

Pennsylvania House of Representatives Democratic Policy Committee Public Hearing



The adultBasic Health Insurance Program

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Introduction

Good morning. It is my pleasure to be with you this morning. 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.

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 include:

- 88.7 percent of all residents- over 10.8 million people- have private or public health care coverage
- 66.5 percent of all residents- over 8.1 million people- receive coverage through their employer
- 26.6 percent of residents- 3.1 million people- receive coverage through a public source (e.g. Medicare, Medicaid, CHIP, adultBasic, Military Benefits)

Facts about those without health care coverage include:

- 11.3 percent of residents- over 1.38 million people- have no health care coverage
- 69 percent of the uninsured are working full or part time
- 47.1 percent of the uninsured have income at or below 200 percent of Federal Poverty Guidelines (\$17,960 annually for one person)
- 21.9 percent of the uninsured have income above 400 percent of the Federal Poverty Guidelines (\$35,920 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 uninsured 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 Pennsylvanian's

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; and in the second year, just over \$112 million. The allocation authorized for State Fiscal Year 2004-05 has been set at approximately \$116 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

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.

In April 2002, statewide events were held to promote the start up of the program. The first applications were made available through traditional paper means and through a web based application. A toll-free Help Line number (1-800-GO BASIC) was implemented and modest advertising was begun. The response was unprecedented. In the first six months of application processing, over 70,000 applications were received.

During calendar year 2003, 126,679 applications were received and processed. Of course, not all who have applied were found eligible. Interestingly, over 2,300 of the 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. During the period May through December 2003, the Department was able to offer enrollment to 32,552 persons who had been on the waiting list. About one-half of the persons offered enrollment "took up" the offer and became enrolled.

The offer of enrollment from the waiting list was made possible because of monthly attrition from the program (averaging 2-4%) and because of an additional \$12 million in Settlement Funds made available to the program. In June 2004, there were 39,440 persons enrolled in adultBasic and over 96,000 individuals on the waiting list. Of those on the waiting list, approximately 3,200 were purchasing the program at the rates negotiated by the Department. Now that the budget for State Fiscal Year 2004-2005 has been established, the Department will be planning for additional offerings to persons on the waiting list.

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
- An application for grant funds from the Federal Health Services Resources

- Administration to explore opportunities for expansion of public and private coverage
- 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.

Closing

In closing, the Department would like to thank you again for the opportunity to present this written testimony. We hope that the information provided will assist the caucus as you further direct your attentions to addressing the issues of the uninsured in Pennsylvania. We look forward to working with you as, together, we work toward long-term, sustainable solutions.

Thank you.