

## SB08-160 Pro/Con Analysis

For the Health District of Northern Larimer County Board of Directors

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<b>Bill Title:</b>	Concerning Improvements to Health Care for Children
<b>Bill Sponsor:</b>	Senator Bob Hagedorn; Representative Ann McGihon
<b>Issue Summary:</b>	Raises Medicaid eligibility thresholds for children ages 6-18 to 133% of the federal poverty level. Raises CHP+ eligibility thresholds to 225% of the federal poverty levels. Provides for 12 month continuous eligibility for Medicaid
<b>Bill History:</b>	02/13/2008 Introduced In Senate - Assigned to Health and Human Services 02/28/2008 Senate HHS Refer Amended to Appropriations
<b>Date of Analysis:</b>	March 4, 2008
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### Bill Summary

This bill would raise eligibility levels for children to enroll for health care coverage through Medicaid or CHP+. The bill would raise Medicaid eligibility for children aged 6-18 years, from 100% of the federal poverty level (FPL) to 133% of FPL (\$27,465 annually for a family of four). The bill would also raise CHP+ eligibility from 205% of FPL to 225% of FPL (\$46,453 annually for a family of four). The bill would provide for 12 month continuous eligibility in the Medicaid program. The bill authorizes HCPF to increase the eligibility level for CHP+ up to 250% of FPL, subject to available appropriations, and directs the department to actively seek organizations to presumptively determine eligibility for Medicaid and CHP+.

### Background

SB 160 is on the agenda of both the Governor, who announced it as part of his “Building Blocks to Health Care Reform” package and the coalition of health care advocates convened by Colorado Coalition for the Medically Underserved (CCMU) under the umbrella of the Covering All Kids by 2010 Initiative. As envisioned by CCMU, the initiative is intended to achieve universal healthcare coverage of Colorado children by the year 2010.

The change in eligibility levels for kids aged 6-18 in the Medicaid program is an attempt to address what is commonly called the “stair step” issue. Because children under age 6 are eligible for the Medicaid program with a family income of up to 133% of FPL, but children over 6 are pushed into the CHP+ program if their family income is over 100% of FPL, families can have children enrolled in different health care plans with different benefit levels and providers. Enrollment in two different programs can be confusing for parents and difficult for the family to navigate. Raising Medicaid eligibility to 133% FPL would move about 16,500 children from the CHP+ program to Medicaid.

The current eligibility level for in the CHP+ program is at 205% FPL. The proposed bill would raise the CHP+ eligibility threshold to 225%FPL, enrolling an additional 16,000 children in the program by fiscal year 2010-2011.

SB 160 would provide for 12-month continuous eligibility in the Medicaid program. CHP+ currently has 12 month continuous eligibility.

As of the date of this analysis, the Governor has signaled his support for the portion of the bill that expands the income eligibility threshold for CHP+. It is likely that the Governor will seek funding for that portion of the bill by submitting an addendum to his budget request. There is less certainty around funding for the remaining provisions of the bill which carry the larger portion of the fiscal note.

### **Why is this issue important?**

Health insurance coverage plays an important role in children's health. Research has consistently demonstrated that children without health insurance are more likely to go without needed care and experience worse health outcomes compared to children with health insurance coverage. For example, children without health insurance coverage more frequently develop preventable complications such as a ruptured appendix resulting from appendicitis compared to children with health insurance.

There is consistent evidence that public programs are an essential part of the health insurance puzzle. According to Jessica Vistness, a senior economist with the Agency for Healthcare Research and Quality, "SCHIP and other public programs have provided a vital safety net for families in the past decade. There, [too], is a major trend forcing families to develop multiple sources of insurance from both private and public spheres to cover all of their members...[with] little evidence that this trend will change direction."<sup>1</sup>

### **Reasons to support bill:**

- Taken as a whole, the changes proposed in the bill would likely result in a net increase in the number of children covered by the public insurance programs and keep children consistently enrolled in the programs. Both the expansion of CHP+ eligibility and the change to the Medicaid program that would allow for 12 months of continuous eligibility would both enroll more children in the programs and keep kids from churning out of the program due to short-term changes in eligibility.
- Raising CHP+ eligibility to include children with family incomes up to 225% of FPL is important because most research indicates that families at this income level are not able to truly afford the purchase of private coverage. Depending on how "affordability" is defined, private health insurance coverage does not become affordable for families until income approaches 300-350% of FPL. The change to CHP+ eligibility is therefore greatly needed by working families in Colorado.
- Both keeping children consistently enrolled in the public insurance programs and enrolling new children who have not been eligible before would result in improved health outcomes by providing consistent access to health care. Research has clearly demonstrated that health insurance status plays an important role in children's health outcomes, with kids who have health insurance having greater access to necessary and preventive health care.
- Often, the barriers associated with under-utilization of public health care coverage stem from logistical aspects of the enrollment process that prevent parents from enrolling their children and keeping them enrolled. By providing for 12-month continuous eligibility and encouraging more presumptive eligibility sites, this bill will eliminate some of those barriers to enrollment.

### **Reasons to oppose bill:**

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<sup>1</sup> Vistness, J. (2008). Pathways to coverage: the changing roles of public and private coverage. *Health Affairs*. 27 (1). 44-57.

- Studies have shown that most public healthcare coverage plans are significantly under used. Many of Colorado’s children without healthcare coverage are already eligible under today’s standards. Extra funding, then, is better spent addressing the social, cultural, and operational reasons why eligible children are not enrolling in an existing plan rather than expanding the income eligibility thresholds for CHP+.
- Healthcare coverage is already available for children, aged 6-19 years, whose families’ annual income levels fall in the range of 101% - 133% FPL. Covering children through Medicaid costs the state more than covering children through CHP+, yet the proposed legislation will re-qualify thousands of children for Medicaid that are already eligible for coverage through CHP+. This would be an inefficient and costly use of public funds. However, Medicaid offers a more comprehensive set of benefits.
- Opponents of the bill are concerned that an increase in eligibility thresholds for public insurance programs leads to “crowd out” effect with regard to private insurance, as families who would otherwise have access to private insurance for their children switch to publicly funded programs instead. A review of the SCHIP program published as Congress was considering reauthorizing the program, found that, “estimates of substitution [of private for public coverage] varied widely across studies...However, a number of state-specific analyses indicate that few children covered under SCHIP had employer-sponsored coverage before they enrolled in the program and that most do not have access to employer insurance that covers their parents. Recent national data also suggest that fewer than one third of all SCHIP-eligible children with public coverage have at least one parent with employer-sponsored coverage and that even fewer have both parents covered under job-based insurance.”<sup>2</sup>

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#### **About this Analysis**

This analysis was prepared by Health District of Northern Larimer County staff to assist the Health District Board of Directors in determining whether to take an official stand on various health-related issues. Analyses are based on bills or issues at the time of their consideration by the Board and are accurate to the best of staff knowledge. It is suggested that people check to see that a bill has not changed during the course of a legislative session by visiting the Colorado General Assembly web page at [www.state.co.us/gov\\_dir/stateleg.html](http://www.state.co.us/gov_dir/stateleg.html). To see whether the Health District Board of Directors took a position on this or other policy issues, please visit [www.healthdistrict.org/policy](http://www.healthdistrict.org/policy).

#### **About the Health District**

The Health District is a special district of the northern two-thirds of Larimer County, Colorado, supported by local property tax dollars and governed by a publicly elected five-member board. The Health District provides medical, mental health, dental, preventive and health planning services to the communities it serves.

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<sup>2</sup> Kenney, G., and Yee, J., SCHIP at a Crossroads: Experiences to Date and Challenges Ahead, Health Affairs, March/April 2007, Vol. 26, No. 2