HEALTH CARE FOR CHILDREN

December 2011

Building on Our Success: Health Care Reform and Pennsylvania's Children

The advent of federal health care reform gives Pennsylvania a powerful opportunity to strengthen its role as a national leader in providing health care coverage to children – if we act quickly and decisively to make the most of this opportunity.

By any measure, Pennsylvania's achievements in children's health care have been impressive. Our Children's Health Insurance Program (CHIP) is among the nation's best, and has served as a model for similar programs since its passage nearly 20 years ago. The enactment of Cover All Kids in 2006 expanded CHIP by providing coverage for all documented children.

Today, nearly 95 percent of Pennsylvania children have health insurance – a telling testament to our long-term efforts to make health care coverage available to our youngest citizens. Yet there are still more than 100,000 Pennsylvania children lacking health insurance. Pennsylvania's leaders have an obligation – a fiscal, societal and moral obligation – to reduce those numbers.

We know increasing the availability of children's health insurance promotes preventive care, reduces emergency care, saves money and contributes to the collective well-being of our commonwealth.

While the Affordable Care Act (ACA) can help reduce the number of uninsured children in Pennsylvania and improve the care provided to them, the effectiveness of this effort will be greatly impacted by decisions of state leaders in the next few months. The governor and General Assembly must develop a health insurance marketplace and eligibility and enrollment system that ensures access to affordable quality health care for all children.

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We already have seen a number of provisions of the ACA take effect that are beneficial to Pennsylvania's children, including those who previously had some type of insurance coverage.

The law allows young adults to remain on their parents' health care plans until age 26. Insurers can no longer require co-pays for services considered preventative. Insurers also are now prohibited from dropping a child's coverage because the child is ill, excluding coverage for treatment that existed at the time the child became covered, or establishing a lifetime limit of coverage.

Additional provisions take effect in 2014 that further benefit Pennsylvania's children.

Perhaps most notably, Medicaid coverage will be expanded to cover all children in families earning up to 133 percent of the Federal Poverty Level (FPL), or $29,726 a year for a family of four. This is an improvement over the existing range of Medicaid coverage that is dependent upon a child's age, along with household income.

Another pending change will provide for health insurance premiums and cost-sharing subsidies for children in families with incomes up to 400 percent of FPL, or $89,400 for a family of four. Again, this is an improvement over existing CHIP rules that provide coverage with no premiums or cost-sharing to all uninsured children not eligible for Medicaid in families with incomes up to 200 percent of FPL. (Children living in families with income up to 300 percent of FPL receive CHIP by paying a subsidized monthly premium and co-pays for certain services, while children living in families with income greater than 300 percent of FPL pay the full cost of the CHIP.)

Other notable ACA provisions taking effect in 2014 will require all children to have health insurance, prohibit an insurer from establishing an annual limit on coverage, and require the establishment of a health insurance exchange and a small business health options exchange.

Establishing the Exchange

Under the ACA, each state has the opportunity to establish its own insurance exchange – essentially an online marketplace where consumers can comparison shop for coverage based on their needs and budgets. If a state opts not to set up an exchange, or has not made sufficient progress on setting up an exchange by January 2013, the federal government will step in and establish the exchange for a state.

In November 2011, Pennsylvania's Insurance Department announced plans to establish a state-run exchange rather than defer to the federal government on this important task. This was the right decision, as no one understands the strengths and weaknesses of Pennsylvania's current health insurance marketplace better than Pennsylvanians.

The ACA provides three primary governance options for states to consider when administering an exchange: a non-profit organization, a state agency (either newly established or existing) or a quasi-governmental agency. These options enable a state to craft an exchange best suited to its unique demographics, health care needs and available resources.

For Pennsylvania, a quasi-governmental agency directed by an independent governing board would be the most efficient, cost-effective approach. Such an approach strikes the right balance of flexibility and accountability.

An independent board would allow governance to be outside the direct control of the governor and legislature, while still maintaining relationships with departments that already administer key subsidy programs such as Medicaid (Department of Public Welfare) and CHIP (Insurance Department).

Regardless of the governance option selected, federal law sets one important requirement: Consumers and other stakeholders are to have meaningful input into the planning, establishment and ongoing operation of an exchange. To help accomplish this - and as an added safeguard for the public trust - the independent governing board should ensure its members have no conflicts of interest and consumers comprise at least half its membership, including those that can speak to the needs of children.

Key Functions of an Effective Exchange

The ACA requires exchanges to perform specific functions, including certifying insurance plans for participation and grading plans based upon federally developed standards. Exchanges also must provide information on qualified health plans and make such plans available to individuals and small employers, assist eligible individuals to receive premium tax credits or cost-sharing reductions, and offer assistance for enrolling in other federal and state health care programs.

Public education and outreach about a state's exchange would be provided in part by "navigators," third parties

charged with disseminating accurate, impartial information about coverage options.

The exchange may perform additional functions, including negotiating with insurers on benefits and premiums and coordinating purchasing and procurement decisions with Medicaid and CHIP to improve continuity of insurance plans and provider networks.

Ideally, Pennsylvania's exchange would use its significant bargaining power to aggressively negotiate rates and coverage options so consumers have the greatest menu of coverage options at the best possible prices.

An Exchange that Works for Kids

Pennsylvania's exchange should focus on getting and keeping every child insured through a simplified, streamlined process. It should provide maximum assistance to families in the enrollment process, as well as in selecting and accessing providers, including the use of community-based organizations – schools, churches, medical providers and the like – as navigators.

To provide continuity, eligibility should not end in one coverage group until enrollment begins in another coverage group. Third-party, electronic sources should be used to verify income as a means to administer coverage efficiently and accurately.

Pennsylvania also needs to ensure children have access to all evidence-based physical and behavioral health benefits. To do this, the commonwealth should examine the essential benefits package developed by the federal government and add any behavioral health benefits deemed necessary for the successful development and treatment of children.

The importance of providing access to behavioral health care cannot be understated, as reports continue to indicate the level of behavioral health services provided by insurance plans is not equal to the level of physical health services provided. To address this continuing deficiency in behavioral health coverage, the governing board should include members with behavioral health expertise.

Accessibility and Quality

Unfortunately, having insurance does not guarantee access to a provider. In many areas of Pennsylvania, particularly rural regions, health care professionals are in short supply and it can be difficult to see a doctor.

Assuring that treatment is readily available – whether for primary, preventative, acute or specialty care – is a key measure of an effective health care delivery system.

As more children become insured, access will become a greater challenge. Pennsylvania labor officials, for example, project a shortage of about 22,600 registered nurses statewide by 2017.

Pennsylvania needs to determine where uninsured children (and uninsured adults, since access for adults could decrease access for children) live and take all steps necessary to provide opportunities to increase networks to meet the anticipated increased demand for service.

All necessary physical and behavioral health services should be available within reasonable distances and in a timely manner.

Expanding capacity and provider networks takes time. Pennsylvania must begin work now to review existing scope of practice requirements and review provider credentialing and training requirements, and it must explore all funding streams for opportunities to increase provider supply, especially in underserved and rural areas.

Along with accessibility, health care quality must be a part of all discussions and decisions as ACA implementation moves forward. Provider payments must be based upon quality, and quality measures should be individually based, longitudinal and include transitions in coverage and practitioners. Quality measures also should address health outcomes, as well as family and provider satisfaction.

The ACA provides for a national strategy to improve health care quality. This includes restructuring payments based upon quality, as well as requiring data collection and public reporting of quality measures. To support consumers in making quality-based provider selections, the federal government has developed a website – www.healthcare.gov/compare – that allows for the comparison of providers.

Making the Investment

The high degree of automation and technology associated with a genuinely useful, consumer-friendly exchange will require hardware and software investments. Given the commonwealth's fiscal constraints, paying for these upgrades is certain to be a challenge. Pennsylvania can alleviate state-level costs by taking advantage of any federal financial incentives that might become available.

Pennsylvania already received a $1 million exchange planning grant from the federal government in 2010 and plans to apply

for a Level One Establishment grant by Dec. 30, 2011. (Level One Establishment grants provide up to one year of additional funding to states that have made progress under their initial exchange planning grant.) In addition, Pennsylvania should position itself to apply next year for a Level Two Establishment grant (designed to fund exchange development through 2014).

Before applying for a Level Two Establishment grant, Pennsylvania must establish a governance structure for its exchange and show it has the necessary legal authority to run the exchange. The commonwealth also must submit a complete budget through 2014, an initial plan discussing financial sustainability by 2015 and a plan outlining steps to prevent, waste, fraud and abuse. Given the deadline to apply for a Level Two Establishment grant is June 29, 2012, Pennsylvania must work quickly and efficiently to position itself for such a grant.

Conclusion

Implementing the ACA in Pennsylvania is a significant task, but we have the resources to accomplish it if we start now and move quickly. We have the potential to build on our past accomplishments and ensure quality, affordable health care coverage is available to every Pennsylvania child without exception.

The federal health care law already has resulted in a number of beneficial changes for children, with more in the pipeline as we move closer to full implementation in 2014. For Pennsylvania, this is an opportunity to continue our role as national leaders in caring for the health of our children.

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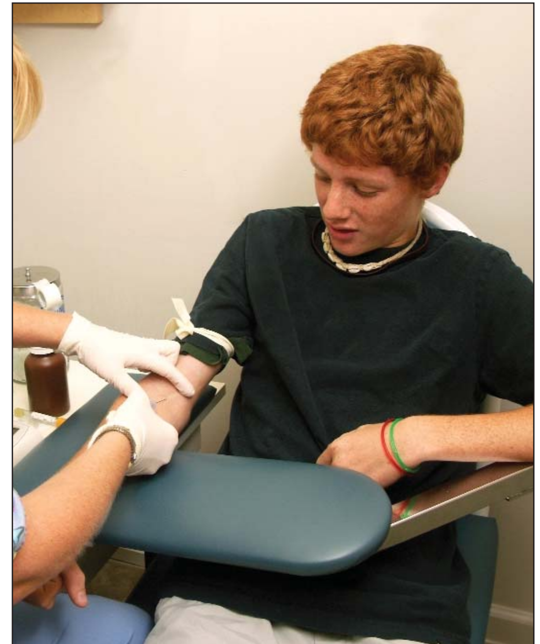
To ensure ACA has the greatest benefit for children, Pennsylvania should:

- **Develop and implement a health insurance exchange that has an independent governing board with appropriate consumer representation.**
- **Give the exchange authority to negotiate with insurers based on quality and price and leverage its bargaining power so consumers have the best choices available.**
- **Keep the exchange simple and streamlined for ease of use.**
- **Ensure children have access to all evidence-based physical and behavioral health benefits.**



- **Begin work now to ensure provider networks can handle the increased number of children to be enrolled in health care in 2014.**
- **Make sure health care quality is a central goal and include quality as a factor in determining provider payments.**
- **Access all additional available federal funding to build its exchange.**

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