2013/14 BUDGET BRIEFING
HOUSE APPROPRIATIONS COMMITTEE (D)
Report on Key Issues
HOUSE APPROPRIATIONS COMMITTEE (D)
JOE MARKOSEK, DEMOCRATIC CHAIRMAN October 30, 2013

Children's Health Insurance Program (CHIP)
2013/14 Budget Update

The 2013/14 enacted budget includes $111.094 million in state funds for the Children's Health Insurance Program (CHIP). This represents an increase of $9.486 million, or 9.3 percent, over 2012/13. A portion of this increase will be used for department outreach activities with the goal of enrolling more children. As of August 2013, CHIP enrollment has declined by more than 8,600 children since its high point in 2009/10. The largest drop occurred between November 2012 and May 2013, when CHIP enrollment declined by more than 5,000 children.

Background

The Children's Health Care Act of 1992 established the **Children's Health Insurance Program (CHIP)**. CHIP provides health care to children of low-income families who earn too much to qualify for Medical Assistance benefits, but not enough to purchase private insurance. Depending upon family income, children (up to age 19) receive either free or subsidized health insurance under CHIP. In October 2006, the General Assembly enacted Cover All Kids legislation (Act 136 of 2006) to expand the subsidized portion of CHIP to additional families and provide CHIP as insurance of last resort for all other families.

Act 74 of 2013 extended the program to Dec. 31, 2015. In addition, this act removed the six month "go bare" waiting period for eligibility. Prior law required, with certain exceptions, that children go uninsured for a period of six months prior to enrolling in CHIP.

Eligibility

Families with incomes no greater than 200 percent of the federal poverty may receive free insurance for their children. Families with incomes between 200 percent and 300 percent of federal poverty are eligible for subsidized CHIP – the subsidy varies depending upon family income. In addition, families with incomes greater than 300 percent of the federal poverty level may purchase CHIP coverage at full cost as "insurance of last resort" for their children. Specifically, families may purchase CHIP coverage if private insurance coverage costs more than 10 percent of a family's income, the cost of private coverage is more than 150 percent of the cost of the CHIP premium, or the child or family member has a pre-existing condition that precludes private coverage.

2013 Federal Poverty Guidelines	
	Family of Four
200%	$47,100
250%	$58,875
275%	$64,763
300%	$70,650

Coverage

The benefit package provided through CHIP includes: routine health care; preventive medical care (i.e. immunizations and check-ups); prescription drugs; dental (with exceptions), vision and hearing services; emergency medical care; mental health benefits, including partial hospitalization; substance abuse treatment; hospitalization (up to 90 days per year); and durable medical equipment.

Enrollees pay copayments for services based on a sliding scale tied to household income.

CHIP COPAYMENTS			
	Income as % of FPIG		
	<200%	**200% - 300%**	**>300%**
Doctor Visits	$0	$5	$15
Brand Name Prescriptions	$0	$9	$18
Generic Prescriptions	$0	$6	$10
Specialist Visits	$0	$10	$25
E.R. Visits	$0	$25	$50

Funding

Funding for the program is shared between the state and federal government, with the federal government providing State Children's Health Insurance Program (SCHIP) federal block grant funds to match state spending. Also, in the subsidized portion of the program, participating families contribute a portion of the monthly premium calculated on a sliding scale, based on income.

CHIP MONTHLY PREMIUM CONTRIBUTIONS*		
Income as % of FPIG	**% of Premium Paid by PA**	**Avg Monthly Cost per Child for Family**
Less than 200%**	100%	$0
200% - 250%	75%	$52
250% - 275%	65%	$72
275% - 300%	60%	$82
Greater than 300%***	0%	$225

**Information from Budget Request for FY 2013/14; Legislative Hearings Appropriations Committees; submitted February 2013.*

***No co-payments for this category.*

****Higher co-payments in this category.*

Pennsylvania receives federal matching dollars for every state dollar spent on enrollees with household incomes under 300 percent of the federal poverty level. (Note: Federal matching dollars are not applied to premiums or copayments paid by the enrollee.) The federal matching rate for federal fiscal year 2012 was 68.55 cents for every dollar spent. The federal match was reduced to 68 cents in federal FY 2013. For federal FY 2014, the federal match for Pennsylvania is 67.46 cents.

Federal Matching Dollars
The federal government matches each state dollar spent with 67 cents.

The federal Affordable Care Act (ACA) recognized that CHIP enrollment will increase because of increased awareness and eligibility screening through the health care exchanges. Therefore, the ACA extended funding for CHIP through federal FY 2015 and continued the authority for the program through 2019. In addition, the law provided for an additional 23 cents per state dollar spent in the CHIP federal matching rate beginning in October 2015. Under current statute, the enhanced match will continue through Sept. 30, 2019.

Affordable Care Act (ACA)
The ACA provides for an enhanced federal match on state funds beginning October 2015.

In addition to the annual General Fund appropriation, state funds also include a dedicated stream of cigarette tax revenue fixed at $30.73 million annually per statute (Section 1296 of Tax Reform Code). Generally, CHIP utilizes the General Fund appropriation and federal dollars prior to using the dedicated cigarette tax revenue. This has created surpluses within the cigarette tax restricted account during some fiscal years, which could then be used in future budgets.

STATE FUNDING - CHIP *($ in thousands)*					
	2009-10 Actual	**2010-11 Actual**	**2011-12 Actual**	**2012-13 Actual**	**2013-14 Enacted**
CHIP	96,112	97,365	97,365	101,608	115,101
Cigarette Tax Transfer	28,749	27,427	33,811	32,440	35,229
Total State CHIP $	**124,861**	**124,792**	**131,176**	**134,048**	**150,330**

In 2010/11, a total of $124.8 million in state funds was invested in CHIP. This includes a state General Fund appropriation of $97.4 million and $27.4 million in dedicated cigarette tax revenue.

In 2011/12, a total of $131.2 million in state funds went towards CHIP. This again included a state General Fund appropriation of $97.4 million. During this year; however, $33.8 million in dedicated cigarette tax revenue was used, drawing upon unspent 2010/11 funds in the restricted account. This allowed the state appropriation to stay level-funded.

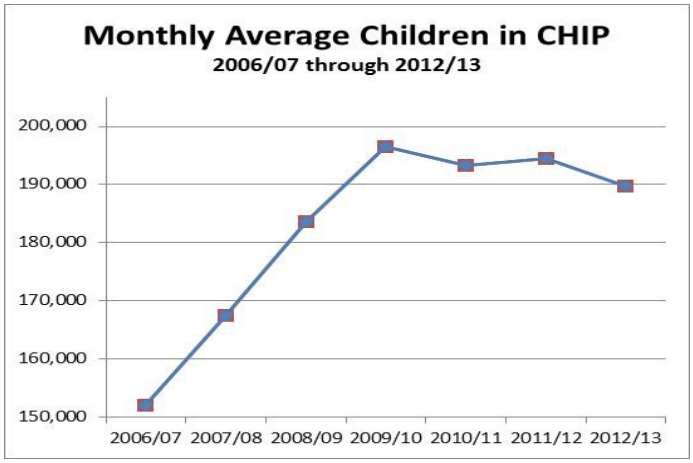
In 2012/13, a total of $134 million in state funds were appropriated for CHIP. This includes a state General Fund appropriation of $101.6 million and $32.4 million in dedicated cigarette tax revenue. Again, the department used unspent funds sitting in the restricted account to minimize growth in the state appropriation.

The 2013/14 enacted budget includes $115.1 million in the state General Fund appropriation and assumes using all of the $35.2 million expected in dedicated cigarette tax revenue per statute. The governor proposes to use a portion ($1 million) of this additional funding for outreach efforts in the department that have yet to be finalized. The remaining additional dollars would be used to cover any new children in the program.

Enrollment Figures

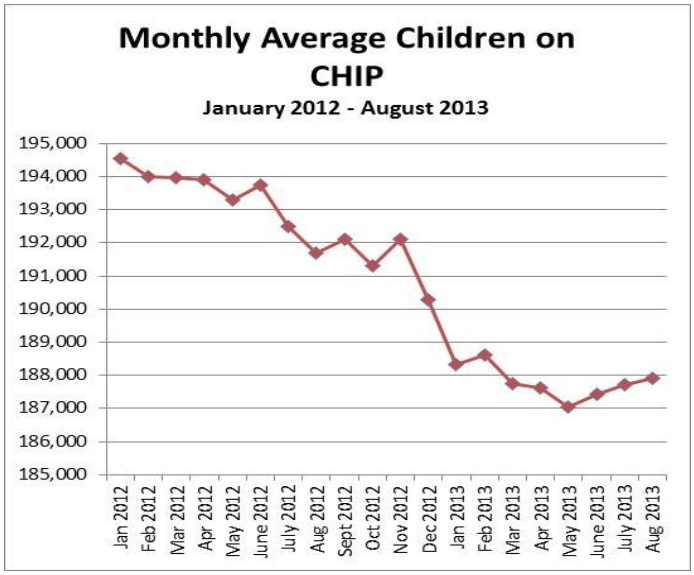
Enrollment in CHIP has declined by more than 8,600 children since its high point in 2009/10. The largest drop occurred between October 2012 and May 2013, when enrollment declined by more than 4,200 children. While enrollment has shown very slight improvement between June and August 2013, the number of covered children remains significantly less than its historical high point.

In October 2006, Act 136 enacted the *Cover All Kids* initiative to expand the subsidized portion of CHIP to additional families and provide CHIP as insurance of last resort for all other families. Following this legislation, the commonwealth invested additional dollars in outreach activities to increase enrollment. The nearby table shows the large increases in CHIP enrollment following *Cover All Kids*; an average of more than 44,000 kids between 2006/07 and 2009/10.



Between 2009/10 and 2010/11, the monthly average children enrolled in CHIP declined by a little more than 3,000 children. Enrollment rebounded slightly in 2011/12 with 1,000 children being added to CHIP, albeit compared to the lower base of 2010/11.

Looking at the average monthly figures for 2012/13, 4,680 fewer children were enrolled compared with 2011/12. **During the 2012/13 fiscal year, enrollment dropped by more than 5,000 children between November 2012 and May 2013.**



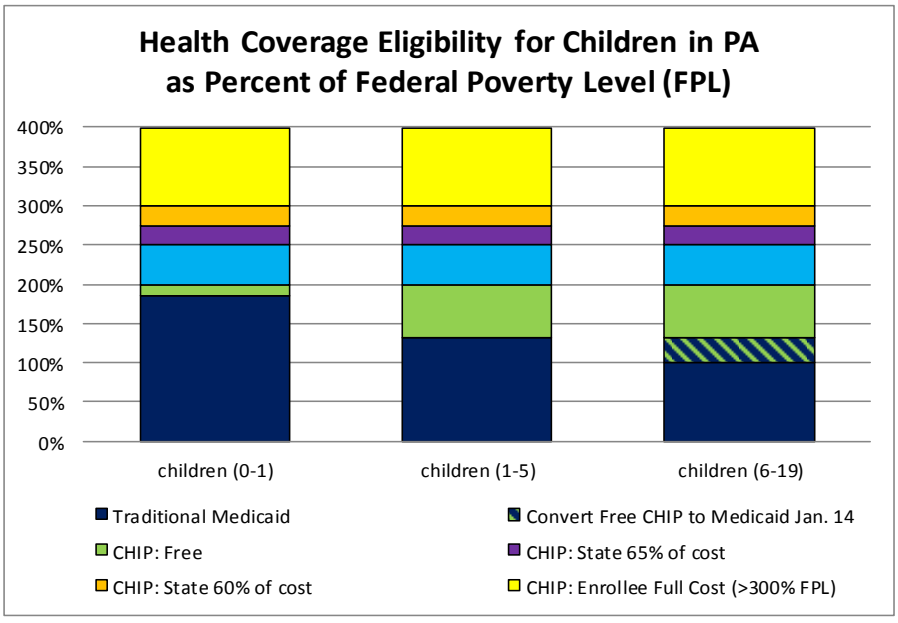
Affordable Care Act

Starting in 2014, the federal Affordable Care Act (ACA) requires that many Americans have health insurance coverage or pay a penalty (known as the 'individual mandate'). In an effort to obtain coverage, uninsured individuals will access a health care exchange which will determine if (1) they fall under the individual mandate requirement; (2) if they currently have coverage which fulfills the mandate; (3) if they qualify for a current government-subsidized program (such as CHIP or Medicaid); and (4) if they qualify for a subsidized premium for coverage under the health care exchange.

The increased awareness of ACA and utilization of the exchange will lead some families to discover that their child is eligible for CHIP, but was never enrolled previously. The result will be increased enrollment in CHIP. Similarly, some children currently in CHIP may shift to a different form of coverage (Medicaid or exchange premium subsidy). More guidance from the federal government is needed to properly examine the potential effects of the ACA on CHIP, particularly concerning enrollment and any overlap with the premium subsidies in the health insurance exchange.

Under the ACA, children ages 6 to 19 with household incomes from 100 to 133 percent of the federal poverty level are eligible for traditional Medicaid and must move from CHIP into that program. Gov. Corbett asked the U.S. Department of Health and Human Services (HHS) to waive this requirement. His administration argued that the CHIP benefit is a quality product, but less costly to the state than Medicaid coverage. Please note that the interim final rule (IFR) published March 23, 2012, provides that a state may claim the enhanced SCHIP match for those children currently in the state's CHIP moving to the Medicaid benefit (instead of the lower traditional Medicaid federal match). On Sept. 6, 2013, HHS sent a letter upholding the requirement to move eligible children from CHIP to Medicaid. However, the letter does suggest flexibility with implementation, including the possibility of a phased-in transition and re-examining how Pennsylvania structures its child health programs.

The chart below shows health care coverage eligibility for children in Pennsylvania based on age and household income as a percent of the federal poverty level. This chart includes the ACA provision that will move children ages 6-19 with household incomes 100 to 133 percent of the federal poverty level from CHIP to traditional Medicaid.



House Appropriations Committee (D)

Miriam A. Fox, Executive Director | Lisa Fleming, Senior Budget Analyst | Stephanie Weyant, Communications Director