



BUDGET BRIEFING

DWIGHT EVANS, DEMOCRATIC CHAIRMAN

March 20, 2008

Pennsylvania Access to Basic Care

On March 17, 2008, the House of Representatives passed Senate Bill 1137 which was amended to provide affordable health care coverage to low-income adults and employees through the Pennsylvania Access to Basic Care (PA ABC) Program. Senate Bill 1137, which also makes changes to the Mcare program and extends provider abatements through 2017, still requires concurrence by the Senate before it can become law.

PA ABC would be available to eligible adults, age 19 through 64, with incomes up to 300 percent of the federal poverty level. As proposed, the existing adultBasic program would be rolled into PA ABC and the current waiting list for adultBasic would be eliminated. An estimated 143,000 adult Pennsylvanians would receive health care coverage during the first year of PA ABC, including 55,000 individuals currently insured through adultBasic and 80,000 individuals currently on the adultBasic waiting list. **By year five, an estimated 272,000 adult Pennsylvanians would have health care coverage.** The PA ABC benefit package (which builds on coverage in the existing adultBasic program) includes prescription drugs, behavioral health services and chronic disease management.

The legislation stipulates that no provisions in Senate Bill 1137 shall take effect until at least \$120 million is designated for the Supplemental Assistance and Funding (SAF) Account established under this act to provide additional revenue to fund PA ABC. This means the Mcare abatements, PA ABC health care program, and CARE grants could not begin until the requisite funds, from whatever source, are designated by the General Assembly. Funding for the SAF Account will be taken up separately as part of the upcoming budget talks.

This budget briefing provides an overview of the PA ABC Program, including eligibility, benefits and funding. It also summarizes the Continuing Access with Relief for Employers (CARE) Grants program

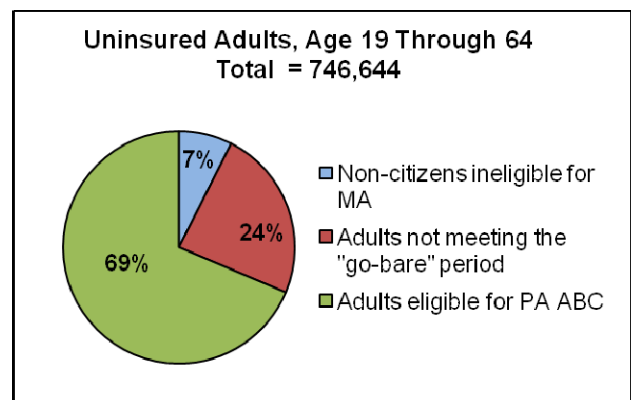
which provides incentives to certain small businesses that already provide health care coverage to their employees

Uninsured Adult Pennsylvanians

According to the 2004 statewide survey by the Insurance Department, nearly 747,000 adult Pennsylvanians between the age of 19 and 64 did not have health insurance.

It is estimated that **approximately 513,000 uninsured adults would be eligible for health care coverage** under PA ABC. The remaining 234,000 uninsured adults would not be eligible for PA ABC for two reasons:

- They do not meet the federal citizenship criteria for Medicaid eligibility; or
- They do not meet the proposed 180-day “go-bare” requirement for PA ABC (i.e., go without insurance).



PA Access to Basic Care

Eligibility for Participants

Adults who are age 19 through 64 years are eligible for health care coverage under PA ABC. In addition, eligible adults must meet the following requirements:

- Have income up to 300 percent of the federal poverty limit (FPL);
- Legally reside in the United States;
- Reside in Pennsylvania at least 90 days prior to enrollment;
- Be ineligible for Medicare and Medical Assistance; and
- Be uninsured for at least 180 days prior to application, with exceptions for adults who have lost health insurance due to a change in employment status or due to divorce, separation or death of a covered individual.

Employers that want to participate in PA ABC, providing coverage to employees who meet the above eligibility requirements, must meet the following criteria:

- Have two to 50 full-time employees;
- Have an average salary for all employees that is no greater than 300 percent FPL; and
- Have not offered health care coverage during the 180 days prior to application.

Premiums

Eligible adults with income up to 200 percent FPL would qualify for **subsidized coverage**. Eligible adults with income between 200 percent FPL and 300 percent FPL would qualify to purchase coverage at the full per member per month cost.

The legislation specifies 2008/09 monthly premiums for adults with income no greater than 200 percent FPL. The Insurance Department may adjust the monthly premiums in subsequent years to reflect changes in the cost of medical services.

The table at the bottom of the page shows the monthly premium that each adult enrolled in PA ABC would pay in 2008/09. For a married couple enrolled in PA ABC, the monthly premium would be doubled. There are no subsidized family premiums because children up to 300 percent FPL are eligible for Cover All Kids.

- For incomes no greater than 150 percent FPL (\$15,600 for an individual living alone and \$31,800 for a family of four), **each adult in the household may enroll for free** in PA ABC.
- For incomes between 150 percent FPL and 200 percent FPL (\$15,601 to \$20,800 for an individual living alone and \$31,801 to \$42,400 for a family of four), **each adult in the household would pay a monthly premium** of either \$40 or \$50, depending upon the income range of the household.
- For incomes between 200 percent FPL and 300 percent FPL (\$20,801 to \$31,200 for an individual living alone and \$42,401 to \$63,600 for a family of four), **each adult in the household could purchase PA ABC at the full monthly cost**, estimated at \$311 for 2008/09.

Employers pay a monthly premium that is at least 50 percent of full premium cost, but no less than \$150 per month per employee enrolled in PA ABC. Employees with income no greater than 200 percent FPL and who enter PA ABC through their employer pay the same premium as an eligible adult.

2008/09 Monthly Premiums for Adults Purchasing PA ABC			
Federal Poverty Level	Annual Household Income		Individual Premium
	Single Adult Living Alone	Adult in Family of 4	
0% - 150% FPL	< \$15,600	< \$31,800	\$0
150% - 175% FPL	\$15,601 - \$18,200	\$31,801 - \$37,100	\$40
175% - 200% FPL	\$18,201 - \$20,800	\$37,101 - \$42,400	\$50
200% - 300% FPL	\$20,801 - \$31,200	\$42,401 - \$63,600	\$311 *
* Estimated per member per month cost for PA ABC.			

Employees with income between 200 percent FPL and 300 percent FPL pay the full premium cost less the employer's share (that is, the employee pays no more than 50 percent of the full monthly cost).

The legislation offers PA ABC coverage as insurance of last resort for certain adults who have income above 300 percent FPL. An adult with income above 300 percent FPL may purchase PA ABC coverage at full cost if the individual can demonstrate the following:

- The individual cannot afford coverage because cost of coverage exceeds 10 percent of income, or the total cost of coverage is 150 percent greater than the premium established in the region.
- The individual has a pre-existing condition that prevents him/her from attaining coverage.

These are the same conditions that exist in Cover All Kids, enabling certain families above 300 percent FPL to purchase Cover All Kids coverage for their children.

Health Care Benefits

PA ABC provides comprehensive insurance coverage, including:

- Preliminary and annual health assessments
- Preventive and wellness care
- Emergency care
- Inpatient and outpatient care
- Prescription drugs
- Medical supplies and equipment
- Maternity care
- Skilled nursing
- Home health and hospice
- Chronic disease management
- Inpatient and outpatient behavioral health services

Health Savings Accounts

Senate Bill 1137 authorizes Health Savings Accounts (HSAs) as an alternative to PA ABC for eligible employees with income above 200 percent FPL. Employers may establish an HSA, on the behalf of an employee, from which account funds can be used to pay for the individual's medical expenses. Because HSAs often have a high deductible, which require the

individual to first pay out-of-pocket for their care, an employer can only offer an HSA to those employees with income above 200 percent FPL. Any HSA established by an employer must be approved by the Insurance Department and must be actuarially equivalent to the benefits provided under PA ABC.

PA ABC Funding

PA ABC **is not an entitlement** -- yearly enrollment is based on available funding. Senate Bill 1137 specifies the following revenue sources to pay for the program:

- Available balances from the Health Care Provider Retention Account (HCPRA), after funding has been provided for Mcare abatements and unfunded liability. HCPRA is projected to have a balance of \$504 million on June 30, 2008. \$258 million of this balance would be set aside to reduce the unfunded Mcare liability and \$246 million would be available for PA ABC and the CARE Grants. In year two and thereafter, the amount in HCPRA not needed for Mcare claims would be available for PA ABC and Care Grants.
- Existing Tobacco Settlement Fund (TSF) and Community Health Reinvestment Funds (CHR) used to support the adultBasic program, which would be folded into PA ABC.
- Premiums paid by individuals and employers for PA ABC coverage.
- Federal Medicaid matching funds received through the Medicaid Waiver that DPW obtains from the federal government to help finance the costs of PA ABC.
- State revenues designated by the General Assembly for deposit in the Supplemental Assistance and Funding (SAF) Account.
- Any other money designated specifically to fund the PA ABC program.

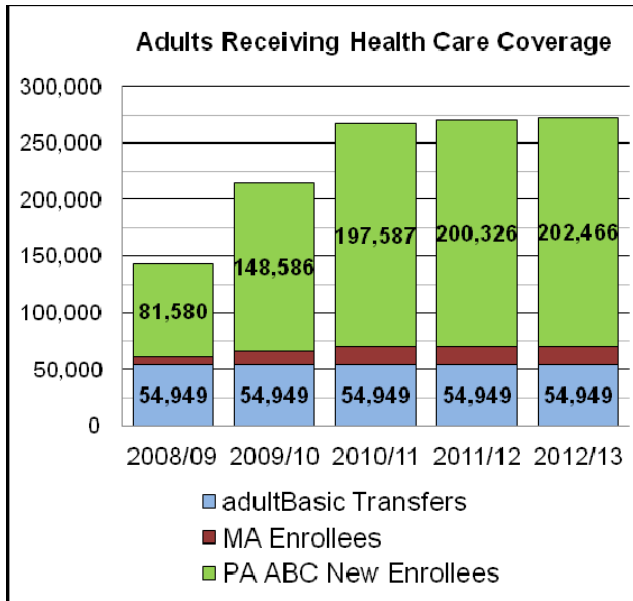
Enrollment

The goal of PA ABC is to provide health care coverage to 217,640 additional adult Pennsylvanians over the next 5 years. This represents 42 percent of the estimated 513,000 uninsured adults eligible for PA ABC.

The table on page 4 shows 5-year enrollment projections. These projections assume PA ABC implementation begins July 1, 2008 (with current Adult Basic enrollees transferring into PA ABC) and open enrollment begins October 2008 for all other adults. In addition, the projections include Medical

Assistance (MA) eligible adults who will be enrolled in MA as a result of PA ABC outreach efforts.

- Adults receiving health care coverage will increase from 142,683 in 2008/09 to 272,589 in 2012/13.
- 54,949 adults currently insured under adultBasic will transfer to PA ABC.
- Previously uninsured adults who will receive PA ABC coverage increases from 81,580 in 2008/09 to 202,466 in 2012/13. This includes adults who qualify for subsidized coverage and adults who “buy in” at full cost.



CARE Grants

Senate Bill 1137 includes \$42 million to fund Care Grants for small businesses that already provide health insurance to employees. To be eligible, an employer must have between two and 50 employees, pay an average wage that is no greater than 300 percent of federal poverty, and already has provided health care coverage at least twelve consecutive months.

Eligible employers may apply for a grant equal to 25 percent of the health care expense for each employee under 300 percent of federal poverty, and 50 percent of health care expense for the employee and his/her family. The amount of grant actually awarded cannot exceed the employer’s state tax liability.

QUESTIONS AND COMMENTS
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