

Testimony on:
Healthy Kansas First Five Initiative

presented to:
Senate Committee on Financial Institutions and Insurance

by:
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January 17, 2007

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Senate Committee on Financial Institutions and Insurance
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Healthy Kansas First Five Initiative

Good morning, Madame Chair and members of the Committee. I am Andy Allison, Deputy Director of the Kansas Health Policy Authority (KHPA) and Acting Medicaid Director. I want to thank you for today's opportunity to provide information on the Healthy Kansas First Five proposal. This morning you will also hear from several community groups who also believe this initiative is critical to the health of our state and Kansas children.

As you have seen and heard about, Healthy Kansas First Five is a program that will increase access to health care for our youngest Kansans, ensuring they have a healthy start in life. I want to explain our proposal of increasing accessibility for children under the age of five and how it would work by expanding the income eligible limits for HealthWave. First, I want to give you a brief background on health care coverage in Kansas for low-income and needy persons.

Health Insurance for Low-Income Kansans

Background. Health insurance plays an important role in the U.S. health care system, spreading costs to ensure access to care and prevent catastrophic financial loss. However, affordable private health insurance is not available to all Americans, especially the poor and those with predictable health costs, such as the elderly and disabled, for whom private insurance markets are both expensive and unstable. To address these chronic gaps in private insurance markets, states and the Federal government have invested in at least three major health insurance programs since the 1960s: Medicare, Medicaid, and the State Children's Health Insurance Program (SCHIP). Medicare provides traditional health insurance services for the nation's elderly and disabled. Medicaid supplements Medicare for low-income seniors and insures low-income women and children. SCHIP provides health insurance to an additional group of low-income children. Today Medicare covers about 13% of the Kansas population, while Medicaid and SCHIP cover about 10%. About 65% of Kansas' population is privately insured, and 11% remain uninsured. Most of the uninsured in Kansas live in households with at least one worker. As the cost of health insurance continues to rise, an increasing number of working Kansas families cannot afford health insurance. Those working in small businesses are less apt to be offered insurance, and those with low and modest incomes often have difficulty affording health insurance.

Federal Funding. Medicaid and the State Children's Health Insurance Program (SCHIP) are Federal programs that provide matching funds for state-run insurance programs. Both Medicaid and SCHIP are contained in the Social Security Act of 1965 (SSA): Medicaid was authorized as a part of the original SSA legislation and can be found in Title XIX of the Act; SCHIP was added as Title XXI of the SSA in 1997. The Federal match rate for SCHIP is slightly higher than Medicaid (72% v. 60% in Kansas), but unlike Medicaid, SCHIP matching funds are subject to a state-specific cap, or allotment. In Kansas, SCHIP is available state-wide to children who are Kansas residents from birth to age 19 who are not eligible for Medicaid and who live in families with incomes up to 200 percent of FPL (\$33,200 annually for a family of three). Medicaid covers children at lower levels of income.

State Programs. Medicaid and SCHIP are funding sources tied to specific Federally-determined populations. The state uses those funding sources to purchase health care through both managed care and fee-for-service programs. The managed care program is called "HealthWave," KHPA's best-known and most widely

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advertised product line. Both Medicaid- and SCHIP-eligible children and families have been enrolled in HealthWave since FY 2002. By state law, all 34,791 SCHIP children must be enrolled in managed care, which means all are enrolled in HealthWave. As of January 2007, about 145,000 Medicaid beneficiaries – mothers and children – are also eligible to be enrolled in HealthWave. To distinguish the Medicaid and SCHIP populations within HealthWave, KHPA often refers to the HealthWave-XIX and HealthWave-XXI populations, a direct indication of the SSA funding rules and eligibility criteria that apply to the HealthWave program.

Healthy Kansas First Five Proposal

Despite the availability of these programs and years of outreach effort, there are still today at least 40,000 Kansas children under the age of 18 without health insurance. Of those children, 15,000 are under the age of five, the most formative years when access to prevention-oriented health care is most critical. These estimates pre-date the implementation of the citizenship verification requirements and do not reflect the decline in HealthWave enrollment, and likely the increase in the number of uninsured children, associated with those requirements. KHPA is addressing the impact of the citizenship verification requirements in its budget proposal.

As the leading agency on health and health care services, the Kansas Health Policy Authority is committed to providing access to care, especially care that is cost effective for the state in the long term. To help give our children the critical healthy start in life, KHPA proposes expanding access to care for children through the creation of the Healthy Kansas First Five Program. This program would expand health care coverage to children age five and under from low and moderate income families who lack health care insurance by expanding affordable options through the HealthWave program.

This program was introduced last year by Governor Sebelius, but not funded by the Legislature. The KHPA Board considers access to care for Kansans a critical component of a coordinated health agenda for Kansas, and this program in particular a high priority this upcoming legislative session.

Healthy Kansas First Five is designed to significantly reduce the number of uninsured children below the age of five. It is estimated that 2,000 children would be served in the first year of operation (2008), with additional enrollment expected thereafter.

How Healthy Kansas First Five Works

To better explain how Healthy Kansas First Five would work, I want to give you background information on our current stairstep income thresholds for Medicaid and SCHIP eligibility. Then, I will provide you with a description as to how we would expand eligibility to include the 15,000 children under the age of five who are not insured currently.

Background on Stairstep Income Thresholds Distinguish Medicaid and SCHIP Eligibility. Eligibility for public health insurance in Kansas can be based on family income, disability, or other specific health care needs, e.g., long-term care or community-based support. Most Medicaid - and all SCHIP - enrollees are eligible solely because of their family's low income. These populations also comprise the vast majority of our HealthWave program. Income-based eligibility in Medicaid and SCHIP is tied to Federal Poverty Levels (FPL). Medicaid covers the poorest Kansas children, while SCHIP covers children with incomes that exceed Medicaid limits but are less than 200% of the FPL. Because Medicaid income thresholds decline with age, the dividing line between Medicaid and SCHIP poverty-related eligibility is commonly referred to as a "stairstep."

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- The highest Medicaid income threshold is 150% of the FPL and applies to infants less than one and their pre- and post-partum mothers.
- The next highest Medicaid income threshold is 133% of the FPL applies to children ages 1 through five.
- The lowest eligibility ceiling for children is 100% of FPL and applies to children ages 6 through 18.
- SCHIP funding is used to provide health coverage for children in each age group above the Medicaid eligibility levels up to 200% of FPL.

Healthy Kansas First Five Plan to Expand Thresholds. To provide coverage options for Kansas children under the age of five, KHPA proposes to expand the stairstep income eligibility thresholds in these age ranges.

The upper income limit for the HealthWave program would increase from the current level of 200% of the poverty level (yearly income of approximately \$33,200 for a family of three) to 235% of the poverty level, and to create a state-only funded HealthWave buy-in option for young children in families up to 300% of the poverty level. Both components require families to pay a premium related to their level of income. Above 300% of poverty, families would be allowed to enroll their children at the full actuarial cost of the HealthWave benefit. To remain within Federal spending limits for the HealthWave program, this proposal may require some families with incomes between 133% and 200% of poverty be transferred from HealthWave Title XXI to HealthWave Title XIX coverage. Medicaid eligibility for pregnant women would also be increased to approximately 185% of poverty, increasing expectant mothers' access to prenatal care.

Summary

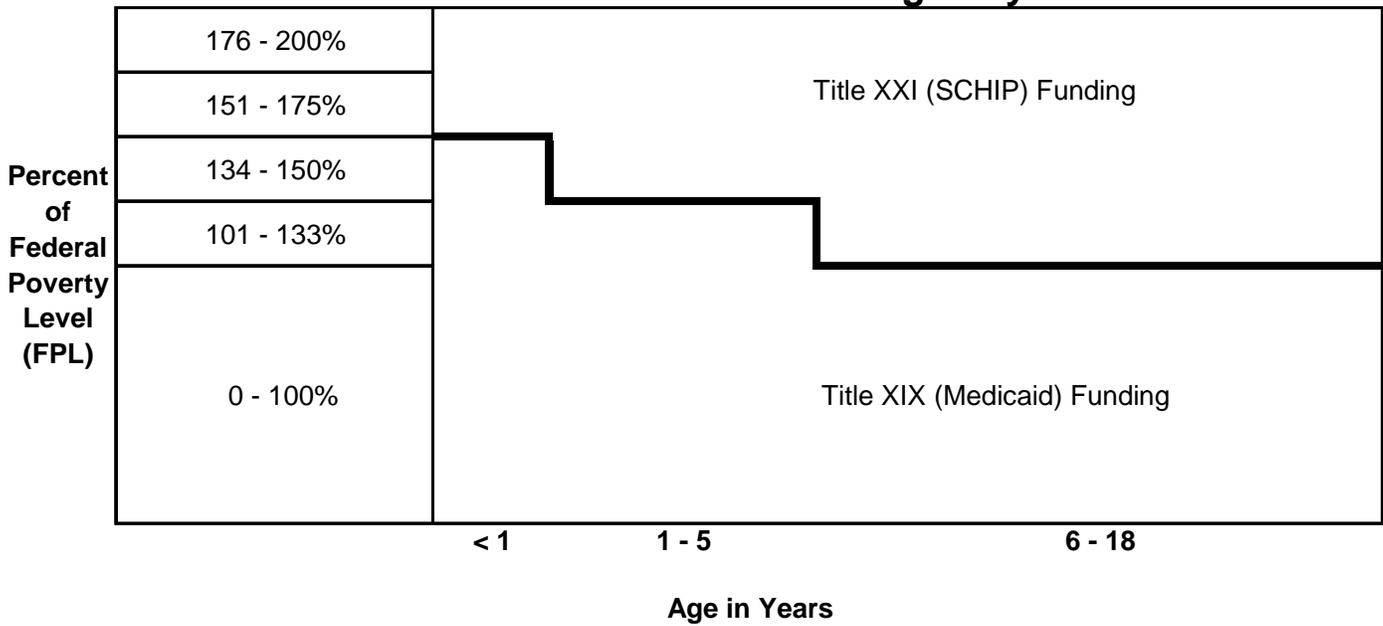
The KHPA Board voted in its November 2006 meeting to designate Healthy Kansas First Five as its top program priority for the 2007 legislative session. In addition, presenters at the various Board's Town Hall meetings offered support to this program. It is estimated to cost between \$4 million and \$6 million, annual cost SGF. Governor Sebelius has included \$4 million SGF and \$6 million All Funds for the State Fiscal Year 2008 Kansas Budget.

The Kansas Health Policy Authority's vision is to coordinate health and health care for a thriving Kansas. We hope you will join us in this effort to increase access to health care for Kansas children under the age of five.

Thank you for your time and I would be happy to answer questions.

ATTACHMENT 1

HealthWave Income Eligibility



Federal Poverty Level (FPL) for a Household of Three (3)

Percent of Federal Poverty Level (FPL)	Income Thresholds
200%	\$33,200
175%	\$29,050
150%	\$24,900
133%	\$22,078
100%	\$16,600