

STATEMENT
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It was only 9 months ago that the Governor and Legislature held a press conference announcing the enactment of landmark legislation creating an insurance mandate for children and restoring full eligibility for low-income parents in FamilyCare. We are already seeing a significant improvement in enrollment for both uninsured children and parents that is long overdue. Not only do we know that FamilyCare is greatly needed, we know it works.

It is therefore surprising that the legislature is even considering cutbacks in this program by denying health insurance to 17,000 parents this year alone who have annual family incomes of over only \$27,000.

With the worse recession since the Great Depression, the timing could not be worse. About 40% of all low-income parents lack health insurance in NJ. When parents lose their jobs they lose their insurance too if they were lucky enough to have it while they were working. Unfortunately, about two-thirds of all low-income parents will not be eligible for COBRA when they become unemployed, so FamilyCare will be the only option for many of them.

While the state would save about \$9 million from this proposal, it would lose almost twice that in federal funds this year and much more in subsequent years. That is because FamilyCare has one of the highest federal matching rates in the nation, which should be reason enough not to cut this program.

This cutback not only affects vulnerable families, it will hurt the economy. Every \$1 in state funds invested in FamilyCare will generate \$4.2 in business activity. That amounts to a loss of about \$40 million at a time ironically when the federal government is trying to give more federal funds to New Jersey to stimulate the economy.

We know this proposal will backfire because we have been down this road before. We released a study in 2007 that analyzed the impact of closing enrollment of parents in 2002. The first thing we found is that when you deny parents coverage, fewer of their children enroll too. Other states have come to the same conclusion but the best example of this is right here in our state. **SHOW GRAPH.**

The Governor also proposes to eliminate all funding for outreach (\$1 million in state funds that would match \$1.8 million in federal funds), which means that while there will be a child insurance mandate, many families will not know about it.

We also found in our study that in addition to a loss of 100's of millions of federal funds over time, within three years Charity care increased by \$750 million due to this cutback in FamilyCare. Any loss in insurance revenues to hospitals this year as a result of another cutback in FamilyCare would be compounded by the many other unemployed workers seeking emergency care. Also, back then, we did not have the problem of the swine flue epidemic which reminds us today how critical it is to broaden health coverage to protect the public too.

To add insult to injury, this cutback is being proposed at the same time the state is receiving a windfall of over \$2 billion in additional federal Medicaid funding and about \$100 million in additional federal funds for FamilyCare that were not anticipated. Virtually all those funds have gone to balance the state budget, but a small portion of them could have been used to prevent health cutbacks as Congress intended, which would have resulted in even more federal funds to New Jersey.

Low-income families deserve better, and so does the public.