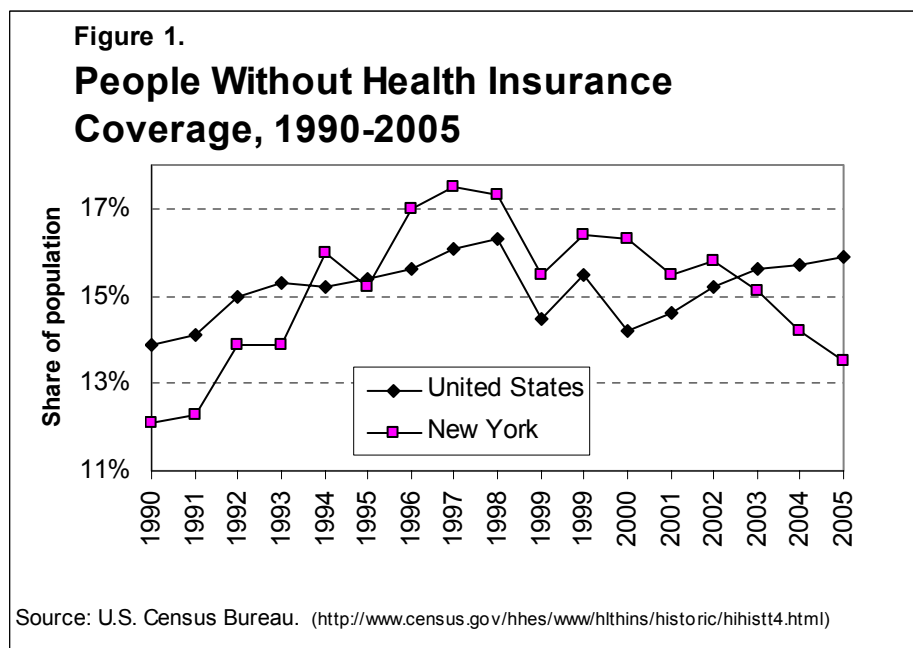


FISCAL POLICY NOTES

New York Makes Real Progress on Health Care Coverage Significant Decrease in the Number of Uninsured, but Fiscal Burdens Must Be Addressed

New York has seen a very welcome drop in the portion of the state population without health insurance over the past five years, falling from 16.3% in 2000 to 13.5% in 2005. That makes New York the only state in the country to register a significant improvement in health care coverage.¹

The national trend over these past five years has been in the exact opposite direction, with the portion of people in the nation with no health insurance increasing by 1.7 percentage points, from 14.2% to 15.9%. This trend is all the more remarkable, since through most of the 1990s the share of the population without insurance was growing much more steeply in New York than in the rest of the country.



The Long-Term Trend: Decreasing Coverage in Private-Sector Jobs

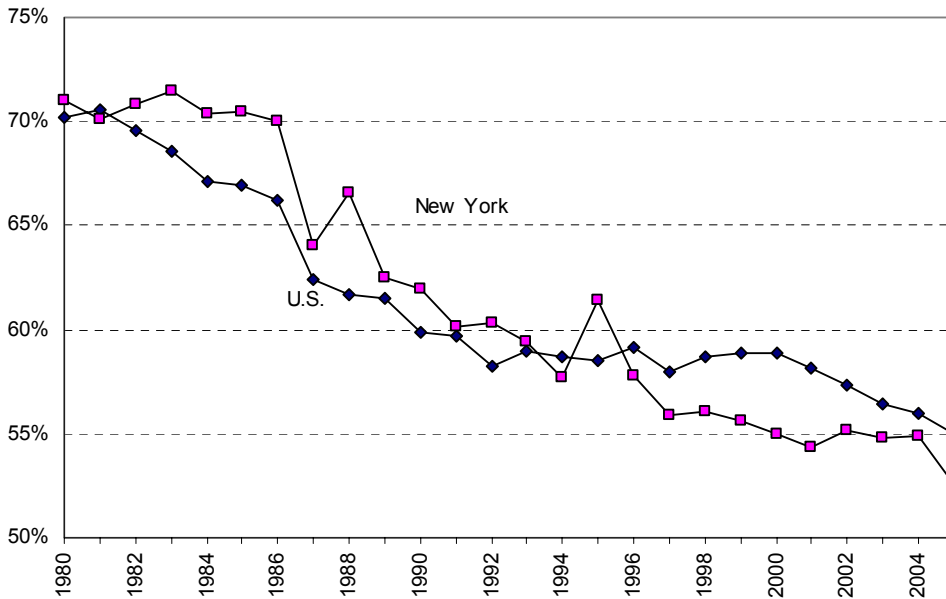
As in the rest of the country, the long-term trend in New York is clearly away from employer-provided health insurance. With the cost of health-care coverage rising and the bargaining power of workers falling, many private employers have reduced or eliminated health insurance coverage for their employees. In just five years—from 2000 to 2005—health insurance premiums nationally have risen by fully 73%.²

¹ Based on analysis of Current Population Survey (CPS) data compiled by the Center on Budget and Policy Priorities. See <http://www.cbpp.org/8-30-05health.htm>.

² Premium changes from Kaiser Family Foundation Employer Health Benefits 2005 Annual Survey (<http://www.kff.org/insurance/7315/index.cfm>).

Figure 2.

Share of private-sector employees covered by health insurance at work



Source: CPS March supplements, 1981-2006. Analysis by FPI. People working in the private sector at least 26 weeks per year, at least 20 hours a week, with at least some health insurance provided by employer.

And, while the percent of privately employed New Yorkers with employer-provided health coverage was higher than the national rate for many years, it has fallen behind since the mid-1990s (see Figure 2).

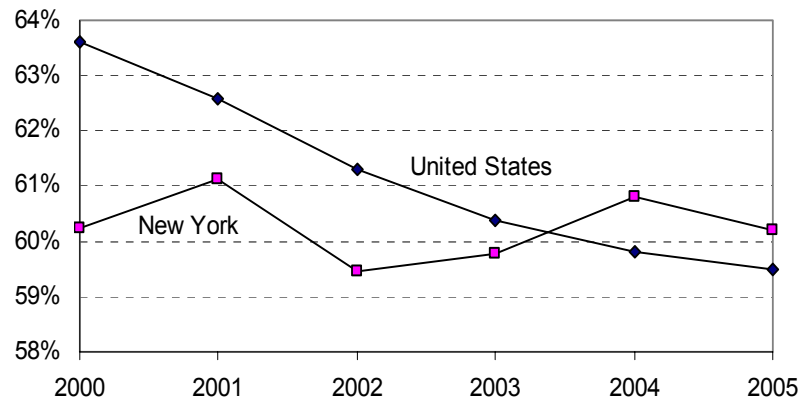
New York Sees Stable Rates in Employer-Provided Insurance, 2000-2005

For the US as a whole, there was a 4.1 percentage point drop in employer-provided health care insurance coverage, contributing to the country's overall drop in coverage (see figure 3).³

In New York, however, while the overall portion of the population with employer-provided insurance fluctuated between 2000 and 2005 it was the same (60.2%) in 2005 as it had been in 2000. This stability, however, masks a discrepancy in New York between people who work for the private sector and those who work for the government. In the private sector, employer-provided insurance dropped over the five-year

Figure 3.

Share of population covered by employer-provided health insurance



Source: FPI analysis of Census historical data HI-4.

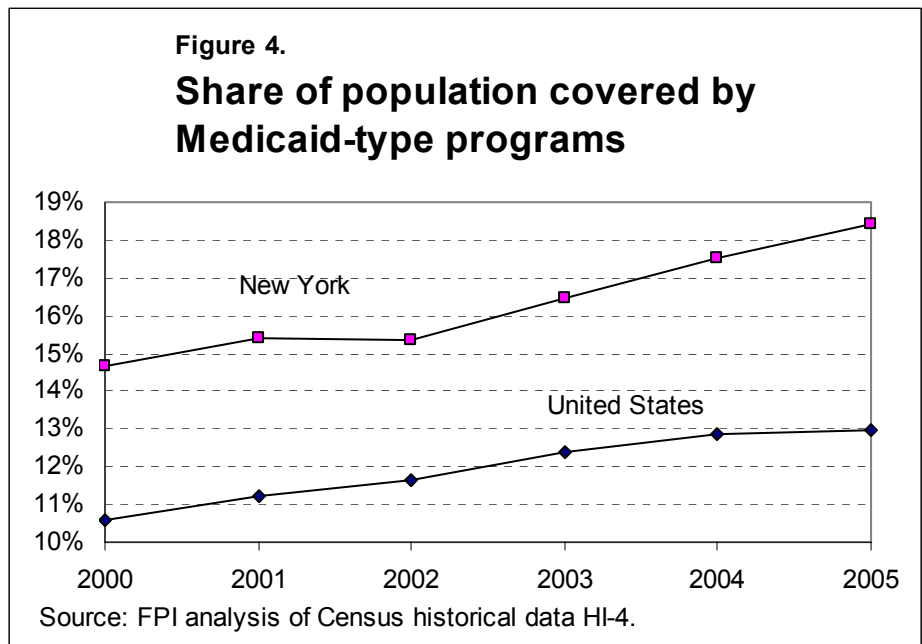
³ FPI analysis of March CPS supplements, 2001 and 2006; Census health insurance historical report HI-4.

period from 55.0% to 52.5%. This decrease, however, was offset by an increase in coverage for public sector workers of 3.8 percentage points, so that, by 2005, 78.8% of government employees had employer-provided health insurance.

Expansion in New York of Government-Provided Health Insurance

While employer-provided coverage in New York remained stable over the past five years, the portion of the population covered by government-provided insurance increased significantly. Between 2000 and 2005, the portion of the population covered by government programs in New York rose from 27.0% to 30.8%.

One reason for the increase in coverage is Family Health Plus, enacted in 2000 and beginning operation in 2002 which now provides coverage to 550,000 individuals. Family Health Plus, like Child Health Plus before it, expanded coverage for children and low-income adults beyond the traditional Medicaid limits. These programs have been literal life-savers. From 2000 to 2005 both New York and the nation as a whole increased coverage of low-income residents through programs like these, though the portion of New York residents covered through these programs increased substantially more (see Figure 4).



New York's Increased Coverage: Problem Solved?

Stable employer-based coverage and increased eligibility for government health insurance have meant a significant improvement in New York's health insurance picture.

Nevertheless, there are still 2.6 million people in the state who have no health insurance, including many middle class New Yorkers who have lost coverage but are not eligible for means-tested programs. This represents a health risk for society, an inequitable cost burden to employers that do provide coverage, a major economic problem for the families without coverage, and, to the extent that these uninsured New Yorkers end up accessing emergency room services and other so-called "uncompensated" care, a fiscal problem for hospitals, state and local government and all those who pay for or are covered by health insurance premiums that include an add-on to help cover the cost of such uncompensated care. Thus, while New York deserves credit for having reduced the number of uninsured significantly over the last several years, the problem is far from solved.

Private employer health insurance covers a smaller proportion of New York's population than the case for the U.S. as a whole. Private employer coverage reaches 40.6% of New Yorkers, while the comparable national figure is 42.6%. New York has a much higher share of its population covered by Medicaid than nationally and it is primarily this expanded Medicaid roll

that leads to New York's having a smaller share of the population with no insurance at all. Including those government employees with coverage at work, publicly funded health insurance in New York covers 41% of the population, a substantially higher portion than the 37% covered by public funding nationally, and about the same as the portion of New Yorkers covered by private-employer plans.⁴

Needed: A National Solution, and Flexibility for States to Move Forward

At \$7,129, the US spends roughly twice as much per person as industrialized democracies that provide universal coverage for their populations, according to Physicians for a National Health Program. Health care in the US costs too much, and we get too little for it. The repercussions of our wasteful system are economic as well as social.

Some companies spend no money at all on health care, either relying on the public system or leaving employees with no coverage. Other companies wind up shouldering disproportionate costs, making for an unlevel playing field favoring employers that don't provide insurance rather than those that do. There are arbitrary and unpredictable costs for businesses --- as when, for a dual-earner family, one company often winds up carrying the cost of insurance for the whole family while the other gets off free. And there is friction in the labor market when workers are trapped in jobs because of preexisting health conditions.

The eventual solution is some kind of universal national coverage, separating health care coverage from employment, making sure the cost is reasonable and that all employers pay a fair share. In the meantime, however, efforts like New York's to expand the coverage of state residents should be supported. The US Department of Health and Human Services granted waivers to New York and other states to enable them to expand their Medicaid programs in various ways.

New York, however, suffers substantially from the current, inequitable federal funding formula for Medicaid, all the more so as the state expands eligibility for Medicaid-type programs. The federal formula for reimbursing Medicaid expenditures is based on per-capita income, not on poverty. While per capita income may seem like a relatively good indicator of wealth or poverty in a state, New York has both a high per capita—on a par with neighboring states like Connecticut, Massachusetts, and New Jersey, yet it also has a poverty rate that is on a par with Southern states. As a result, New York receives the minimum level of federal Medicaid reimbursement, just 50% of the total cost. This makes the cost of expanding eligibility for Medicaid-type programs like Family Health Plus fall even harder on the state than it should.

The state also needs to revise its Medicaid formulas so that increased costs don't fall unfairly on local governments. New York's cost-sharing formulas include no recognition of local governments' ability to pay, which has placed a heavy burden on counties with weak tax bases relative to their concentrations of low-income residents.

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⁴ These percentages are based on Kaiser Family Foundation (www.statehealthfacts.org) and FPI analysis of March 2004 and March 2005 Current Population Survey data.