

**Cover All Kids Initiative
Joint Meeting of the Senate and House Policy
Committees**



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Good morning Chairman Kasunic, Chairman Stetler and members of the Senate and House Policy Committees. I am Bill Shaffer, the Chief of Policy and Planning for the Office of the Children's Health Insurance Program (CHIP) and adultBasic Coverage in the Pennsylvania Insurance Department. On behalf of Insurance Commissioner Diane Koken and Deputy Commissioner George Hoover, I would like to thank you for the opportunity to come before you today to talk about Governor Rendell's new initiative to provide access to affordable, comprehensive health care for all Pennsylvania children.

The Cover All Kids initiative 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 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 over 143,500 children.

As you may be aware, Pennsylvania CHIP is a comprehensive care program that provides benefits to those 143,500 children. Families who make too much to be eligible for Medicaid but with incomes less than 200% of the federal poverty level (FPL) are currently eligible to participate in this program free of charge. Families with income between 200% - 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 Pennsylvania - who are the uninsured. The survey showed that approximately 96% of our children have health insurance—one of the highest rates in the nation. 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. The Cover All Kids initiative will provide all children with the opportunity to access much needed affordable health care. It will allow all families, particularly those not currently income eligible for either MA or CHIP, to purchase the program benefits at affordable rates.

I'll take just a moment to briefly describe the Cover All Kids CHIP expansion concept. Families with an income over 200% of the FPL but not greater than 350 % of the FPL will be enrolled in subsidized CHIP. 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% pf the FPL to a maximum of approximately \$32 per child for families between 300% and 350% of the 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. However, families on subsidized CHIP will see a decrease in their

premiums and this may, in fact, encourage more families to participate in the program who currently may be eligible.

Cover All Kids, will, however, remove the upper income limit of CHIP and allow families to participate in the program by purchasing the benefits at the state negotiated rate. Families with income over 350% of FPL will be offered the opportunity to participate in the program at no cost to the state or federal governments. For a point of reference, 350% of the FPL for a family of four is about \$70,000. These families may purchase the benefit package at the per member per month premium cost negotiated by the Department. 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% FPL.

There has been some talk that Cover All Kids will be an incentive for employers to drop healthcare coverage for their employees and instead, we should be providing incentives for small employers to provide health care coverage. 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 prior to eligibility for subsidized CHIP. This requirement has proven successful in other states that have adopted similar program, 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 as we sometimes refer to as a “go bare” period. This will not apply to children currently in Medicaid or 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 yes, 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 children in CHIP.

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 for this initiative is approximately \$954 thousand in the first year and, if we meet our very aggressive enrollment goals, the state cost will be approximately \$15.2 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. As Dr. Johnson has said, studies show that without health insurance coverage, identification of health problems are often delayed until treatment is much more costly. Research has proven that children without health insurance coverage are often less successful in the early years of school.

We have had several teleconferences 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.

A couple of items still have to occur to make this initiative a reality. First we need your support. Many on this committee are co-sponsors on one of the two pieces of legislation introduced to create the CHIP expansion. Thank you for introducing and co-sponsoring the legislation. However, to make every child in Pennsylvania eligible for the program, the legislation must reach the floor of the legislature for consideration and a favorable vote. 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. The negotiations with CMS will also determine how the family premium payment will affect the state and federal contributions. Initial conversations with CMS have been very positive.

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 100% of the children in the Commonwealth and we would appreciate your support and assistance in bringing this initiative to fruition. As Governor Rendell has 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.”

Should you have questions regarding this testimony I would be pleased to respond. Thank you again for convening this hearing and for the opportunity to share the Cover All Kids initiative.