



**Testimony of Jeff McLynch,
Executive Director, New Hampshire Fiscal Policy Institute,
Before the House Finance Committee Regarding HB 1696
February 17, 2016**

Chairman Kurk, Representative Wallner, Members of the Committee, thank you for the opportunity to appear before you today.

For the record, my name is Jeff McLynch and I am the Executive Director of the New Hampshire Fiscal Policy Institute. NHFPI is an independent nonprofit organization dedicated to exploring, developing, and promoting public policies that foster economic opportunity and prosperity for all New Hampshire residents, with an emphasis on low- and moderate-income families and individuals.

In brief, I come before you to urge the Committee to affirm the House of Representatives' recent vote on HB 1696 and to act to reauthorize the New Hampshire Health Protection Program. As you know, the Health Protection Program represents the Granite State's unique, market-oriented approach to improving access to affordable health care, deploying federal funds to help low-income adults purchase private sector health insurance. As you also know, should the legislature fail to act, the Health Protection Program will expire at the end of this year, leaving thousands unable to secure the care they need and forcing New Hampshire to forego hundreds of millions of dollars in federal funds critical to its economic future.

At present, the Health Protection Program serves nearly 48,000 of our neighbors, our friends, and our fellow citizens, hailing from every part of the state. Many work in jobs that are low-paid, but that help keep the New Hampshire economy moving, providing care to children and the elderly and staffing the restaurants and hotels vital to our tourism industry. Indeed, data from the American Community Survey for the 2012-2013 period suggest that more than 4,300 restaurant workers were likely eligible for the Health Protection Program, along with nearly 3,600 construction workers and close to 1,500 hotel and motel staff.

In the absence of the Health Protection Program, many of those individuals now enrolled would find it all but impossible to purchase private-sector health insurance. Under federal law, individuals with incomes below 100 percent of the federal poverty line (roughly \$11,800) are ineligible to receive subsidies to help them buy health plans through the New Hampshire Health Insurance Marketplace. Data from the New Hampshire Department of Health and Human Services suggest that roughly three-quarters of program participants – or more than 35,000 individuals – have incomes below that threshold.

Importantly, early evidence indicates that the Health Protection Program appears to be working as intended. Data compiled by the New Hampshire Hospital Association reveals that while inpatient admissions, emergency visits, and outpatient hospital services all either held steady or grew between September 2014 and September 2015, the number of uninsured patients receiving such services declined by 29 to 39 percent. Data from the American Community Survey (ACS) likewise point to a substantial drop in the share of Granite Staters lacking health insurance in the wake of the Health Protection Program's implementation. According to the ACS, the percentage of New Hampshire residents without health insurance fell from 10.7 percent in 2013 to 9.2 percent in 2014, though, given the particulars of that survey, that may understate the program's positive impact. Of course, as the number of Granite Staters without health insurance falls, so too should the costs – known as uncompensated care – that hospitals incur in providing care to those lacking coverage.

Just as the Health Protection Program is likely yielding financial benefits from expanding health coverage, so too is it likely contributing to greater health security. Preliminary data from the Department of Health and Human Services for the third quarter of 2015 indicate that roughly 96 percent of program participants have been assigned to a Primary Care Provider and that approximately 30 percent had seen that provider within that period. What's more, just under 4 percent of those Granite Staters covered by the Health Protection Program had accessed substance use disorder treatment services during that quarter, while about 11 percent had accessed mental health services.

In addition, local governments across New Hampshire appear to be realizing budgetary savings due to the Health Protection Program. Research by New Hampshire Legal Assistance suggests that the cost of assistance for medical expenses for the state's 13 cities, in total, fell by roughly two-thirds in the first year of coverage under the Health Protection Program, compared to the year prior. For instance, in Nashua, assistance for medical expenses fell from over \$67,000 to a little more than \$14,000, a drop of 79 percent.

Based on the experience of its counterparts across the country, it seems reasonable to expect that state government in New Hampshire will soon realize savings from the Health Protection Program as well. For example, Arkansas and Michigan, both of which expanded health care coverage with approaches similar to the Health Protection Program, albeit somewhat sooner, have been able to reduce spending elsewhere in their budgets as a result. In Arkansas, outlays for behavioral health care fell by \$7.1 million in fiscal year 2015, while, in Michigan, corrections expenditures dropped by \$19 million over the course of fiscal years 2014 and 2015. Similarly, New Mexico and Washington have each reported insurance premium tax revenue gains of more than \$30 million arising from federally-financed expansions of health care coverage. Given population and other differences, New Hampshire may not realize savings of the same scale as these states, but it seems likely that a similar dynamic will emerge.

These savings and additional revenue will help, in turn, to mitigate the costs New Hampshire will face in extending the Health Protection Program. As the members of the Committee know well, at present, federal funds cover 100 percent of the benefit costs for the program and will continue to do so through the end of this year. In the future, the federal government's share of benefit costs will decline, but at no point will it fall below 90 percent. The legislation before the Committee today – HB 1696 – would meet New Hampshire's share of the costs via two sources: (1) the additional insurance premium tax revenue generated by extending the Health Protection Program and (2) voluntary contributions from the state's hospitals and insurers.

More specifically, analysis by the Office of Legislative Budget Assistant of HB 1696 as amended indicates that New Hampshire's share of the costs for reauthorizing the Health Protection Program through December 2018 would total just over \$50 million during the FY 2017-2019 period. Of that total, \$14.1 million would be covered by additional insurance premium tax revenue and \$36.8 million would be met by hospital and insurer contributions. In exchange, New Hampshire would receive more than \$869 million in federal funds during the same span.

Critically, HB 1696 would also preserve and enhance safeguards that now exist in law and that are designed to protect New Hampshire from facing additional costs for the Health Protection Program in the years ahead. More specifically, HB 1696 would mandate that, should the federal government's share of the costs for the Health Protection Program fall below the percentages specified in the Affordable Care Act for future years, then the program would be repealed immediately. The bill likewise stipulates that should the combination of federal funds, additional insurance premium tax revenue, and hospital and insurer contributions prove insufficient to meet program costs, then the program would be repealed immediately.

Before concluding, I would encourage policymakers to consider one further change to HB 1696, though that change may be beyond the scope of the Finance Committee's deliberations. More specifically, as approved by the Health, Human Services, and Elderly Affairs Committee, HB 1696 included a provision to ensure that, should the Centers for Medicare and Medicaid Services fail to approve a waiver for certain work requirements included in the bill, the Health Protection Program could still continue through the end of 2018. An amendment adopted during the House's initial consideration of HB 1696 last week appears to remove that provision. I would urge policymakers both to restore that so-called "severability" language and to apply it generally to all of the various waivers envisioned by the bill.

As you know, the Health Protection Program represents a unique, New Hampshire-specific approach to expanding health care coverage. Nevertheless, the degree to which New Hampshire can tailor the program to circumstances here in the Granite State is limited by federal law; the degree to which the program can be tailored is also not immediately clear. Given those constraints and that uncertainty, it would be prudent and pragmatic to restore the "severability" language, so that the nearly 48,000 Granite Staters now served by the Health Protection Program can be assured of continued access to affordable health insurance.

To conclude, I once again urge the Members of the Committee to take the steps necessary to reauthorize the New Hampshire Health Protection Program. In its present form, the program permits nearly 48,000 people, from cities and towns across the state, to receive the care they need when they need it most, bringing with it not just simple peace of mind, but also enabling them to participate more fully in the workforce and to achieve greater economic stability. What's more, the program brings hundreds of millions of dollars in federal funds into the New Hampshire economy, mitigating uncompensated care costs that would otherwise be borne by the state's hospitals, insurers, employers, and citizens.

I thank you again for the opportunity to testify this morning and would be more than happy to try to answer any questions you may have.