

Pennsylvania House Republican Policy Committee Public Hearing



The adultBasic Health Insurance Program

Tuesday, September 14, 2004

Pennsylvania Insurance Department
Commonwealth of Pennsylvania

Introduction

Good afternoon. It is my pleasure to be with you this afternoon. On behalf of the Administration and Commissioner M. Diane Koken, I thank the Chairman and the members of the Committee for the opportunity to participate in this hearing.

I am Patricia Stromberg, a Deputy Commissioner in the Pennsylvania Insurance Department and I am responsible for administration of the Children's Health Insurance Program (CHIP) and adultBasic, Pennsylvania's healthcare coverage for the low-income uninsured. It has been my privilege to be associated with these two very important programs that give peace-of-mind to the thousands of citizens of the Commonwealth who would otherwise be without coverage.

There are very few more pressing concerns on the minds of the general public these days than the affordability and accessibility of quality health care. So much so that health care and the uninsured are included in the platforms of both parties in the race for President. And, in fact, that is why we are together today.

Background

It has been requested that I specifically address adultBasic - its implementation, impact and issues. However, before I begin, I would like to take the opportunity to provide high-level factual information regarding Pennsylvania as it relates to insurance status. The data presented come from a variety of respected sources including the U.S. Census Bureau, the Center for Disease Control, the Robert Wood Johnson Foundation and Families USA.

Noteworthy facts about those with health care coverage for 2003 include:

- 88.6 percent of all residents - over 10.77 million people - have private or public health care coverage
- 64.9 percent of all residents - over 7.88 million people - receive coverage through their employer
- 27 percent of residents - 3.3 million people - receive coverage through a public source (e.g. Medicare, Medicaid, CHIP, adultBasic, Military Benefits)

Facts about those without health care coverage include:

- 11.4 percent of residents - over 1.384 million people - have no health care coverage
- 69 percent of the uninsured are working full or part time
- Approximately 47 percent of the uninsured have income at or below 200 percent of Federal Poverty Guidelines (\$18,620 annually for one person)
- Nearly 22 percent of the uninsured have income above 400 percent of the Federal Poverty Guidelines (\$37,240 annually for one person)
- Men are slightly more likely to be uninsured than women
- Hispanics and African Americans are more likely to be uninsured than White Non-Hispanics

The lack of health insurance has a ripple effect throughout the Commonwealth and in each community. Research shows that the long-term uninsureds have a shorter life expectancy and do not enjoy the same quality of life as those with coverage. Those without coverage are more likely to postpone treatment, resulting in more critical and expensive care when it is received.

Most of what I have shared is, I am sure, not news to you. But it does establish a framework for discussion. I would also add that the news is not all bad. Pennsylvania has a long history of commitment, dating even to colonial times, in meeting the health care needs of its citizens. More recent examples include:

- 1966 - One of the first six states to implement the new Federal Medicaid program (total expenditures in that - \$115,000)
- 1984 - One of the first states in the nation to create a Pharmaceutical Assistance Program for the Elderly (PACE)
- 1992 - One of the first states in the nation to establish a Children's Health Insurance Program (CHIP) which served as a model for Congress in establishing a national program in 1997
- 2001 - adultBasic was established to provide basic health care coverage for low-income Pennsylvanians

The adultBasic Program

Many of you on the Policy Committee participated in the legislative debate regarding use of Pennsylvania's share of the National Tobacco Settlement. The resulting enactment of Act 77 in 2001, set forth the plan for its use and dedicated 100 percent of those funds to meeting the healthcare needs of Pennsylvanians. Included in the programs or services authorized by the Act was a program to provide basic insurance coverage to low-income adults. This is the program that we now call adultBasic.

adultBasic is a "stand alone" health insurance program and not an expansion of the Medicaid program. It is not an entitlement and enrollment is limited by available funding. Funding in its first year of operation was approximately \$79.7 million; in the second year, just over \$112 million; and the allocation authorized for State Fiscal Year 2004-05 has been set at approximately \$117 million.

The design of adultBasic is similar to that for CHIP. The program provides a basic set of benefits to low-income adults who are otherwise uninsured and ineligible for Medicaid.

Eligibility

To be eligible for adultBasic coverage, an individual must

- Be between the ages of 19 and 64
- Have income at or below 200 percent of the Federal Poverty Level
- Have no other health coverage, including Medicaid
- Have no health coverage within 90 days before determination of eligibility for adultBasic
- Be a resident of the Commonwealth for at least 90 days
- Be a U.S. citizen or legal permanent resident

Notably, having a pre-existing condition does not exclude a person from receiving coverage. This enables many persons to enroll who have previously not had access to private coverage. (Not unexpectedly, the result has been heavy use of service as persons who had been delaying the expense of treatment for chronic conditions sought to "catch up" with care.)

Benefits

Because of the limited funding available for the program, careful consideration was given to the range of benefits to be offered. Crafters of the legislation were left to balance the issue of servicing more enrollees with fewer benefits; or covering fewer enrollees with a more expansive benefit package. As you may recall, serious consideration was given to including prescription drugs, but the cost of doing so was estimated to be so high as to adversely impact the number of persons that might be served. In the end, it was determined that serving more people was the preferred goal.

The benefits include:

- Physician services
- Lab and x-ray services
- Emergency care
- Maternity care
- Hospitalization
- Diabetic equipment and supplies

Currently, point-of-service cost sharing includes \$5 per physician visit, \$10 per specialty visit, and \$25 per emergency room visit that is waived if the individual is admitted. Per the statute, enrollees must also make a \$30 per month “premium” payment for coverage.

Implementation

As directed by Act 77, the Insurance Department issued a request for proposals (RFP) for the purpose of entering into contracts to provide enrollment services and health care coverage. Four responses to the RFP were received and, in March 2002, contracts were entered into with Highmark, serving western and central Pennsylvania; Capital Blue Cross, serving south central PA; Independence Blue Cross in southeastern PA; and First Priority (Blue Cross of Northeastern PA) in the northeast.

The contracts were set in place for a period of three years to ensure stability for the program in its critical early years. Also, in order to protect limited funding and to serve as many people as possible, rates were set in place which would remain unchanged for the first two years of the contract. Rate adjustments occurred this past March for the third year of the contract.

Response to the program has been overwhelming. During calendar year 2003, applications for 126,679 persons were received and processed. Year to date for 2004, we have processed paperwork for nearly 87,500 applicants. Interestingly, to date over 6,640 applications were submitted on-line through the Commonwealth of Pennsylvania's Access to Social Services or COMPASS web-based application.

Waiting List

Maximum possible enrollment in adultBasic was achieved in February 2003 (50,258) and, by statute, a statewide waiting list was implemented in March 2003. Persons on this list are served on a first come, first served basis as funding becomes available. To date, the Department was able to offer enrollment to over 45,000 persons who had been on the waiting list. Experience has shown that about one-half of the persons offered enrollment "took up" the offer and became enrolled.

The most recent offering in early August 2004 was made possible by the passing of the state budget and a higher appropriation than previously anticipated announced for the program. Letters offering enrollment in the program went to over 12,500 individuals on the waiting list. As of September 9, 4,069 individuals have responded resulting in an enrollment of 3,477 adults. We will not know the full impact of the offering until sometime in October. We will continue to monitor the balance of enrollments against available funds and hope to have an additional offering prior to the end of the calendar year. This offering brought the August waiting list down to below 93,000 (92,979). Since the date of the offering, nearly 4,200 additional applications have been received bringing the waitlist to 97,172.

Around the Corner

There is much to be celebrated in the long-term commitment that Pennsylvania has made in the area of healthcare. It is also clear that there is need and public desire for programs such as adultBasic. In recognition of this need to improve access and related issues, one the first acts by Governor Rendell included the issuance of an Executive Order creating the Governor's Office of Health Care Reform. The Office, under the leadership of Director Rosemarie Greco, is charged with improving access, affordability and quality of care. Many activities are already underway including:

- A Pennsylvania-specific study of the uninsured that will provide access to better and more detailed information – expected to be completed by the end of the calendar year
- An application for grant funds from the Federal Health Services Resources Administration to explore opportunities for expansion of public and private coverage – selected applicants are to be notified this month
- A collaborative planning process through the Health Care Reform Cabinet
- Cross system efforts to improve purchasing and delivery of key cost-prone services such as pharmaceuticals and long term care.

It is very clear that the issue of health insurance is on the minds of Pennsylvanians, as well as people all over this nation. In fact, recent polls of Pennsylvanians listed health care as the third most important problem facing Pennsylvania today – behind only jobs and taxes – and outranking education, crime, and the economy.

Attached to the testimony are extracts from several sources that reflect the status of health care. Instead of reading all of the items, I would like to highlight just a few.

- The cost of job-based health insurance continues to rise at double-digit growth – five times the 2.3 percent inflation rate.
- The percentage of small firms offering health coverage continues to decline – down from 68 percent in 2001 to 63 percent
- General acute care hospitals in Pennsylvania continue to lose money
- Specific to Pennsylvania, a recently released Issues PA poll shows that seventy-one percent of Pennsylvanians say government should expand its role in health care to reduce the number of uninsured and nearly half say they would be willing to pay higher taxes to fund government health programs.

Closing

In closing, the Department would like to thank you again for the opportunity to present this testimony. As is evident, there is a need for a national solution that ensures access to affordable, quality health care to all Americans. Short of that, we are working on ways to expand coverage to Pennsylvanians. We look forward to working with you as, together, we

work toward long-term, sustainable solutions.

Thank you.

From the Philadelphia Inquirer September 13, 2004 edition – Front Page —

Research conducted by the Kaiser Family Foundation and the Health Research & Educational Trust.

- Premiums for job-based health insurance jumped an average of 11.2 percent this year, (five times the rate of the 2.3 percent inflation rate and 2.2 percent increase in salaries over the same period.
- The increase marks the fourth straight year of double-digit growth, although it is smaller than last year's 13.9 percent increase.
- **Five million fewer U.S. jobs provide health coverage than in 2001.**
- Since 2000, health-insurance premiums are up 59 percent, the study found. Since 2001, the average employee's share of the costs is up 57 percent for single coverage and 49 percent for family coverage.
- The study reported that the average cost of employer-provided family coverage jumped \$882 to \$9,950 in 2004, with employees paying about 28 percent, or \$2,661. For preferred provider plans, the most popular job-based coverage, the annual family premium now averages \$10,217 a year.
- Coverage for single workers averages \$3,695 this year, up \$312 from 2003. Employees pay about \$558, or about 16 percent. Patients' out-of-pocket costs also have risen sharply because of higher deductibles and co-pays for office visits and prescription drugs. These are up 60 percent since 2001, according to the study.
- Take the case of a minimum-wage worker who earns about \$10,100 a year. That employee would have to pay roughly 25 percent of total earnings to provide a family with health insurance. For the one-quarter of U.S. workers who earn \$17,500 a year or less, that is a staggering challenge.

Impact on Employers —

*At Whirley Industries Inc., a maker of refillable plastic drink containers in Warren, Pa., **health-care costs have doubled since 1998.** The company has not increased health-care premiums for its 350 employees since 1992. "But we are currently exploring those alternatives," said Cleo Nixon, the northwest Pennsylvania company's benefits supervisor.*

- The percentage of small firms - those with three to 199 workers - offering health coverage has fallen from 68 percent in 2001 to 63 percent, the report found.

- “Family coverage may become an endangered species with small companies. We unfortunately should expect to see the ranks of the uninsured continue to pick up.” According to Drew Altman, Ex. Director of the Kaiser Family Foundation.

Pennsylvanians Hospitals Face Mounting Financial Crisis

(According to the PA Health Care Cost Containment Council)

- **Nearly half of Pennsylvania’s general acute care hospitals lost money last year. In absolute terms 87 of the 182 GAC hospitals in Pennsylvania posted losses in FY03.**
- Over the past 3-year period, more than a third of hospitals sustained average losses.
- *In spite of these losses, payments (revenue) for hospital care grew about three times faster than the general rate of inflation during the 2003 fiscal year.*
- **At the same time, hospital charges - up 22% in Fiscal Year 2003 (FY03) - grew twice as fast as hospital expenses and net patient revenue. “**
- During FY03, the average reimbursement hospitals received for an inpatient discharge increased almost 6% while the inflation rate in Pennsylvania was generally below 2%. The Consumer Price Index (CPI) for medical services in the Northeast and across the nation increased by about 4% during the same period.
- Medicare provided 41.6% of the patient revenue GAC hospitals received statewide.

Issues PA Poll released this week

- Seventy-one percent of Pennsylvanians say government should expand its role in health care to reduce the number of uninsured.
- Fifty-six percent would expect to pay more for health care and health insurance, and 81% would expect their taxes to go up, if the government were to guarantee health care for all. But close to half (47%) of Pennsylvanians say they would be willing to pay higher taxes to fund government health programs and help more people have access to affordable health care and insurance.

- Forty four percent of Pennsylvanians say health care is getting worse; one in four says a family member has gone without health care insurance at some point in the last year.
- Fifty-five percent say their family has had one or more problems recently with health care affordability or health insurance access.
- One third report difficulty paying for prescription drugs (33%)
- Over a quarter say they postponed preventative care because they couldn't afford it (28%)
- About a quarter say they postponed care for an illness or injury because they couldn't afford it (25%)
- About a quarter of Pennsylvanians said they had "great difficulty" affording the cost of necessary medical care (26%).