

# Senate Democratic Policy Committee



An historical overview of the adultBasic Program

Pennsylvania Insurance Department  
Commonwealth of Pennsylvania



Thank you for the opportunity to provide this written testimony to the Senate Democratic Caucus regarding the Commonwealth's adultBasic Coverage Program.

### **Pennsylvania's adultBasic Program**

In June 2001, legislation was enacted that created Pennsylvania's blueprint for use of its share of funds to be received through the National Tobacco Settlement Agreement. Included in the programs or services authorized by Act 77 of 2001 was a program to provide basic insurance coverage to low-income adults. This is the program that we now call adultBasic. Responsibility for the administration of adultBasic rests with the Pennsylvania Insurance Department, as with CHIP.

adultBasic is a "stand alone" health insurance program and not an expansion of the state's Medicaid program. It is not an entitlement program and enrollment is limited by the funding made available to it by the legislature. Funding in its first year of implementation, beginning in July 2002, was approximately \$79.7 million; and in the second year, just over \$112 million. The second year's figure is much higher due to additional funding from the redistribution of unexpended funds allocated to the Department of Public Welfare for the Medical Assistance for Workers with Disabilities Program and from interest payments earned by the Tobacco Settlement Endowment Fund.

The design of adultBasic is similar to that of Pennsylvania's Children's Health Insurance Program or CHIP, a program that served as a model for the national State Children's Health Insurance Program, SCHIP. The general purpose of adultBasic is to provide a basic set of benefits to low-income adults who are otherwise uninsured and ineligible for Medicaid.

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

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.

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. 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. Examples of benefits include:

- Physician services
- Lab and x-ray services
- Emergency care
- Maternity care
- Rehabilitation and skilled care in lieu of hospitalization
- Hospitalization (unlimited number of days)
- Diabetic equipment, supplies and transplant-related immunosuppressants.

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.

As directed by Act 77 of 2001, the Insurance Department issued a request for proposals 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. These 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.

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. As a result, backlogs of processing did occur with some insurers, but a plan was developed that required all insurers become current with the 15-day processing requirement.

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.

Maximum possible enrollment in adultBasic was achieved in February 2003 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. Some persons offered enrollment had been on the waiting list as long as nine months. 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 4%) and because of an additional \$12 million made available to the program. As of May 2004, there were 40,416 persons enrolled in adultBasic and 90,878 individuals on the waiting list. Of those on the waiting list, 3,159 were purchasing the program at the rates negotiated by the Department. Since its implementation, adultBasic has provided the peace of mind that comes with having insurance to 75,800 low-income adults.

The demand remains high and by our best estimates we are able to serve a modest percentage of the individuals who might potentially qualify for this assistance. It is estimated that between 300,000 and 350,000 Pennsylvanians could potentially qualify for the program. Both the level of response and the number of potentially eligible persons speak clearly to the need for the program and to the wisdom of the Administration and the General Assembly in dedicating a portion of the Tobacco Settlement for this purpose.

It is important for you to know that, with the budget expectations for fiscal year 2004-05 for the program at just short of \$100 million and if a requested rate adjustment is implemented, it is expected that attrition will again need to be used to reduce enrollment to an average of 32,800 per month for the fiscal year. The Administration and the General Assembly continue efforts to identify additional funds for the program. Thus far, an additional \$15 million has been identified for possible use towards adultBasic, allowing us to maintain an average annual enrollment of 38,730 per month for the upcoming fiscal year. To eliminate the current waiting list, it is estimated that we would need more than three times the amount identified for adultBasic in the coming year's proposed budget.

In spite of the limitations associated with funding, there is much to be celebrated in the long-term commitment and initiatives that Pennsylvania has made in the area of healthcare. However, there is still much to do. As we continue to map the future of health care in Pennsylvania, we must ensure that we retain the ground we have gained over the past several years.

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.