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Participation in the New Mexico State Coverage Insurance (SCI) Program: Lessons from Enrollees

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INTRODUCTION

The Patient Protection and Affordable Care Act (ACA) aims to encourage small businesses to offer health insurance coverage for their employees. The ACA does this by providing tax credits designed to offset premium costs and by making coverage available to small employers through insurance exchanges that aim to lower premiums by reducing administrative expenses and pooling risk more widely. A recent evaluation of a small employer program in New Mexico provides evidence for the effectiveness of direct financial incentives and multi-pronged public/private initiatives in stimulating take-up of coverage by small businesses and their employees.

BACKGROUND

New Mexico's State Coverage Insurance (SCI) program is a public/private partnership that provides access to subsidized health insurance for uninsured adults aged 19 through 64 years with household incomes below 200 percent of the federal poverty level (FPL). The program targets small businesses with 50 or fewer eligible employees. These businesses may sponsor group enrollment into SCI for employees whose household incomes are below 200 percent of the FPL. Working and non-working adults with low incomes may also enroll directly into the program without an employer sponsor. Employer premiums are \$75 a month per employee, and individual/employee premiums are \$0, \$20, or \$35, depending on the enrollee's household income. Since August 2007, the state has been contributing the employer portion of the monthly premium for individuals with household incomes below 100 percent of the FPL.



As of June 2009, 37,918 individuals were enrolled in SCI: 27,000 without group sponsorship, 3,000 with group sponsorship, and 7,918 with an unreported group status. While the number of employers and sponsored employees has increased since the program's implementation, employer participation remains low relative to the large number of small businesses in the state.

The findings highlighted in this brief draw from two sources: a 2008 survey of individuals enrolled in SCI without group sponsorship and an analysis of program administrative enrollment data. The findings aim to identify the characteristics of non-sponsored enrollees and obtain lessons about encouraging employer sponsorship of enrollees in SCI and similar public/private partnerships. This analysis was conducted through a partnership between the New Mexico Human Services Department and The Hilltop Institute at the University of Maryland, Baltimore County.

METHODOLOGY

Survey

A survey of non-group SCI enrollees was administered between October 2008 and January 2009. A random sample of individuals newly enrolled in SCI without group sponsorship between September 2007 and July 2008 was drawn from SCI administrative enrollment records.

Of those contacted, 1,160 individuals (64 percent) consented to take the survey; 541 of these reported that they were either a student with a paying job or not a student but were employed by someone other than themselves. This subsample of 541 employed non-group enrollees completed the full-length survey.

The full-length survey asked questions about the nature of the enrollee's employment, their employer, the SCI application process, the affordability of SCI, prior health insurance coverage, the health insurance of family members, household income, and other demographic information. The individual sample was weighted to account for non-response bias based on age, gender, and premium bracket. The analysis of this survey focused on exploring the potential for SCI enrollees without group sponsorship to be sponsored through an employer, as well as understanding their demographic and other characteristics. For an enrollee to be sponsored, the employer must first be eligible to sponsor a group, the employer must choose to sponsor SCI, and the employee must meet requirements for coverage under the employer's insurance provision.

Administrative Data

SCI administrative data were analyzed to understand the effects of program interventions on SCI enrollment. Monthly enrollment data derived from SCI administrative records were used to generate trends on new enrollment between July 2005 and November 2008. Enrollee information from the administrative data included enrollment dates, FPL (above or below 100 percent), age, parental status, and employment status.

RESULTS

Key Survey Findings: Non-Group Enrollees

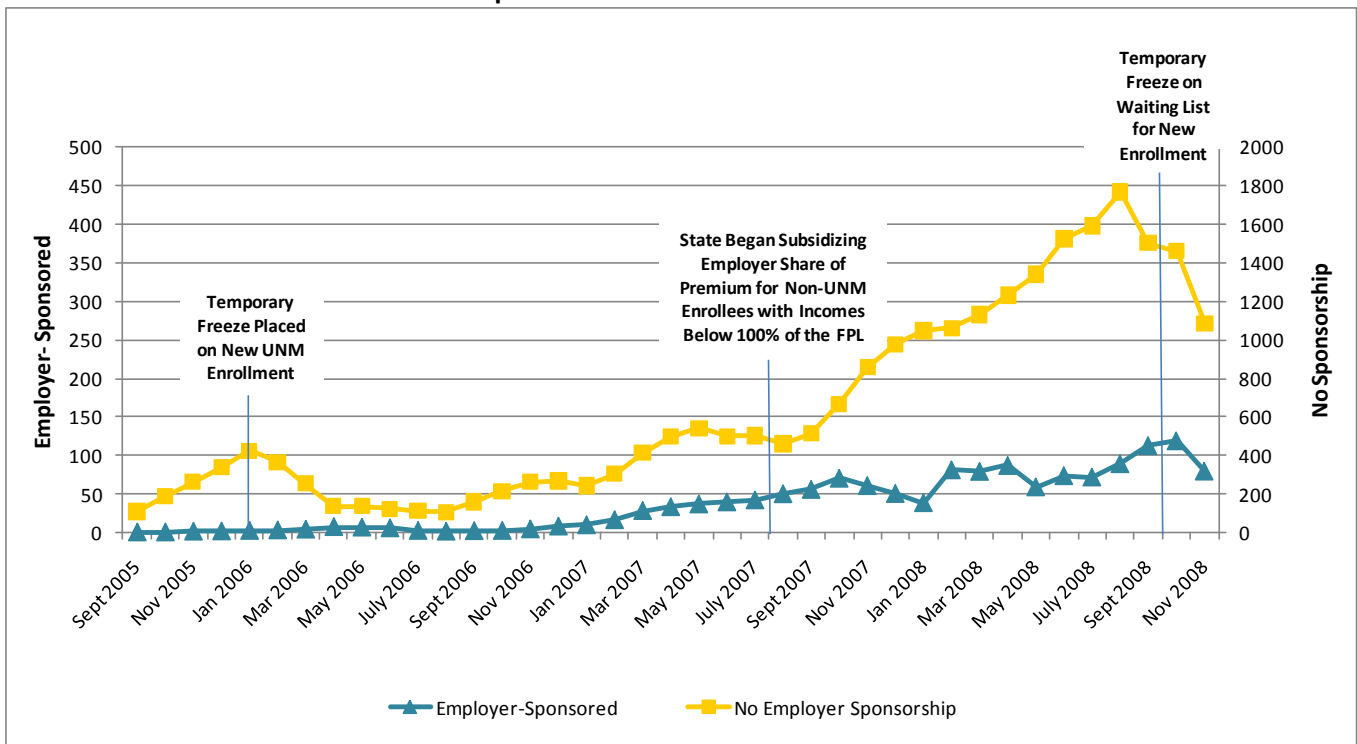
- Of the full sample of all non-group SCI enrollees, 47.4 percent were employed by someone other than themselves or were students with paying jobs; 10.7 percent were self-employed; and the remaining 42 percent were not employed due to unemployment (16.8 percent), disability (11.3 percent), homemaker status (6.6 percent), or retirement (3.4 percent), or they were students without a paying job (3.9 percent).
- Fifty-nine (59) percent of employed non-group enrollees worked for businesses that employed 50 or fewer permanent employees. Under current SCI guidelines, these businesses should be eligible to participate in SCI. It is possible that some businesses with more than 50 employees would be eligible as well, however, because employers may exclude from the count some workers who are not eligible for employer-sponsored coverage due to job tenure, part-time or contractual status, coverage through a spouse, or eligibility for Medicare. Another 7 percent of employed enrollees worked for a business with 51 to 75 employees. If we consider these employers as potentially eligible, then the share of employed enrollees working for an eligible employer may be as high as 66 percent—or 30 percent of all enrollees without group sponsorship.
- The majority (59 percent) of all employed non-group enrollees met the following three measures of attachment to the workplace: they were permanent, year-round employees; they worked 20 or more hours per week; and they worked for their employer for at least six months. Employees at smaller firms (fewer than 75 employees) and larger firms (75 or more employees) also demonstrated strong workplace attachment—62 and 58 percent, respectively.
- Seventy-five (75) percent of employed non-group enrollees indicated that they could afford to spend no more than \$75 a month on medical care. Eighty-five (85) percent of the employed non-group enrollees reported that while enrolled in SCI, they had, in fact, spent less than \$75 in the month prior to the survey, with 70 percent spending less than \$25.

- Sixty-eight (68) percent of employed non-group enrollees did not have health insurance coverage in the year prior to enrolling in SCI. Of these enrollees who did not have health insurance in the year prior to enrolling in SCI, 66 percent did not have insurance in the prior three years.
- Fifty-three (53) percent of employed non-group enrollees reported household incomes below 100 percent of the FPL, and 76 percent indicated that they either could not make ends meet each month or could make ends meet but had no funds remaining. Additionally, 38 percent reported being unable to make a rent, mortgage, or utility payment at some point in the previous six months.

Key Findings from Administrative Data: Enrollment Trends

Figure 1 displays average monthly new SCI enrollment by enrollees with and without employer sponsorship between September 2005 and November 2008. Due to budget constraints, New Mexico placed a temporary freeze on new enrollment for the University of New Mexico (UNM) hospital SCI program in January 2006. UNM SCI is a program in which UNM hospital assists potentially eligible individuals in applying for SCI. New Mexico placed another temporary freeze on new enrollment in October 2008. Consequently, new enrollment decreased sharply after each of these dates. Figure 1 also shows that, at any given point in time, the volume of new enrollees without employer sponsorship was far larger than the volume of enrollees with employer sponsorship. Furthermore, the relative growth of new enrollees without employer sponsorship was greater and more consistent than the growth of new enrollees with sponsorship, with a steady and marked upward trend in non-sponsored enrollment following the introduction of premium subsidies for individuals with incomes below 100 percent of the FPL in August 2007.

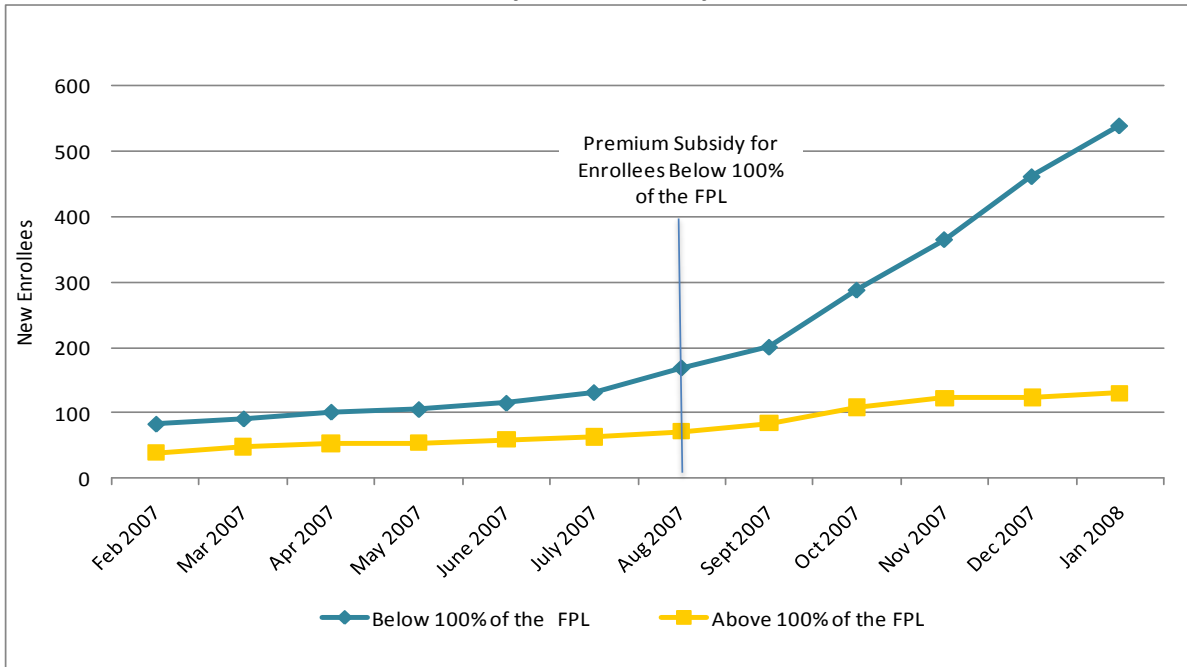
Figure 1. Average Monthly New Enrollment in SCI by Enrollees with and without Group Sponsorship, September 2005 – November 2008



Figures 2 and 3 display average monthly new enrollment, sorted by sponsorship status, prior to and after implementation of premium subsidies for enrollees below 100 percent of the FPL. Figure 2 shows monthly new enrollment between February 2007 and January 2008, and Figure 3 shows monthly new enrollment between December 2007 and November 2008.

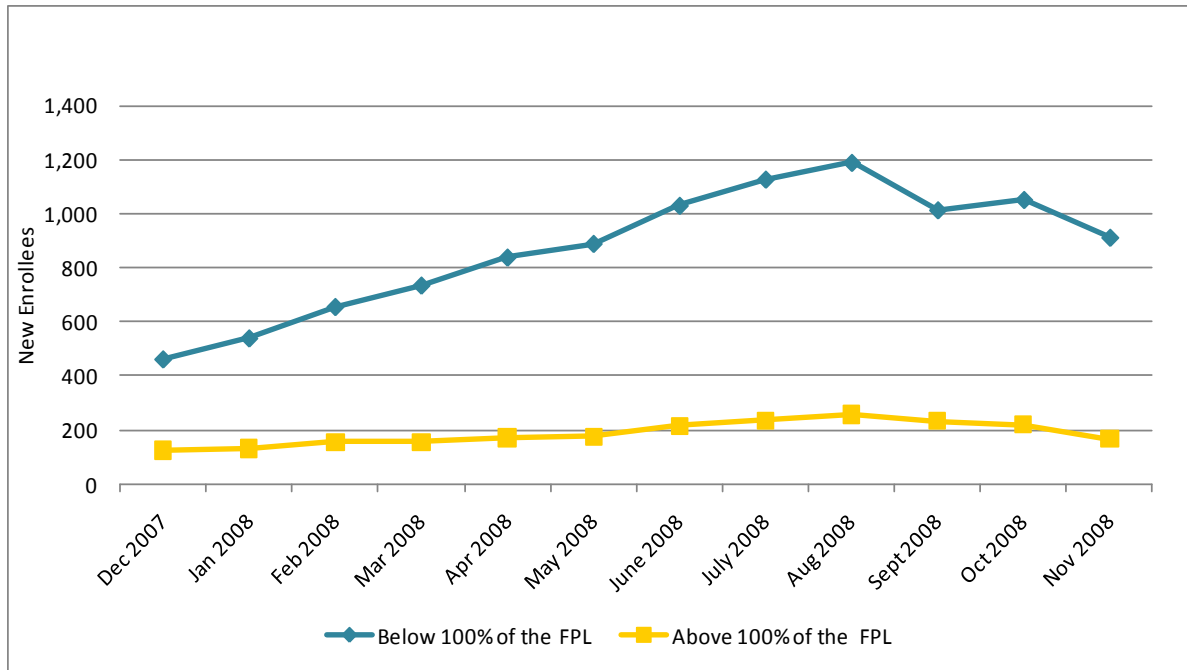
As Figure 2 shows, average new enrollment by individuals (both with and without group sponsorship) with incomes below 100 percent of the FPL increased after the August 2007 implementation of premium subsidies for this group. This growth rate outpaced that of individuals with incomes above 100 percent of the FPL.

Figure 2. Average Monthly New Enrollment in SCI by Enrollees Above and Below 100% of the FPL, February 2007 – January 2008



As Figure 3 illustrates, this trend continued through November 2008, at which point there were nearly 5.5 new enrollees in the lower income level cohort for every new enrollee in the higher income level cohort. This ratio is an increase from approximately 2.2 to 1 in June 2006.

Figure 3. Average Monthly New Enrollment in SCI by Enrollees Above and Below 100% of the FPL, December 2007 – November 2008



LESSONS LEARNED

SCI is meeting a need for uninsured New Mexico residents with low incomes to obtain health insurance.

Despite generous income disregards under SCI eligibility guidelines, household incomes reported by enrollees indicate that the program is covering individuals with very low income—more than half of whom have incomes below 100 percent of the FPL. Most of the employed enrollees did not have health insurance in the year prior to enrolling in SCI.

If SCI aims to shift a large volume of non-group enrollees over to group enrollment, then larger firms must be allowed to enroll.

Based on survey responses, between 59 and 66 percent of all employed enrollees without group sponsorship work for a small business that is potentially eligible to participate in SCI (based on the number of full-time permanent employees). This represents 30 percent of all non-group enrollment. If SCI aims to shift a large volume of non-group enrollees over to group enrollment, then New Mexico's SCI federal waiver needs to be changed to allow larger firms to enroll. However, nearly 53 percent of individuals enrolled in SCI are unemployed or self-employed and could not access group sponsorship through an employer, even if more firms were allowed or successfully encouraged to sponsor SCI enrollment.

Premium subsidies to SCI enrollees are warranted based on what enrollees can afford to spend on health care.

The ability of enrollees to pay for health care is low. Enrollees reported having little money left over to purchase health insurance from an employer, as well as having little money for out-of-pocket copayments or premiums.

Premium subsidies may increase enrollment for both individuals and employers.

New Mexico's experience shows that premium subsidies increased enrollment for both non-sponsored and employer-sponsored enrollees. Other states interested in implementing public/private programs like SCI may have to consider offering subsidies or other financial incentives in order to entice both individuals and employers to participate.

CONCLUSION

SCI, with its premium subsidies and public/private collaboration, may serve as an example of what to expect under the ACA, which aims to encourage small businesses to provide health coverage by offering tax credits to businesses with fewer than 25 full-time employees and the option of exchange participation. Additional variables—including the individual mandate—will come into play once the ACA takes full effect. However, SCI is one of few current examples of public/private initiatives to provide insurance coverage to small businesses and their employees from which lessons can be gleaned about what to expect in a post-reform environment. Thus, findings about the importance of financial subsidies for both employers and individuals, as well as the possibility of expanding the definition of "small employer," should be considered as ACA implementation moves forward.

This brief is a companion to the authors' January 2010 brief that detailed findings from two surveys of New Mexico employers and from interviews with program stakeholders. The first brief, "Small Business Participation in the New Mexico State Coverage Insurance Program: Evaluation Results," can be found at <http://www.shadac.org/files/shadac/publications/NewMexicoSmallBusinessSCI.pdf>.

ABOUT THE HILLTOP INSTITUTE

The Hilltop Institute at the University of Maryland, Baltimore County (UMBC) is a nationally recognized research center dedicated to advancing the health and wellbeing of vulnerable populations. Hilltop conducts research, analysis, and evaluations on behalf of government agencies, foundations, and nonprofit organizations at the national, state, and local levels. Information is available at www.hilltopinstitute.org.

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ABOUT THE SHARE INITIATIVE

SHARE is a national program of the Robert Wood Johnson Foundation and is located at the University of Minnesota's State Health Access Data Assistance Center (SHADAC).

The SHARE project has the following key goals:

1. Coordinate evaluations of state reform efforts in a way that establishes a body of evidence to inform state and national policy makers on the mechanisms required for successful health reform.
2. Identify and address gaps in research on state health reform activities from a state and national policy perspective.
3. Disseminate findings in a manner that is meaningful and user-friendly for state and national policy makers, state agencies, and researchers alike.

To accomplish these goals, SHARE has funded 16 projects covering 29 states.

CONTACTING SHARE

The State Health Access Reform Evaluation (SHARE) is a Robert Wood Johnson Foundation (RWJF) program that aims to provide evidence to state policy makers on specific mechanisms that contribute to successful state health reform efforts. The program operates out of the State Health Access Data Assistance Center (SHADAC), an RWJF-funded research center in the Division of Health Policy and Management, School of Public Health, University of Minnesota. Information is available at www.statereformevaluation.org.

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