



BUDGET BRIEFING

Report on Key Issues from the
House Appropriations Committee

JOE MARKOSEK, DEMOCRATIC CHAIRMAN

January 14, 2011



adultBasic Health Insurance Program

Created by the Tobacco Settlement Act of 2001, the adultBasic program has used state and private funds to provide affordable health insurance to eligible low-income adults. Due to insufficient funding, the program will close at the end of February 2011. Current adultBasic enrollees will be offered the option to enroll in a more expensive alternative basic health insurance program offered by the four major Blue Cross and Blue Shield Plans serving Pennsylvania. This budget briefing provides an overview of the current adultBasic program, including an analysis of its funding sources.

Overview

Act 77 of 2001, the Tobacco Settlement Act, established a basic health insurance program in the Insurance Department. **The program, known as adultBasic, provides state-subsidized basic health insurance to low-income uninsured adults.**

The adultBasic program provides state-subsidized basic health insurance for adults age 19-64 who have household incomes less than 200 percent of the federal poverty level.

Enrollees are required to contribute toward the cost of their health care coverage, including monthly premium payments for health insurance and co-payments for certain health services. **The program is not an entitlement, and yearly enrollment is based on the availability of funds to finance the state subsidy (the difference between the actual cost of the benefit package and the**

premium amount paid by enrollees). Individuals who are on the waiting list for adultBasic have the opportunity to purchase the coverage at cost.

Act 77 provides funding for adultBasic by allocating to the program a portion of the annual tobacco payments received by the Commonwealth under the 1998 Master Settlement Agreement with tobacco manufacturers. Beginning in 2005/06, the Insurance Department also has used Community Health Reinvestment (CHR) Funds (from the four major Blue Cross and Blue Shield Plans serving Pennsylvania) to help pay for adultBasic, allowing more eligible adults to enroll in the program.

adultBasic Eligibility

Adults who are ages 19 through 64 years and whose household income is no greater than 200 percent of the federal poverty level (\$44,100 for a family of four) are eligible for the program.

Eligible adults must meet the following additional requirements:

- The adult is a legal United States resident or a permanent legal alien;
- The adult has been a resident of Pennsylvania at least 90 days prior to enrollment;
- The adult has no other insurance coverage, (including federal Medicare and state Medical Assistance); and
- The adult has been uninsured for 90 days prior to enrollment, with an exception for adults who have lost health insurance due to unemployment.

adultBasic Benefits

The Insurance Department contracts with four private insurers to provide this coverage to eligible adults.

The adultBasic benefit package includes the following services:

- Hospitalization.
- Physician Services (primary care and specialists).
- Emergency Services.
- Diagnostic Tests (such as X-rays, mammograms and laboratory tests).
- Maternity Care.
- Rehabilitation and Skilled Care (in lieu of extended hospitalization).

Enrollee Payments

Enrollees must contribute towards the cost of adultBasic coverage, including a monthly premium for insurance coverage and co-payments for certain health care services. Act 77 of 2001 set the initial monthly premium at \$30 and provided for an annual inflationary adjustment, beginning January 1, 2003. Specifically, the monthly payment amount

is increased each year based on the annual change in the Consumer Price Index for the twelve preceding months. **Currently, the monthly premium payment for an enrollee is \$36.00 per month.** For a person on the waiting list choosing to purchase coverage at full cost, the current monthly premium payment is \$629 per month, and will increase to \$636 per month effective January 1, 2011.

Under the current adultBasic program, an enrollee pays a monthly premium of only \$36.00.

In addition to the monthly premium payment, enrollees are responsible for:

- A \$10.00 copayment each visit to a doctor;
- A \$20.00 copayment for each visit to a specialist;
- A \$50.00 copayment for each visit to an emergency room (waived if admission to a hospital occurs);
- Coinsurance for certain services, up to a maximum of \$1,000 per year. Services subject to coinsurance do not have copayments.

adultBasic Enrollment

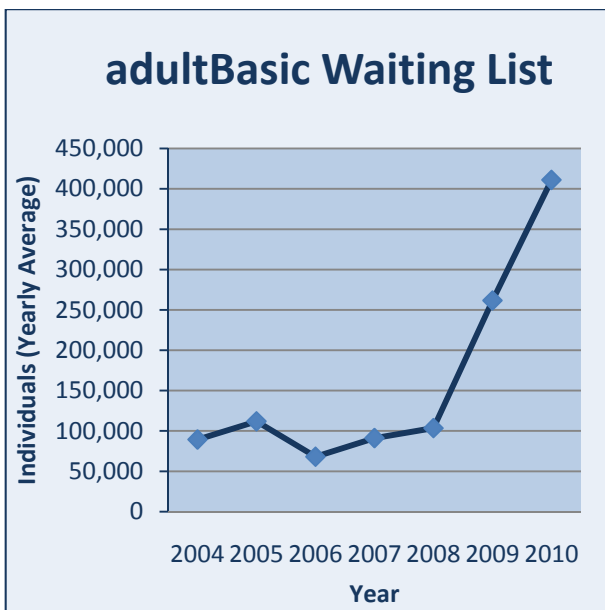
adultBasic is not an entitlement program. In any given year, the number of eligible adults enrolled in the program is based on the availability of funds to finance the state-funded subsidy for adultBasic coverage. Despite the addition of CHR funds, available revenues are insufficient to support the costs associated with insuring all eligible adultBasic applicants in the Commonwealth. As of December 2010, 41,953 adults were enrolled in the adultBasic program.

Act 77 requires the Insurance Department to maintain a waiting list of eligible adult applicants who are not enrolled in adultBasic due to

insufficient funding. Currently, the waiting list for adultBasic is over 478,000 individuals.

Nearly 42,000 adults currently are enrolled in the adultBasic program. Over 478,000 individuals currently are on the waiting list to receive coverage.

Once persons are placed on the waiting list, they are served on a “first come, first served” basis as openings become available (i.e., due to enrollees exiting the program). An individual’s position on the statewide waiting list is determined by the date on which that person filed a completed application with the Department. Upon notification of an opportunity to obtain subsidized coverage, individuals have 30 days to confirm that they still meet the eligibility criteria and to submit the monthly premium payment. An individual who is no longer eligible or fails to respond within 30 days will be removed from the waiting list.



As mentioned previously, **any eligible adult on the waiting list may purchase the adultBasic benefit package at the full monthly per member cost negotiated by the Department with its contractors.** Purchasing the program at full cost

does not affect an individual’s position on the waiting list for subsidized coverage.

adultBasic Funding

The Insurance Department uses Tobacco Settlement Funds and Community Health Reinvestment (CHR) funds to finance the state-subsidized share of adultBasic coverage. The state subsidy is the difference between the actual cost of the insurance and the enrollee premium payment.

The Commonwealth uses both state Tobacco Settlement Funds and private contributions from the Blues to provide the adultBasic program.

Tobacco Settlement Funds

Act 77 of 2001 allocates thirty percent of the annual tobacco settlement payments received by the Commonwealth for two health insurance programs that benefit uninsured adults: the Medical Assistance for Workers with Disabilities (MAWD) program administered by the Department of Public Welfare DPW and the adultBasic program. Because MAWD is an entitlement program, with tobacco payments serving as the state share to earn federal Medicaid matching funds, the MAWD program has priority over adultBasic for available tobacco settlement funds.

Community Health Reinvestment (CHR) Funds

In 2005/06, the Commonwealth began supplementing Tobacco Settlement Funds with CHR funds. This funding stream was the result of the Community Health Reinvestment Agreement with the four major Blue Cross and Blue Shield Plans serving Pennsylvania. Under the agreement, the Blue Plans pledged an ongoing commitment of funds over six years (calendar years 2005-2010).

CHR funds allowed the Commonwealth to open adultBasic enrollment to additional adults who otherwise would have been on the statewide waiting list. Contributions under this agreement expired on December 31, 2010.

Funding in 2010/11

For 2010/11, an estimated \$10.8 million in Tobacco Settlement Funds will be available for the adultBasic program. This is nearly \$27 million less than 2009/10. In addition, \$98.6 million in CHR funds will be available to supplement the program. This assumption includes a limited extension of the CHR agreement tentatively agreed upon in the fall equating to an additional \$51 million between January-June 2011. These CHR funds are nearly \$37 million less than the amount used in 2009/10.

For 2010/11 combined funding available for the adultBasic program is estimated to be \$109 million. This is nearly \$65 million less than was available in 2009/10.

As of December 2010, 41,953 individuals were enrolled in the program. Based on Insurance Department caseload models, nearly \$163 million is necessary in order to maintain enrollment around 36,900 through the end of the fiscal year. **Therefore, the program needs nearly \$54 million in additional funding to cover anticipated enrollment for 2010/11.** Without additional funding, the Insurance Department has announced that it will be unable to provide coverage to enrollees beyond February 28, 2011.

The adultBasic program will close at the end of February 2011. Current enrollees will have the opportunity to enroll in a similar, yet more expensive, private health insurance program.

On January 11, 2011, Governor-elect Tom Corbett announced an agreement with the Blues to allow

those individuals currently enrolled in adultBasic to transition to the insurers' Special Care programs. This offer is meant to provide an opportunity for individuals to purchase alternative coverage when the adultBasic program closes due to lack of funding.

The Special Care programs, created in 1992, provide basic health insurance coverage for adults with incomes under 200 percent of the federal poverty level. Monthly premiums range from approximately \$138-162 plus additional co-pays, depending on the Blues provider. The Blues providers have agreed to waive a rule regarding pre-existing conditions for any adultBasic enrollees transferring to the program.



House Appropriations Committee (D)

Representative Joseph Markosek, Chairman
Miriam A. Fox, Executive Director
Lisa Fleming, Senior Analyst

Questions or comments? 717-783-1540 or
HDAPPROPS@hacd.net