GAO

United States
General Accounting Office
Washington, D.C. 20548

Health, Education and Human Services Division

B-275594

December 3, 1996

The Honorable Edward M. Kennedy
Ranking Minority Member
Committee on Labor and Human Resources
United States Senate

Dear Senator Kennedy:

Since 1987, the number of children covered by employment-based health insurance has decreased. By 1995, 9.8 million children lacked health insurance for the entire year. Studies have shown that uninsured children are less likely than insured children to get needed health care, including preventive care. Lack of such care can adversely affect their health status throughout their lives.

In the mid-1980s, several states began using state and other nonfederal funds to develop health insurance programs for uninsured children who were caught in the gap between private insurance and Medicaid. In addition to state efforts, Blue Cross/Blue Shield organizations throughout the United States developed privately funded programs to insure children. At the same time, the federal government and many states expanded eligibility for Medicaid, the primary source of insurance for poor children.[1] Some states received Medicaid waivers and extended coverage to more uninsured people using Medicaid funds. For example, Tennessee's TennCare program currently extends coverage to 300,000 people who would otherwise not be eligible for Medicaid and who were not insured. Some states combined non-Medicaid-funded state programs to insure lower income adults with coverage for children, with the children's portion funded through Medicaid.

[1]Health Insurance for Children: Many Remain Uninsured Despite Medicaid Expansion (GAO/HEHS-95-175, July 19, 1995) and Health Insurance for Children: Private Coverage Continues to Deteriorate (GAO/HEHS-96-129, June 17, 1996).

157838

We reported in detail on six such programs in five states[2] in our report, Health Insurance for Children: State and Private Programs Create New Strategies to Insure Children (GAO/HEHS-96-35, Jan. 18, 1996), providing information on enrollment, costs, funding sources, annual budget, and how the programs managed costs and were administered. In response to your request for more recent information, this letter details changes in the programs since 1995. To update information, we spoke with officials from these six programs. We did not, however, independently verify any of the information they provided. We performed our work in October and November 1996 in accordance with generally accepted government auditing standards.

All of the programs have had some kind of change–either in eligibility or in budget and number of children covered–with some expansions more extensive than others.

- The Alabama Caring Program for Children increased its family income eligibility limit from $9,500 to $12,000 annually to better reflect what a full-time worker at minimum wage would earn.

- The Florida Healthy Kids Program had a significant budget expansion, from $8.8 million in 1994 to $25.4 million in 1996. As of December 1996, it covers 23,000 children in 11 counties. By February 1997, the program will have expanded into a total of 16 counties, including some of the most populous counties in Florida, such as Dade County. By next year, the program expects to be covering about 45,000 children. In addition, it has received a grant from the Robert Wood Johnson Foundation to help five to seven other interested states replicate the program model.

- New York's Child Health Plus Program is expanding significantly. At present, it covers children through age 16 and does not provide inpatient coverage. Beginning in January 1997, the program will expand eligibility to age 19 and add inpatient coverage. Because of increased funding from the

---

[2]We visited and reported on two privately funded programs–the Alabama Caring Program for Children and the Western Pennsylvania Caring Program for Children–and four state-funded programs–the Florida Healthy Kids Program, the MinnesotaCare Program, New York's Child Health Plus Program, and Pennsylvania's Children's Health Insurance Program. We had selected programs that had at least 2 years' operational experience at the time of our visit and that represented a variety of approaches in diverse geographic areas.

Health Care Services Allowance, it expects to be able to expand enrollment from 110,000 to 251,000 children by 1999.

- The MinnesotaCare Program has expanded enrollment from 45,000 to almost 52,000 children in a program that covers low-income uninsured adults through state funding and children through state/federal Medicaid funding.

- Pennsylvania's Children's Health Insurance Program was designed to gradually increase the group of eligible children, year by year. As of October 1996, children up through age 17 were covered.

- The Western Pennsylvania Caring Program for Children has redesigned its eligibility criteria to complement the state-funded Children's Health Insurance Program to provide seamless coverage for children. In 1995, the Caring Program provided coverage without premium cost to children aged 16 through 18 in families with income up to 185 percent of the federal poverty level,[3] while the state-funded program provided coverage to younger children in families with similar income. Today, the Caring Program continues to cover children aged 17 through 18 in that income range with premiums at no cost to families. It has also expanded eligibility to children aged 6 through 18 with family income between 185 and 235 percent of the federal poverty level who are not eligible for the state-funded program. Families of children at these higher income levels pay part of the premium.

The attached enclosures provide more detailed information on program budgets, enrollments, costs, and services. They were designed to be comparable with tables and figures in our previous report.

We asked program staff to review this information and incorporated their technical suggestions where appropriate in this letter and its enclosures.

- - - - -

[3]The Federal Poverty Income Guidelines set the federal poverty level according to family size and income. In 1996, a family of three with annual income of $12,980 or less would have an income at or below 100 percent of the federal poverty level and would be considered poor. A family of three with annual income below $24,013 would have income below 185 percent of the federal poverty level.

We will make this correspondence available to others on request. Please contact me at (202) 512-7114 if you or your staff have any questions. This letter was prepared by Sheila K. Avruch.

Sincerely yours,

Jonathan Ratner for

William J. Scanlon
Director, Health Financing
and Systems Issues

Enclosures - 5

ENCLOSURE I

CHARACTERISTICS OF THE SIX PROGRAMS, OCTOBER 1996

Program name, type, and implementation date	Enrollment, 9/96	Cost per child per month	Funding sources	Annual budget, as of 10/96 (in millions)	Covered services	Premium, copayment, and deductible
Alabama Caring Program for Children (private, 1988)	6,500	$20.00	Private donations, Blue Cross/Blue Shield	$1.6	Outpatient only	No premium, some copayments, no deductibles
Western Pennsylvania Caring Program for Children (private, 1985)	4,650	70.62	Private donations, Blue Cross/Blue Shield	1.8[a]	Outpatient; limited inpatient	Sliding scale premium, some copayments, no deductibles
Pennsylvania's Children's Health Insurance Program (state, 1993)	49,970	52.00[b] 63.00	State cigarette tax and state store revenue, state surplus, premium payments, insurer donations	34.6[c]	Outpatient; limited inpatient	Sliding scale premium, some copayments, no deductibles
New York's Child Health Plus Program (state, 1991)	110,248	56.45	Health Care Services Allowance raised through hospital assessments and premium payments	82.0	Outpatient only; inpatient to be added in 1997	Sliding scale premium, some copayments, no deductibles
Florida Healthy Kids Program (state, 1992)	18,045	49.00	State general revenue funds, several types of local matching funds, premium payments	25.4	Outpatient and inpatient	Sliding scale premium, some copayments, no deductibles
MinnesotaCare Program (state, 1992)	51,917	60.00	State and federal Medicaid funds, 2% tax on provider revenues, premium payments	75.6[d]	Outpatient and inpatient	Sliding scale premium, no copayments for children and pregnant women, no deductibles

Note: This enclosure corresponds with table 1 in GAO/HEHS-96-35.

[a]Includes BlueCHIP, a portion of the Pennsylvania's Children's Health Insurance Program also administered by the same staff in Western Pennsylvania.

[b]Average cost per child is lower for fully subsidized children (ages 1 through 17 with family income at or below 185 percent of the federal poverty level) than for partially subsidized children (from birth through age 5 with family income between 186 and 235 percent of the federal poverty level).

[c]Pennsylvania's Children's Health Insurance Program's fiscal year 1996-97 budget includes a one-time transfer of $5 million from revenues from state (liquor) stores and a carryover of $7.8 million from the previous year's budget, and $21.8 million from state cigarette tax revenues.

[d]MinnesotaCare's budget includes services for child and adult participants. Adult participants numbered 42,720 in September 1996. Eligibility and copayment rules and service limitations are somewhat different for children and pregnant women than for other adults.

ENCLOSURE II

PROGRAM ELIGIBILITY REQUIREMENTS FOR CHILDREN, OCTOBER 1996

Program	Ages	Family income limit	State resident	In school	Not eligible for or enrolled in Medicaid	Not enrolled in private insurance	Other require-ments
Alabama Caring Program for Children	0-18	$12,000 annually	■	■	■	■	■[a]
Florida Healthy Kids Program	5-19[b]	None		■	■	■[c]	■[d]
MinnesotaCare Program	0-20	275% of FPL[e]				■[c]	■[f]
New York's Child Health Plus Program	0-16	None	■		■	■[c]	
Pennsylvania's Children's Health Insurance Program	1-17[a] 0-5	185% of FPL 235% of FPL	■		■	■	
Western Pennsylvania Caring Program for Children	17-18 6-18	185% of FPL 235% of FPL	■	■	■	■	■[a]

Note: This enclosure corresponds with figure 1 in GAO/HEHS-96-35.

[a]All eligible children in a family must be enrolled.

[b]In 13 out of 16 counties, either children aged 3 through 4 who are siblings of enrolled children or who themselves are enrolled in preschool are eligible. In one county, siblings aged 1 through 4 are eligible. In two other counties, children younger than 5 are not eligible.

[c]Enrollment in other health insurance is allowed as long as the coverage has significant gaps and is not equivalent to the coverage offered under the state program.

[d]Children must also be enrolled in the National School Lunch Program to qualify for subsidized coverage, except in certain counties where community organizations also assess eligibility of children who may not have the National School Lunch Program at their schools.

[e]FPL stands for federal poverty level.

[f]Children whose family incomes are between 150 and 275 percent of FPL cannot have had access to employer-paid insurance for the 18 months before applying for MinnesotaCare.

AVERAGE COST PER CHILD PER MONTH FOR SERVICES COVERED BY PROGRAMS, OCTOBER 1996

Costs/services	Alabama Caring Program for Children	Florida Healthy Kids Program	Minnesota-Care Program	New York's Child Health Plus Program	Pennsylvania's Children's Health Insurance Program	Western Pennsylvania Caring Program for Children
Average cost per child per month[a]	$20.00	$49.00	$60.00	$56.45	$52.00[b] $63.00	$70.62
Primary & preventive care[c]	■	■	■	■	■	■
Emergency & accident care	■	■	■	■	■	■
Speech therapy		■[d]	■		■	■
Physical & occupational therapy		■[d]	■	■	■	■
Prescription drugs		■	■	■	■	■
Hospitalization & inpatient physician services		■	■		■[d]	■[d]
Mental health care		■[d]	■		■[d]	■[d]
Substance abuse care		■[d]	■	■[d]		
Vision care		■[d]	■		■[d]	■[d]
Hearing care		■	■		■	■
Dental care			■		■	■
Home health care		■	■		■	■
Ambulance services		■	■			■
Durable medical equipment & prosthetic devices		■	■			■
Podiatry		■[d]	■			
Chiropractic services		■[d]	■			■[e]
Family planning		■	■			
Other services	■	■[f]	■	■	■	■

Note: This enclosure corresponds with figure 3 in GAO/HEHS-96-35.

ENCLOSURE III

[a]Average cost reflects the total premium cost, regardless of the funding source, but excludes program administrative costs.

[b]Average cost for fully subsidized children aged 1 through 17 is $52 per child per month and for partially subsidized children birth through age 5 is $63 per month.

[c]Primary and preventive care services include well-child visits, immunizations, diagnostic testing, outpatient physician services, and outpatient surgery.

[d]These services have specific limitations.

[e]Chiropractic services are covered if ordered by the primary care physician.

[f]Preventive dental care is offered in some counties.

ENCLOSURE IV

COMPARISON OF FAMILY COST-SHARING PROVISIONS, OCTOBER 1996

Program	Income range, as a percentage of FPL	Family premium contribution per month per child by income range	Percentage enrolled by income range	Copay-ments	Service and amount of copayment
Alabama Caring Program for Children	$0-12,000[a]	$0	100	Yes[b]	Outpatient services-$5
Florida Healthy Kids Program	0-130 131-185 over 185	5-10[c] 13-30[c] 45-60[c]	68 15 17	Yes	Prescription drugs-$3, eyeglass lenses-$10, refractions-$3, nonauthorized emergency room visits-$25
MinnesotaCare Program	0-150 151-275	4 4-295[d]	66[e] 34[e]	No	None for children or pregnant women; for other adults, prescription drugs-$3, eyeglasses-$25, inpatient hospital charges-10%
New York's Child Health Plus Program	0-159 160-222 over 222	0 2.08 35-66.50[c]	86 13 1	Yes	Prescription drugs-$1-3, inappropriate emergency room use-$35
Pennsylvania's Children's Health Insurance Program	0-184 185-235	0 28.74-34.39[c]	95[f] 5[f]	Yes	Prescription drugs-$5
Western Pennsylvania Caring Program for Children	0-184 185-235	0 20/up to 50 per family	96 4	Yes	Prescription drugs-$5

Note: This enclosure corresponds with table 2 in GAO/HEHS-96-35.

[a]Alabama uses absolute dollar amounts for income eligibility determination.

[b]Preferred doctors may require a $5 copayment for some services; however, most doctors waive the copayment.

[c]Premium contribution varies by locale or insurer.

[d]Premium contribution varies by income level within specified range.

[e]Estimated by program officials for 1995.

[f]Estimated by program officials for 1996.

ENCLOSURE V

PROGRAMS' USE OF MANAGED CARE STRATEGIES, OCTOBER 1996

Program	Private provider networks	HMO	Gatekeeper/case manager
Alabama Caring Program for Children	■		
Florida Healthy Kids Program		■	
MinnesotaCare Program		■[a]	
New York's Child Health Plus Program	■	■	■
Pennsylvania's Children's Health Insurance Program	■[b]	■	
Western Pennsylvania Caring Program for Children	■[b]	■	

Note: This enclosure corresponds with figure 4 in GAO/HEHS-96-35.

[a]MinnesotaCare has enrolled all families with children in health maintenance organizations (HMO) and plans to place all other adult enrollees in managed care by January 1997.

[b]About 5 percent or less are enrolled in private networks.

(101529)

Ordering Information

The first copy of each GAO report and testimony is free. Additional copies are $2 each. Orders should be sent to the following address, accompanied by a check or money order made out to the Superintendent of Documents, when necessary. VISA and MasterCard credit cards are accepted, also. Orders for 100 or more copies to be mailed to a single address are discounted 25 percent.

Orders by mail:

U.S. General Accounting Office
P.O. Box 6015
Gaithersburg, MD 20884-6015

or visit:

Room 1100
700 4th St. NW (corner of 4th and G Sts. NW)
U.S. General Accounting Office
Washington, DC

Orders may also be placed by calling (202) 512-6000
or by using fax number (301) 258-4066, or TDD (301) 413-0006.

Each day, GAO issues a list of newly available reports and testimony. To receive facsimile copies of the daily list or any list from the past 30 days, please call (202) 512-6000 using a touchtone phone. A recorded menu will provide information on how to obtain these lists.

For information on how to access GAO reports on the INTERNET, send an e-mail message with "info" in the body to:

info@www.gao.gov

United States
General Accounting Office
Washington, D.C. 20548-0001

Bulk Rate
Postage & Fees Paid
GAO
Permit No. G100

Official Business
Penalty for Private Use $300

Address Correction Requested