



Testimony before the
House Insurance Committee:
"House Bill 2455"

Presented by:
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Insurance Commissioner

Tuesday, May 4, 2010, 9 a.m.
140 Main Capitol

Good morning. My name is Joel Ario and I am Pennsylvania's Insurance Commissioner. Thank you for the opportunity to talk with you today about HB 2455, which would continue the Community Health Reinvestment (CHR), or the funding stream that more than 40,000 Pennsylvanians depend on to make it possible to buy basic health insurance. My goal this morning is to give you some background on the CHR issue, to address some frequently asked questions, and to explain why it is so vital to continue to fund the adultBasic program for the next 3.5 years.

In February 2005, the Governor's Office of Health Care Reform negotiated a landmark agreement with the four Blue Plans to make an annual commitment to community health efforts each year through 2010. The Blue Plans are: Capital BlueCross, Highmark Inc., Independence Blue Cross, and Hospital Service Association of Northeastern Pennsylvania, d/b/a/ Blue Cross of Northeastern Pennsylvania.

The Agreement commits the Blue Plans to:

- make an annual investment to provide affordable basic health care coverage to low income and uninsured Pennsylvanians through a state-sponsored program, currently adultBasic
- and
- commits the Blue Plans to fund health care-related services in their communities.

More than half of the funds – 60 percent– were directed to provide health insurance for low-income Pennsylvanians through the adultBasic insurance program. Over the past four years (2005 – 2009), this portion has amounted to nearly \$470 million.

Prior to that, from 2002 through 2004, adultBasic was funded exclusively by the Tobacco Settlement Fund. However, funding in FY2010-11 for adultBasic from the Tobacco Settlement Fund will be less due to a decrease in the master settlement payment and to an increase in the cost of the Medical Assistance for Workers with Disabilities (MAWD) program. MAWD is an entitlement program and therefore must be funded before any leftover money can be directed toward other programs such as adultBasic.

The remaining 40 percent of the CHR funds are to be used by each Blue Plan to provide health coverage programs, subsidized coverage for individuals and seniors for whom it would otherwise be unaffordable, or other appropriate community healthcare-related expenditures (i.e., funding local health clinics).

As a result of the Blues' CHR commitment, since the beginning of 2005 the adultBasic program has been able to make offers of coverage to approximately 250,000 individuals who were on the waiting list and to enroll more than 85,000 of these individuals in low-cost adultBasic.

However, the CHR Agreement will expire on December 31, 2010.

With the recent passage of the Patient Protection and Affordable Care Act (PPACA), we'll only need to maintain the adultBasic program for another 3.5 years. The projected annual costs of the adultBasic program until it is replaced with coverage through the Health Insurance Exchange or

Medical Assistance are:

-FY2010-11	\$199 million
-FY2011-12	\$209 million
-FY2012-13	\$220 million
-FY2013-14	\$113 million (for July-December, 2013)

One question I am frequently asked is why those individuals in adultBasic can't take advantage of some of the interim provisions of the PPACA, such as enrollment in a "high risk pool," for the next 3.5 years. The answer is twofold: 1) the PPACA requires high risk pool enrollees to have a pre-existing condition, which is not a prerequisite for adultBasic enrollment; and 2) the PPACA also requires any high risk pool candidate to have been without coverage for at least 6 months. Our adultBasic enrollees all currently have insurance!

I think we can all agree that now during these tough economic times, more than ever, it's crucial to have basic healthcare coverage that is accessible and affordable to the Commonwealth's uninsured adult population. Even at current funding levels, adultBasic enrollment is over 40,000 while the waiting list has ballooned to almost 400,000. Pulling the plug on this important, safety net program would leave tens of thousands of Pennsylvanians stranded and in limbo, waiting for the implementation of federal reforms. During my tenure here, I have had discussions – almost daily – with Pennsylvanians in need of coverage and care. Those people, especially those dependent on adultBasic, are looking to us for solutions. HB 2455 is one such solution.

The Insurance Department hopes that you share our concerns about this troubling issue, and we pledge our resources to work with you to achieve a solution that will preserve the ability of tens of thousands of vulnerable (through no fault of their own) and deserving Pennsylvanians to maintain basic health insurance for the next 3.5 years.

Total Aggregate

	Received for adultBasic Program (60%)	Designated for Community Health-Related Activities (40%)	Total (100%)
2005	86,301,960	57,528,632	143,830,592
2006	102,631,734	63,398,712	166,030,446
2007	81,895,172	63,398,712	145,293,884
2008	100,806,732	80,827,227	181,633,959
2009	98,314,530	80,843,681	179,158,211
2010			
Total	469,950,128	345,996,964	815,947,092

Highmark

	Received for adultBasic Program (60%)	Designated for Community Health-Related Activities (40%)	Total (100%)
2005	53,947,260	35,964,840	89,912,100
2006	66,127,543	46,598,082	112,725,625
2007	53,245,133	40,330,356	93,575,489
2008	66,974,834	43,837,305	110,812,139
2009	63,963,321	46,142,711	110,106,032
2010			
Total	304,258,091	212,873,294	517,131,385

IBC

	Received for adultBasic Program (60%)	Designated for Community Health-Related Activities (40%)	Total (100%)
2005	22,958,900	15,300,000	38,258,900
2006	29,402,219	20,980,000	50,382,219
2007	23,415,839	20,000,000	43,415,839
2008	28,629,418	22,689,923	51,319,341
2009	32,151,200	24,500,970	56,652,170
2010			
Total	136,557,576	103,470,893	240,028,469

NEPA

	Received for adultBasic Program (60%)	Designated for Community Health-Related Activities (40%)	Total (100%)
2005	5,737,613	3,825,000	9,562,613
2006	4,503,400	3,775,600	8,279,000
2007	5,234,200	2,555,000	7,789,200
2008	5,202,480	14,300,000	19,502,480
2009	2,200,009	10,200,000	12,400,009
2010			
Total	22,877,702	34,655,600	57,533,302

CBC

	Received for adultBasic Program (60%)	Designated for Community Health-Related Activities (40%)	Total (100%)
2005	3,658,187	2,300,000	5,958,187
2006	2,598,572	2,700,000	5,298,572
2007	-	513,356	513,356
2008	-	-	-
2009	-	-	-
2010			
Total	6,256,759	5,513,356	11,770,115

Development of 2010 Community Health Reinvestment Tax or Assessment

(\$ in millions)
Using 2009 Figures

	1	2	3	
Company	Commercial Premium	Medicare and Medicaid Premium	Premuim Subject to Taxation of Select Subsidiaries	Companies Used in Column #3
Highmark	5,902	3,890	336	United Concordia Life & Health
IBC	5,477	4,002	2,614	QCC Ins. Company
CBC	1,706	314	1,256	Capital Advantage
NEPA	675	32	404	First Prioirty Life Insurance Co., Inc.
Delta Dental	131	not available	not available	
Vision Plan	32	not available	not available	
TOTALS	13,923	8,238	4,610	