

HEART
Healthcare Excellence and Accountability
Response Team
House Democratic Policy Committee



Cover All Kids

Knights of Columbus
Sixth Street and Arnold Avenue ~ Clearfield, PA
Tuesday, September 6, 2006
10:00 a.m.

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

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

The initiative – Cover All Kids - dramatically expands the current CHIP and will build upon the successes that CHIP has experienced since its implementation as a state-only funded program in May 1993. The passage of the Federal Balanced Budget Act of 1997 and the corresponding amendments to state law through Act 68 of 1998 provided Pennsylvania with an opportunity to continue and expand its legacy of providing health care coverage for children by providing federal funds for the program. Pennsylvania CHIP served as a model for the Federal Act and was specifically cited as exemplary and meeting the Congressionally-established program requirements. Pennsylvania's CHIP continues to be one of the most successful in the nation and has a current enrollment of 145,788 children, including 8,744 in the subsidized program, which I will explain in a moment.

As you may be aware, Pennsylvania CHIP is a comprehensive care program that provides benefits to those 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 this program free of charge. For a family of four, 200% of the FPL equates to a family income of \$40,000 per year. Families with income above 200% but no greater than 235% of the FPL may participate in the subsidized CHIP. However, we continue to look at ways to enhance the Commonwealth's ability to ensure a healthy future for our young citizens.

The Insurance Department recently commissioned a survey to better understand the insurance status of Pennsylvanians and learn 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.

But even one child without access to affordable health insurance is one child too many. As Governor Rendell said, all kids deserve coverage. He charged his administration to determine how we may best accomplish this fundamental goal.

The Cover All Kids initiative will provide all children with the opportunity to access much needed affordable health care, specifically providing an opportunity for those 25,500 kids who do not currently have coverage or eligibility for a free 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.

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 not greater than 350 % of the FPL will be eligible to become enrolled in subsidized CHIP. This provides the Commonwealth with an opportunity to receive federal funding for this expanded population with incomes 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 between 200% and 250% of the FPL to a maximum of approximately \$32 per child for families between 300% and 350% of the FPL. By doing this, we are maximizing the Commonwealth's ability to draw down federal funds for coverage above 200% of FPL. We should note that children in families with an income of 200% of the FPL or lower will not be negatively affected by this expansion. For example, a family of four with an income of \$40,000 or less still would 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, however, remove the upper income limit of CHIP and allow currently non-eligible families to participate in the program by purchasing the 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 FEDERAL OR STATE DOLLARS involved. The important aspect is that those children of families with income of 350% of the FPL or over will have access to affordable health insurance coverage. For a point of reference, 350% of the FPL for a family of four is \$70,000.

One benefit of removing any income cap for the program is that the Department and our contractors will no longer have to specifically, and more expensively, market the program for a limited portion of the population. Because there is no income cap, we can eliminate one of the barriers to our current enrollment efforts – the mistaken belief many hold that they earn too much to qualify. This will limit any confusion with the public about the program being available for them. Additionally, our 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 will be enrolled, adding efficiency to the contractors' efforts. All applicants will be eligible; only a premium determination must be made to enroll in the program.

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. These co-pays are expected to be \$5 for primary care services, \$10 for specialist services, and \$25 for emergency room services, which is waived if the patient is admitted.

There has been some talk that Cover All Kids will be an incentive for employers to drop healthcare coverage for their employees. In an effort to address the concern that some employers or employees may drop private coverage to participate in this program, we are initiating a six-month period without insurance coverage in order to be eligible for subsidized CHIP. This requirement has proven successful in other states that have adopted similar programs and, in fact, sometimes so successful that some states have asked the federal government to shorten the uninsured period or to waive it completely.

The proposed legislation does, however, provide for exceptions to the requirement to go without coverage - or what we refer to as a "go bare" period. This 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 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 conduct an analysis to 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. 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 with providing uncompensated care. When children are covered with health insurance, they see their health care providers on a regular basis for preventative care and emergency room visits decrease. When children are covered with health insurance, uncompensated care costs for facilities decrease.

The goal of the Cover All Kids initiative is to enroll 15,000 new 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 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 health insurance coverage to 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 also has confirmed that children without health insurance coverage are often less successful in the early years of school.

Rep. George, we thank you for holding this hearing here in your district today. I would like to share with you estimates about the number of uninsured children in this area. Based upon the Department's recently conducted study of the uninsured, it is estimated that about 4.4% of the children in Clearfield County are uninsured. This number is slightly higher than the statewide average. Almost 11% of those children are from families whose income is too high to qualify for a public program. The families of those children would benefit from being able to participate in the Cover All Kids Program - they would have the opportunity to provide health care insurance for their children at an affordable cost.

We have had many meetings with our CHIP contractors to keep them fully informed. Some of the contractors expressed concern about the administrative costs to administer the expanded program. Excluding the HIPP component I discussed earlier, the administration of CHIP will basically be the same as it is currently. We will work closely with our contractors to develop the most efficient process to meet the intent of the legislation as it deals with the purchase of employer-based coverage. We are also hopeful that some of the other administrative costs will be reduced with the elimination of the income ceiling on CHIP eligibility.

As I said when I started my testimony, this is a critical time for this initiative and why we need your help to accomplish our goals. Several things must occur to make Cover All Kids a reality. First and foremost, we need your support with legislation to create the CHIP expansion. 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. We must hold you and other members to this commitment and this time frame to begin providing coverage to Pennsylvania's uninsured children in January 2007.

Second, we need approval from the federal Centers for Medicare and Medicaid Services (CMS) to provide funding to expand CHIP eligibility above the current levels. CMS will work with us to determine the best process to follow to meet our needs and our tight timeline. Initial conversations with CMS have been very positive.

Lastly, we need budgetary authority. This was provided for when funds for Cover All Kids were included in the 2006-07 state budget.

In closing, existing program 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 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.