them, but they cannot afford their share of the premium. Currently, states must meet special rules or obtain special waivers from the federal government to enroll children in their parent’s employer plan.

Allowing states to purchase employer offered coverage has many advantages. These families would be enrolled in private plans – in the same policy as their coworkers, they would most likely have access to a broader network of physicians and the states would be able to leverage their funds by paying only the employee share of the premium instead of the full cost of the public program.

How it might work

Courtney is a single mother of two young children earning \$15,000 a year. Her children are covered through SCHIP, but she is not eligible for the program. She works for a hotel that offers health coverage, but she cannot afford to pay \$200 per month for her premium. Under this proposal, the federal government would pay for Courtney and her children to receive coverage from her employer.

Option 10: Educating Americans About the Importance of Being Insured

As highlighted earlier, 9 million of the uninsured are working individuals and families earning \$50,000 or more annually and may be able to afford health insurance. Many of these are young and healthy, but do not have insurance to protect their health or pay the cost of care if disaster strikes.

To encourage all Americans to purchase coverage, the government and the private sector should partner to launch a broad-based educational campaign on the importance of insurance, the risks – both health and financial – associated with being uninsured and the options available in the marketplace.

This initiative would tailor its messages to key uninsured populations. Our health insurance system works best when everyone is enrolled. That means there are more of us participating in the benefits and sharing the costs.

How it might work

Miguel is a 25-year-old accountant who earns \$65,000 per year and lives in Houston. He grew up in Mexico, but moved to the U.S. to attend college. While his employer offers health insurance and contributes to the cost of coverage, Miguel declined the coverage in favor of higher retirement contributions. Under this initiative, Miguel might be encouraged to enroll in his employer's health plan after listening to a program on a Hispanic radio station that highlighted the risks of remaining uninsured, such as the cost of a sudden illness or accident.

Moving Forward

Blue Cross and Blue Shield calls on federal policymakers to step up to the challenge of stemming the growing ranks of uninsured Americans, and we offer the following road map for consideration:

- **Strategies to Improve Enrollment in Public Programs:** funding for improved outreach, streamlined enrollment and incentives for states to use Medicaid/SCHIP funds for employer coverage of low-wage workers, allowing families to be covered on a single policy
- **Outreach to Urge Higher Income Individuals to Participate in Coverage:** a broad-based public education campaign on the importance of insurance, the risks associated with being uninsured and options available in the marketplace
- **Subsidies to Address Affordability Issues:** tax credits for small employers with low-wage workers, a new tax credit for individuals tied to both the cost of coverage and the individual's income, tax credits for the unemployed, expansion of Medicaid and SCHIP to all individuals with incomes below poverty and federal grants for both private uninsured initiatives and targeted state initiatives

Taken together, these proposals could reduce the 44.7 million uninsured by as much as two-thirds. The diverse array of approaches is tailored to those in need while preserving a system that works for the majority of Americans.

While current economic pressures on all levels of government may make action on all of our proposals difficult at this time, we urge policymakers to enact those initiatives that are the most affordable, beginning with the tax credit proposal for small employers.

Reducing the number of the uninsured will provide greater security for all of us by ensuring we can obtain reliable coverage under any circumstances. For 75 Years, Blue Cross and Blue Shield Plans have taken a leadership role in protecting the health interests of Americans. Our goal now is clearer than ever: to make quality healthcare more affordable and accessible.

The time for action is now.



**BlueCross BlueShield
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