



## Health Coverage in Montana:

# How Will Health Reform Help?

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President Obama signed into law a historic package of health reforms that will dramatically improve the state of health care in Montana and across America. The new health reform law will guarantee that everyone—businesses large and small, seniors, children, those who currently have insurance, and those who don't—have access to health coverage they can afford. The new law will address many of the problems in Montana's health care system so that residents will be able to obtain and keep high-quality, affordable coverage that meets their needs.

In this report, we discuss major gaps in Montana's current health coverage system—gaps that allow insurers to discriminate against people with pre-existing conditions, to charge premiums that are unaffordable for Montana families and businesses, and to make obtaining care difficult even for those who have insurance. We also discuss the significant ways that health reform will address these gaps, providing help to residents across the state.

## Issue: Pre-Existing Conditions

### What Happens Now?

If you try to buy a private insurance policy in Montana, most health insurers can refuse to sell you a policy because of any pre-existing conditions you have.<sup>1</sup> Or, an insurer can choose to sell you a policy only if it excludes coverage of your pre-existing conditions.<sup>2</sup>

### How Will Health Reform Help?

Insurance companies will no longer be able to discriminate against Montanans based on pre-existing conditions. They will have to sell coverage to every person who applies, and that coverage will have to provide comprehensive benefits, including coverage for pre-existing conditions.

## Issue: Affordable Premiums for Middle-Class Families

### What Happens Now?

Montana families are facing higher and higher costs for health insurance. Over the past decade (2000 through 2009), family health insurance premiums for Montana workers rose 4.4 times faster than their median earnings.<sup>3</sup> One of the reasons premiums have become so burdensome for middle-class families is that they include a “hidden health tax”—on average, \$1,017 for each family with coverage in 2008.<sup>4</sup> This is the extra cost that families with insurance pay to make up for the care that doctors and hospitals provide to the uninsured.

### How Will Health Reform Help?

Montanans with moderate incomes (up to \$88,200 for a family of four in 2009) will receive sliding-scale subsidies to use toward the purchase of a high-quality health insurance plan.<sup>5</sup> This will protect Montana families from having to spend too great a share of their incomes on health insurance premiums. And, as residents gain coverage, the hidden health tax will diminish, making premiums more affordable for those who have insurance now.

## Issue: Coverage for the Uninsured

### What Happens Now?

More than one in three Montana residents under the age of 65 (34.3 percent) were uninsured for one month or more during 2007-2008.<sup>6</sup> People with low incomes, along with those who work for themselves or for small employers, are especially likely to be uninsured. There is a common misperception that all low-income Americans can obtain coverage through the Medicaid program. In fact, Montana residents with low incomes often

### How Will Health Reform Help?

Under health reform, 107,000 Montana residents will gain coverage by 2019.<sup>8</sup> The path to coverage will depend on each resident’s situation: Some will enroll in coverage through their employers, while others will obtain coverage through a new marketplace, called an exchange, in which insurers must play by new rules to make sure that consumers receive quality coverage. Many other Montanans will gain coverage

can't get insurance because Medicaid doesn't cover any adults under the age of 65 unless they are pregnant, are parents, or have a disability. (Working parents can get coverage if their incomes are less than 56 percent of the federal poverty level, or \$10,254 for a family of three in 2009.<sup>7</sup>) Low-income adults without dependent children can't get any help with their health coverage, even if they are penniless.

through Medicaid, as health reform expands the program to cover all low-income, uninsured residents, including adults without dependent children and those who do not have a disability. People who earn too little to purchase coverage will finally be able to obtain the care they need. And covering more residents will help reduce insurance premiums for Montanans who already have coverage (see "Affordable Premiums for Middle-Class Families" on page 2).

## Issue: Help for Small Businesses

### What Happens Now?

Small businesses in Montana have to struggle harder each year to provide coverage for their workers: Small business coverage is often more expensive than coverage for larger businesses, and small business premiums can skyrocket if one or two employees get sick.<sup>9</sup> In 2008, less than one-fourth (24.7 percent) of Montana businesses with fewer than 10 workers (and 52.6 percent of those with 10 to 24 workers) offered health insurance to their employees, whereas nearly all firms with 50 or more workers (96.2 percent) offered coverage.<sup>10</sup>

### How Will Health Reform Help?

Small businesses in Montana will receive tax credits to help with the costs of covering their workers. And, new exchanges (see "Coverage for the Uninsured" on page 2) will provide a marketplace where small businesses can shop for coverage that is comprehensive and affordable. Exchanges will make premiums more reasonable and predictable for small businesses, which are currently left to fend for themselves in an open market with few protections.

## Issue: Annual and Lifetime Caps on Coverage

### What Happens Now?

Currently in Montana, a health insurance policy may stop paying your claims if you exceed an annual or lifetime cap on your coverage. Therefore, if you or a family member becomes sick and needs significant medical care, you may "run out" of coverage and have to foot the bills on your own.

### How Will Health Reform Help?

Insurance companies will be prohibited from placing annual or lifetime caps on Montanans' insurance policies, making sure that they aren't left out in the cold if they get sick.

## Issue: Out-of-Pocket Costs

### What Happens Now?

Even when they have insurance, Montana residents often have to spend a great deal out of their own pockets to obtain the health care they need. These out-of-pocket expenses come in the form of deductibles, copayments, and other cost-sharing. In 2009, 77,000 non-elderly Montana residents *with insurance* were in families that spent more than 25 percent of their pre-tax income on health care.<sup>11</sup> Such high out-of-pocket costs are what drive many American families into debt—and even bankruptcy.

### How Will Health Reform Help?

Insurance plans will have to place caps on how much Montanans are required to spend out of their own pockets for care. These caps will be set on a sliding scale, so that lower-income people will have greater protection from out-of-pocket costs. And Montanans will also receive income-based help for paying copayments and other cost-sharing.

## Issue: Guaranteeing Value for Premium Dollars

### What Happens Now?

Currently in Montana, health insurers can spend a large portion of your premium dollars on profits, administration, and marketing, instead of on providing health care.<sup>12</sup>

### How Will Health Reform Help?

Under health reform, insurers will be required to spend a set portion of premiums on actually providing care to Montanans, not on profits, administration, and marketing. If insurers do not meet these requirements, they will have to provide rebates to policyholders.

## Issue: Protecting Coverage when Individuals Get Sick

### What Happens Now?

One troubling insurance company practice is revoking coverage once people become sick and file claims. In these instances (known as “rescissions”), insurers accuse individuals of intentionally omitting information about a medical condition on their insurance applications, while those accused argue that they had no knowledge of the condition or that it seemed too minor to mention. In Montana, there is little oversight of insurance revocations, and consumers don’t have strong appeal rights.

### How Will Health Reform Help?

Insurers will be prohibited from revoking Montanans’ coverage once they get sick. They will be able to rescind policies only in clear instances of fraud where individuals truly intended to mislead the insurer. Moreover, insurers will not be able to deny coverage based on health status, making it much harder for them to unfairly revoke coverage when people get sick.

## Issue: Premium Pricing Based on Gender

### What Happens Now?

If you try to purchase a private insurance policy in most states, you can be charged higher premiums based on your gender. This practice is prohibited in Montana, but if Montana women move out of state, they will no longer be protected from insurance discrimination based on their gender.<sup>13</sup>

### How Will Health Reform Help?

Insurance companies will be prohibited from charging discriminatory premiums based on gender. Under health reform, if a man and a woman purchase the same policy, the insurance company will have to charge them the same price for coverage in every state.

## Issue: Premium Pricing Based on Health Status

### What Happens Now?

Insurers in Montana often increase premiums based on consumers' current illnesses, health risks, or medical histories.<sup>14</sup> This unlimited rate hike can be so burdensome that it prices residents out of coverage altogether.

### How Will Health Reform Help?

Insurance companies will be prohibited from charging Montanans more for their coverage based on their health status, finally putting an end to premium discrimination against those who are sicker.

## Issue: More Affordable Coverage for Medicare Enrollees

### What Happens Now?

Currently, Montana seniors and people with disabilities who are enrolled in the Medicare Part D drug program face a gap in coverage called the "doughnut hole." This means that they may pay up to \$3,610 out of their own pockets in 2010 for prescriptions, on top of their annual Part D premiums. In addition, many preventive services that are covered in Medicare come with out-of-pocket copayments, co-insurance, and deductibles that discourage the state's 159,650 Medicare beneficiaries from using them.<sup>15</sup> And lastly, the Medicare hospital trust fund is projected to be insufficient to pay full benefits by as soon as 2017.

### How Will Health Reform Help?

Health reform will gradually eliminate the Part D doughnut hole by providing discounts on all drugs; the discounts increase each year until the doughnut hole closes entirely by 2020. Preventive care will also be more affordable for people with Medicare: All copayments, deductibles, and co-insurance for preventive services under Medicare will be eliminated. Other improvements, including extending the Medicare hospital trust fund by nearly a decade and strengthening assistance to low-income beneficiaries, will also make it easier for people with Medicare to obtain care, both now and in the future.

## Endnotes

<sup>1</sup> Ella Hushagen and Cheryl Fish-Parcham, *Failing Grades: State Consumer Protections in the Individual Health Insurance Market* (Washington: Families USA, 2008).

<sup>2</sup> Kaiser Family Foundation, *Individual Market Portability Rules (Not Applicable to HIPAA-Eligible Individuals), 2008* (Washington: Kaiser Family Foundation, December 2008), available online at <http://www.statehealthfacts.org/comparetable.jsp?ind=355&cat=7>.

<sup>3</sup> Kim Bailey, *Costly Coverage: Premiums Outpace Paychecks in Montana* (Washington: Families USA, 2009).

<sup>4</sup> Kathleen Stoll and Kim Bailey, *Hidden Health Tax: Americans Pay a Premium* (Washington: Families USA, May 2009).

<sup>5</sup> The health reform bills that were passed by the House and the Senate, as well as the President's proposal for health reform, all include subsidies to help families earning up to 400 percent of the federal poverty level (\$88,200 for a family of four) pay their premiums.

<sup>6</sup> Kim Bailey, *Montanans without Health Insurance* (Washington: Families USA, March 2009).

<sup>7</sup> Current eligibility levels are on file with Families USA.

<sup>8</sup> Calculations on file with Families USA. Families USA used national estimates of the reduction in the number of the uninsured from the Congressional Budget Office's analysis of the Health Care and Education Reconciliation Act of 2010 to arrive at state-by-state estimates of coverage gains. 2019 estimates of the uninsured were apportioned across the states, assuming that coverage gains would occur relative to the share of total non-elderly uninsured individuals residing in each state.

<sup>9</sup> Kaiser Family Foundation, *Small Group Health Insurance Market Rate Restrictions, 2009* (Washington: Kaiser Family Foundation, January 2009), available online at <http://www.statehealthfacts.org/comparetable.jsp?ind=351&cat=7>.

<sup>10</sup> Agency for Healthcare Research and Quality, *Medical Expenditure Panel Survey—Insurance Component, 2008, Table II.A.2: Percent of Private-Sector Establishments that Offer Health Insurance by Firm Size and State: United States, 2008* (Washington: AHRQ, 2008).

<sup>11</sup> Kim Bailey, *Too Great a Burden: Americans Face Rising Health Care Costs* (Washington: Families USA, April 2009).

<sup>12</sup> Claire McAndrew and Cheryl Fish-Parcham, *Medical Loss Ratios: Making Sure Premiums Dollars Go to Health Care—Not Profit* (Washington: Families USA, February 2010); America's Health Insurance Plans, *State Mandatory Medical Loss Ratio (MLR) Requirements for Comprehensive, Major Medical Coverage: Summary of State Laws and Regulations* (Washington: AHIP, September 2009).

<sup>13</sup> Brigitte Courtot and Julia Kaye, *Still Nowhere to Turn: Insurance Companies Treat Women like a Pre-existing Condition* (Washington: National Women's Law Center, 2009).

<sup>14</sup> Kaiser Family Foundation, *Individual Market Rate Restrictions (Not Applicable to HIPAA Eligible Individuals), 2010* (Washington: Kaiser Family Foundation, January 2010), available online at <http://www.statehealthfacts.kff.org/comparetable.jsp?ind=354&cat=7>.

<sup>15</sup> Kaiser Family Foundation, *Total Number of Medicare Beneficiaries, 2008* (Washington: Kaiser Family Foundation, July 2008), available online at <http://www.statehealthfacts.org/comparetable.jsp?ind=290&cat=6&sub=74&yr=63&typ=1&sort=a>.

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