

**HEART**  
**Healthcare Excellence and Accountability**  
**Response Team**  
**House Democratic Policy Committee**



Cover All Kids

Thomas P. Saxton Medical Pavilion  
468 Northampton Street ~ Edwardsville, PA  
Friday, September 22, 2006  
10:00 a.m.

George Hoover, Deputy Insurance Commissioner  
Office of CHIP and adultBasic Insurance Programs  
Pennsylvania Insurance Department

Good morning Representative Mundy, Representative Eachus, members of the Health Care Excellence and Accountability Response Team and guests. I am George Hoover, Deputy Insurance Commissioner for the Office of CHIP and adultBasic Programs. On behalf of Governor Rendell and Insurance Commissioner Koken, I would like to thank the committee members for the opportunity to come before you today at this critical time to talk about the Governor's new initiative to provide access to affordable, comprehensive health care for all Pennsylvania children.

Cover All Kids will dramatically expand the Children's Health Insurance Program known as "CHIP" and will build upon the successes that CHIP has experienced since it began enrolling children as a state-only funded program in May 1993. Our CHIP program was one of the first such programs established in the nation. When Congress in 1997 expanded access to healthcare to children nationwide, Pennsylvania's program was specifically identified as one that was already providing the kinds of service Congress had in mind. Pennsylvania's CHIP continues to be one of the most successful in the nation and has a

current enrollment of 145,768 children, including 8,744 in the subsidized portion of the program.

Pennsylvania CHIP is a comprehensive care program that provides access to health insurance and the important benefits insurance provides to children. Families who make too much to be eligible for Medicaid but with incomes no greater than 200% of the Federal Poverty Level (FPL) are currently eligible to participate in CHIP at no cost. For a family of four, 200% of the FPL is \$40,000. Families with income above 200% of the FPL but no greater than 235% of the FPL are currently eligible to participate in the subsidized CHIP. For a family of four, 235% of the FPL is no greater than \$47,000. We continue, however, to look at ways to enhance the Commonwealth's ability to provide a healthy future for our young citizens.

The Insurance Department commissioned a survey to better understand the insurance status of Pennsylvanian's and to better identify who the uninsured are. The survey showed that approximately 96% of our children have health insurance. This

means that Pennsylvania has one of the lowest rates of uninsured children in the nation at 4%. The survey also told us that more than 133,500 children in the state remain uninsured. Of those uninsured, approximately 56,300 are eligible for Medicaid, 34,700 are eligible for free CHIP, 17,000 are eligible for the current subsidized program, and 25,500 are not eligible for an existing public program.

As Governor Rendell has said, "All kids deserve coverage." He charged his administration to determine how we may best accomplish this fundamental goal. Even one child without access to affordable health insurance is one child too many and we have over 100,000.

The Cover All Kids initiative will provide all children with the opportunity to access much needed and affordable health insurance, specifically providing an opportunity for those 25,500 kids who do not currently have coverage and are not eligible for any public program to purchase the program benefits at affordable rates. The message here is that no child, regardless of income level, should go uninsured

because the family does not have access to affordable health care insurance and the important benefits it can provide.

I'd like to briefly describe the Cover All Kids initiative and how this will work as an expansion to CHIP. Families with an income over 200% of the FPL but no greater than 350% of the FPL will be eligible to become enrolled in subsidized CHIP - 350% of the FPL for a family of four is \$70,000. This change will enable the Commonwealth to increase federal funding and expand the number of those eligible for the coverage. Currently, the Commonwealth receives federal reimbursement for enrollees with income up to 200% of the FPL and no reimbursement for those with income up to 235% who are participating in subsidized CHIP. With the expanded CHIP, the Commonwealth would receive federal reimbursement for families with income no greater than 350% of the FPL. In the subsidized program, families will pay premiums based on a sliding scale ranging from approximately \$23 per child for families with income greater than 200% but no greater than 250% of the FPL to a maximum of approximately \$32 per child for families with income greater than

300% but no greater than 350% of the FPL. We should note that children in families with an income of 200% of the FPL or lower will continue to receive these important benefits at no cost and will not be negatively affected by this expansion. Children in those families with an income of \$40,000 or less would still be enrolled in free CHIP as it exists today, with no premiums and no co-payments. However, families who are currently on subsidized CHIP will see a decrease in their premiums and this may, in fact, encourage more currently eligible families to participate in the program.

Cover All Kids will also remove the upper income limit for CHIP and allow families currently not eligible to participate in the program to purchase benefits at the state-negotiated rate. Families with income over 350% of the FPL will be offered the opportunity to participate in the program by paying the full cost of the per member per month premium negotiated by the Department. This means there WILL BE NO STATE OR FEDERAL DOLLARS involved. Most importantly, those children in families with income greater than of 350% of the FPL will have access to affordable health insurance coverage.

One benefit of removing any income cap for the program is that the Department and our contractors will no longer have to market the program for only a limited portion of the population. Because there is no income cap in Cover All Kids, it will eliminate one of the barriers to our current enrollment efforts—the mistaken belief many hold that they earn too much to qualify. This will help minimize confusion by the public about the program and eligibility requirements. Additionally, CHIP contractors will no longer have to bear the administrative cost of completing applications and an eligibility determination for families who currently earn too much to qualify. In the future, those applicants who earn too much to qualify for the free program will be able to be enrolled at the subsidized or full-pay rate, adding efficiency to the contractors' efforts. Income will no longer be the barrier it has been in enrollment.

Payment and billing will work like private insurance, with the health care provider billing the insurance company for the service. Modest co-pays also will be required for families above 200% of the FPL.

Some have questioned whether Cover All Kids will be an incentive for employers to drop healthcare coverage for their employees. In an effort to address this concern, we are initiating a six-month period without insurance coverage in order to be eligible for subsidized CHIP. This requirement has proven successful in preventing substitution of coverage in other states that have adopted similar programs. Some states, in fact, were unable to reach their goal in reducing the number of uninsured and asked the federal government to approve reducing the uninsured period.

Recognizing that this could cause a hardship on some, the proposed legislation provides for exceptions to the requirement to go without coverage - or what we refer to as a "go bare" period. This provision will not apply to children currently in Medicaid or free CHIP or to children who have lost health insurance coverage due to a parent's loss of employment.

Additionally, the proposed legislation encourages employer-based insurance by having CHIP work with our partners in the Department

of Public Welfare's Health Insurance Premium Payment (HIPP) program to create a similar program for CHIP. This program has proven successful in DPW. Applications for CHIP that reflect employment by one of the parents would be referred to HIPP. The HIPP staff would determine if health insurance is available through the employer. If it is, the HIPP staff would determine if it would be more cost effective to pay the employee's share of the premium through the employer's insurance or more cost effective to enroll the child in CHIP.

Cover All Kids will not only benefit children, but also health care providers and facilities, such as the one we are in today. Most of Pennsylvania's hospitals provide treatment to anyone who turns to them for needed care, regardless of that person's financial ability. This initiative will help with the burden that facilities face in providing uncompensated care. When children are covered by health insurance, they are more likely to see their health care providers on a regular basis for preventative care and, as a result, emergency room

visits decrease. When children are covered by health insurance, uncompensated care costs for facilities decrease.

The goal of the Cover All Kids initiative is to enroll 15,000 children between January 1 and June 30, 2007. We project that by fiscal year 2010 – 2011, this total will grow to nearly 70,000 children, thereby reducing the number of uninsured children in the Commonwealth by more than one-half.

You may have heard that the program costs too much. For the expansion of CHIP, the projected state cost to increase coverage for the subsidized group, and for administration of the program, is under \$2 million in the first year. If we meet our very aggressive enrollment goals, the state cost for this expansion, and for administration of this program, will be under \$17 million for fiscal year 2010 - 2011. Clearly, the benefits of expanding access to health insurance coverage for every uninsured child in Pennsylvania far outweigh the modest cost of the initiative. Studies show that without health insurance coverage, identification of health problems are often

delayed until treatment is much more costly. Research has also confirmed that children without health insurance coverage are often less successful in the early years of school.

We have had many meetings with our CHIP contractors to keep them fully informed. We will work closely with our contractors to develop the most efficient process to meet the intent of the legislation. We are hopeful that some of the administrative costs will be reduced with the elimination of the income ceiling on CHIP eligibility.

As I indicated earlier, based upon the Department's recent survey of insurance status in Pennsylvania, there are approximately 133,500 children without insurance. In the past year, we have had to terminate CHIP coverage on 3,249 children because either the mom or dad got a raise or took on a second job to help provide for their family and the family's income went above the 235% of the FPL limit. These families were no longer eligible to participate in CHIP.

Additionally, over the past year, we have denied coverage to another

4,660 children because their family's income, at the time of application, exceeded the current statutory income guidelines to participate in CHIP. These families were unable to participate in CHIP. The majority of these 7,900 children are probably still uninsured today. These are working families that care about the health of their children and have tried to do something about it. Each day that these children are kept from preventative care increases their chances for more severe illnesses in the future, causing an even larger drain on the system.

Representative Mundy, I would like to provide you with some similar statistics for Luzerne County. We estimate that there are approximately 2,969 or 3.9% of the children (age 0-18) in Luzerne County that are uninsured. In the past year, we know that 56 children were terminated from CHIP because their families' income exceeded the statutory requirements for participation and 52 children were denied coverage because their families' income was too high at the time of application. That left the parents of those 108 children without health care coverage for their families. There are no doubt

countless more parents of children in Luzerne County that don't know where to turn for affordable health insurance coverage. Those families will benefit from Cover All Kids.

These families are not looking for a handout—they are hard-working Pennsylvanians trying to do what is best for their families. The current CHIP is unable to meet their needs – the expanded CHIP under the Cover All Kids initiative will provide these families with the peace of mind of knowing their children will be able to participate in an affordable health insurance program.

This is a critical time for this initiative and we need your help to accomplish our goals. At the end of June, the leadership of the House and the Senate sent a letter to Governor Rendell committing to pass enabling legislation for Cover All Kids by the first week of October. As you are aware, over the course of the summer, we have had meetings continuing the discussion with some of you, your staff, as well as other interested parties, some of whom have come before me today. Two main issues have arisen from those discussions.

First is the presumption that the expanded eligibility and the attractiveness of the benefits package would cause some employers to drop coverage for the dependents of the employees. Second, some have expressed concern centered on the cost of the expanded program, particularly the costs of administration, given the expanded eligibility and enrollment will require system changes by the contractors and significantly enhanced outreach efforts.

As a result, we have addressed those concerns with the following proposed changes:

(1) “Go bare” or uninsured period –we suggest a six-month go bare period for all children above the age of two and no waiting period for children under two. This will ensure that newborns and toddlers will be able to have immediate access to benefits rather than wait for six months during a time that is critical for immunizations and regular pediatric check-ups.

(2) Co-payments – Though our original proposal did not provide for co-payments for families whose income was greater than 200% of

the FPL, we have agreed to impose co-payments on outpatient and emergency room visits and prescriptions drugs.

(3) Administrative expenses—we agreed to increase the allowance of administrative expenses by an additional 2% in 2007 and 2008 to help compensate the contractors for an increase in costs due to the enhanced outreach activities and system changes to implement enrollment and eligibility.

(4) Deductibles—in order to address the concern that the program would be ‘too attractive’ to families with income over 350% of FPL, we have agreed to an annual \$250 deductible per enrollee with a \$500 family cap. This means that higher-income families will bear not only the full premium costs, but will be responsible for paying the deductible before the coverage for their children begins.

(6) Sanctions – based upon staff and stakeholder suggestions, we have agree to sanctions to discourage what has been referred to as

“dumping” of employees into the program from employer-based coverage.

In closing, our staff and all of our partners have been working hard to reduce the number of uninsured children in the Commonwealth. The Cover All Kids initiative is the next logical step in providing access to affordable health insurance to 100% of the children in the Commonwealth. We need your support and assistance in bringing this initiative to fruition. As Governor Rendell said, “Cover All Kids is affordable to the Commonwealth and affordable to working parents. It is the right thing to do for our families, for their children, and for our collective future.”

Thank you again for convening this hearing and for the opportunity to share the Cover All Kids initiative. I would be happy to answer any questions you may have.