



THE STATE OF NEW HAMPSHIRE  
INSURANCE DEPARTMENT

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Representative Mary Jane Wallner, Chair  
House Finance Committee  
Legislative Office Building Rooms 210-211  
Concord, New Hampshire 03301

Re: New Hampshire Insurance Department Perspective on Medicaid Expansion

Dear Chairman Wallner and Members of the Committee:

As the House Finance Committee considers the proposal in HB 1 and HB 2 to expand Medicaid eligibility, I am writing to offer the perspective of the New Hampshire Insurance Department on this issue.

The Department is the regulator of health insurance in New Hampshire, and has a deep understanding of commercial insurance markets and the benefits of broadened coverage. My staff has worked for many years with policymakers, insurance carriers, health care providers, businesses and consumer groups to promote cost reduction initiatives and to reduce the number of uninsured people in the state. For example, the Department played a key role in providing analysis that led to passage of legislation in 2007 expanding coverage for dependents up to 26 years of age. While much recent debate has focused on federal health reform, the Department's efforts to expand coverage and reduce health costs predate and, in some respects, go beyond the 2010 federal Affordable Care Act ("ACA").

The Department's Health Policy team has sponsored and engaged in much detailed analysis of the operation of health care and health insurance markets. Some of this analysis may help inform legislative discussion of the potential Medicaid expansion. While this letter only touches briefly on a few points, I and my staff stand ready to assist policymakers with any analysis or information that would be helpful in better understanding this important public policy decision.

- **Participating in the Medicaid expansion would increase health coverage levels state-wide, and prevent very low-income people from remaining uninsured.**
  - The ACA makes subsidies available as of January 1, 2014 to help low- and middle-income people afford health insurance; however, these subsidies are

available only to people making at least 100 percent of the federal poverty level (“FPL”).

- People below the federal poverty line, even if they are employed, are unlikely to be offered affordable coverage through their jobs. The Department’s market analysis predicts that most employer coverage, even after the ACA reforms take effect in 2014, will require employee cost-sharing at levels that will be unaffordable for very low-income people. Coverage through the individual insurance market will be similarly unaffordable to this population without the federal subsidies.
  - Without the Medicaid expansion, which would cover all those earning up to 138 percent of FPL, most people below 100 percent of FPL who are not already eligible for Medicaid would remain uninsured, thus creating a coverage chasm between the current Medicaid population and those who will have subsidized coverage through the exchange.
  - The drafters of the ACA assumed people under the federal poverty line would receive Medicaid, so the federal health law contains no other mechanism to cover this population.
- **Expanding Medicaid would remove from the commercial market some high-risk individuals with unpredictable medical needs, while still offering them coverage.**
    - Insurers must set premiums at a level that reflects the health status of the entire population covered by that carrier in that market. The health status of people at lower income levels tends to be worse, especially if they have been without coverage for some time. Removing this population from the commercial risk pool could help lower premiums.
    - Despite the “individual mandate” that people obtain health coverage, exemptions (including those for low-income people) and initially low tax penalties will discourage the healthiest from enrolling. Those with more serious health problems will be more likely to enroll in commercial insurance if expanded Medicaid is not available.
- **Broadening the availability of health coverage would promote more efficient use of health care resources.**
    - Lack of health coverage leads to inefficient use of health care resources, such as substitution of emergency room visits for primary and preventive care, and a lack of predictability regarding care needs.
    - Expanding Medicaid coverage would encourage a delivery system with lower overall costs, as the health care system would adjust by serving people in lower cost settings. For instance, efforts to provide health services more cost-

effectively, such as through community health centers or care provided by mid-level providers, would continue and progress with the Medicaid expansion.

- An expanded Medicaid population, particularly one managed by private insurance companies, could facilitate care management and coordination, as well as helping generate changes in the delivery system based on the economies of scale associated with a larger population base and a free market.
- Increased efficiency in meeting health care needs could help all users of health care, not just those covered under the Medicaid expansion, by bringing down the health costs that contribute to high costs for commercial coverage.
- **Expanding Medicaid would help employers struggling to comply with ACA requirements.**
  - Under the ACA, employers with fifty or more full-time employees (or part-time employees working an equivalent number of hours) must provide affordable health coverage to their employees or pay a penalty.
  - Large employers that do offer coverage are penalized if their employees obtain a federal tax subsidy because the employer coverage is unaffordable. However, there is no penalty for employers whose employees qualify for Medicaid.
  - Expanding Medicaid would enable employers to employ low-income workers without incurring penalties due to those workers' inability to afford the employer-sponsored coverage.
- **No particular model of Medicaid expansion options can conclusively determine that one scenario is more economically advantageous than another.**
  - Projections by the Lewin Group estimate that 60,000 individuals would be newly enrolled under a Medicaid expansion. Lewin expects that more than half would otherwise be enrolled in the commercial insurance market. However, an economic model recently commissioned by the Insurance Department projects that fewer people will abandon their commercial insurance options if Medicaid is expanded. There has also been debate over whether health care providers will be better off receiving payment from a privately insured patient earning less than \$16,000 a year, or having the same patient covered by Medicaid.
  - The Department's market research makes clear that the number of people enrolling in high deductible plans is increasing, and we expect that health insurance available on the exchange will have high deductibles and other forms of cost sharing. For example, in 2011 thirty percent of people in the individual market had a deductible of at least \$5,000.

- Few if any people with an income below \$16,000 will be able to pay a deductible of more than \$5,000. Presently, many hospitals write off any patient liability for patients earning less than 200 percent of the FPL, substantially higher than the 138 percent of the FPL covered by the Medicaid expansion. Subsidies available through the exchange may help low-income people with co-pays; however, the logistics of this system, and the degree of complexity to the user, are not yet clear.
- In sum, while modeling can be helpful, it is also important to consider the potential effect of factors not included in the model and of other possible models. These models attempt to predict the behavior of multiple actors, including consumers, employers, employees, insurance carriers and health care providers, in response to a complex and interrelated series of events. Thus, there is a high likelihood that the actual outcomes will diverge from any modeling.
- **Expanding Medicaid would bring additional money into the General Fund through increased premium tax revenues.**
  - The Medicaid expansion, in conjunction with the move to Medicaid managed care, would generate increased state revenue through the insurance premium tax.
  - Premium tax revenue goes directly into the state's General Fund.

The many benefits of health coverage to patients, employers and health care providers are clear. Even a temporary Medicaid expansion would be a useful stepping stone to a more stable future, while bringing funds into the state economy, and potentially decreasing health care costs. In the Department's view, it would make sense to take advantage of this health coverage opportunity.

Thank you for the opportunity to comment on the proposed Medicaid expansion. Please do not hesitate to contact me or my staff if we can assist the committee in any way.

Very truly yours,



Roger A. Sevigny

cc: House Finance Committee Members  
Governor Hassan  
Commissioner Toumpas