

HEART
Healthcare Excellence and Accountability
Response Team
House Democratic Policy Committee



Cover All Kids

Beaver County Community College
Auditorium of the Allied Health Building
1 Campus Drive ~ Monaca, PA
Tuesday, September 19, 2006
9:30 a.m.

Diane Koken, Insurance Commissioner
Pennsylvania Insurance Department

Good morning Representative Eachus, Representative Biancucci, members of the Healthcare Excellence and Accountability Response Team, and invited guests. I am Diane Koken, Pennsylvania's Insurance Commissioner. On behalf of Governor Rendell, 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. With the additional federal monies, Pennsylvania was able to expand the CHIP program to cover more children and to increase awareness of CHIP and encourage and

facilitate enrollment. 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 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 those eligible for the coverage. Currently, we receive federal reimbursement for those 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, we 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. 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.

Representative Biancucci, we thank you for holding this hearing in your district today. Based upon the study of insurance status in Pennsylvania that I mentioned earlier, it is estimated that about 11.9% of the children in Beaver County are uninsured. This number is considerably higher than the statewide average of uninsured children. In Beaver County in the past year, 38 CHIP recipients were terminated from the program because either mom or dad got a raise or took on a second job and the family's income rose above the

income limit for the subsidized program. Another 88 children were denied coverage at the initial application because the family's income was too high.

Since July 2005, nearly 8,000 children across the state have either remained in, or have been returned to, the roles of the uninsured due to their families' income exceeding the statutory limits to participate in CHIP. These are children whose families are aware of the benefits that accompany access to comprehensive health care and applied for some assistance. 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.

On a daily basis, the Insurance Department staff answers letters or phone calls from frantic families looking for assistance in finding affordable, comprehensive health care for their children. I'd like to

share with you one such story. Recently, one particular mother applied for CHIP and it was determined that her families' income was too high to participate in CHIP. She appealed to the Department to review her income. The decision was found to be accurate. As a result of the determination, the mom quit her part time job as church organist to bring her familys income within the current CHIP limits. As a result, the community lost a contributing member, the mom lost the self esteem that comes with being employed, and the family lost a little extra income so that the children would have access to needed health insurance and the benefits it provides. This is just one example of many the staff sees on a daily basis.

As I said when I started my testimony, this is a critical time for this initiative and 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 timeframe 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 when funds for Cover All Kids were included in the 2006-07 state budget.

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.