Fields of Opportunities

STATE OF IOWA

CHESTER J. CULVER, GOVERNOR
PATTY JUDGE, LT. GOVERNOR

DEPARTMENT OF HUMAN SERVICES
EUGENE I. GESSOW, DIRECTOR

January 14, 2009

Michael Marshall
Secretary of Senate
State Capitol
LOCAL

Mark Brandsgard
Chief Clerk of the House
State Capitol
LOCAL

Dear Mr. Marshall and Mr. Brandsgard:

Enclosed please find copies of a report to the General Assembly in response to the directive contained in Section 9 of H.F. 2539 to develop options and recommendations to allow children eligible for the ***hawk-i*** program to participate in qualified employer-sponsored health plans through a premium assistance program.

This report describes the Department's current Health Insurance Premium Payment (HIPP) Program for Medicaid-enrolled members and makes comparisons between the federal Medicaid legislation and the federal State Children's Health Insurance Program (SCHIP) legislation related to buying in to employer coverage.

The report also identifies strategies other states have utilized to implement premium assistance programs for their SCHIP-eligible populations. In all cases, states have opted not to implement the very cumbersome and administratively burdensome provisions of the federal SCHIP law. Rather, states have requested waivers from the Centers for Medicare and Medicaid Services (CMS) to implement programs that are much less cumbersome and more easily managed than what would otherwise be required.

If you have any questions about the contents of the report, please do not hesitate to contact me.

Sincerely

Molly Kottmeyer

Molly Kottmeyer
Legislative Liaison

Enclosure

cc: Governor Culver
Kris Bell, Senate Majority Staff
Peter Mathes, Senate Minority Staff
Zeke Furlong, House Majority Staff
Brad Trow, House Minority Staff
Legislative Service Agency

Premium Assistance for Employer Sponsored Insurance for *hawk-i* Eligible Children

Report of the Iowa Department of Human Services
to the Governor and General Assembly

January, 2009

Report to the Governor and General Assembly

Premium Assistance for Employer Sponsored Insurance for *hawk-i* Eligible Children

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Report to the Governor and General Assembly

Premium Assistance for Employer Sponsored Insurance for *hawk-i* Eligible Children

Executive Summary

The 2008 Iowa Legislature directed the Department of Human Services (DHS) to develop options and recommendations to allow children eligible for ***hawk-i*** to participate in Employer Sponsored Insurance (ESI) plans through a premium buy-in option.

Nationally, there is great interest in ESI premium assistance programs for several reasons. First, premium assistance builds on the employer-based system, the principal mechanism for providing health insurance in the United States. Secondly, state and federal governments are attracted to premium assistance because of its potential for reducing public costs by capturing the employers' premium contribution. Many also believe that subsidizing employer-sponsored insurance may strengthen low-income workers' attachment to the workforce, and may also reduce the substitution of public coverage for private coverage, commonly known as crowd-out. Lastly, premium assistance may enable all members of a family to be covered in the same health care plan.

Buying health insurance through an employer for people on public assistance is not a new concept. The Sixth Omnibus Budget Reconciliation Act of 1990 (OBRA 90), mandated states to pay the employee's share of cost-effective employer health insurance. Although mandated, very few states actually implemented the program before subsequent federal legislation made it optional.

Iowa's Health Insurance Premium Payment (HIPP) program for people who are on Medicaid has been recognized as one of the most successful employer buy-in programs in the country.

The purpose of the program is to reduce Medicaid expenditures by paying the employee's share of the premium when it is more cost-effective than paying for all the person's medical care with Medicaid. Medicaid provides "wrap-around" coverage for those services outside the scope of the purchased plan, such as deductibles, co-pays, and services not covered by the plan for people covered by the insurance who are Medicaid eligible.

Although Iowa has an existing HIPP program infrastructure that could be used to facilitate the development of an ESI premium assistance program for ***hawk-i***, the design differences between Medicaid and ***hawk-i*** and differing federal regulations around ESI premium assistance create administrative challenges. When implementing the provisions of the State Children's Health Insurance Program (SCHIP), Iowa took a combination approach that resulted in expanding Medicaid to 133 percent of the Federal

Poverty Level (FPL) for children in Medicaid and the creation of the stand-alone ***hawk-i*** program in which health insurance coverage is purchased through commercial insurance plans. There is an added element of complexity for states that have stand-alone programs.

As a result of the added complexity, most states opting to implement an ESI premium assistance program for children in their SCHIP programs have done so through 1115 waivers rather than under the prescriptive provisions of Title XXI.

This report describes the strategy of utilizing ESI to provide health care coverage for ***hawk-i*** eligible children and includes the results of research from various position papers and the experiences of other states that have implemented ESI premium assistance programs. Elements considered include:

PROS

- Iowa currently has a premium assistance program in place under Section 1906 of the Social Security Act, the HIPP program. The current computer system could be modified to add this additional program.
- It could reduce state costs for the ***hawk-i*** program by leveraging employer dollars for health care.
- Enrolling parents and children in the same plan increases the likelihood of using the coverage.
- Strengthens the private insurance market by providing more participants so that small businesses can afford to offer insurance plans.
- Encourages work and is consistent with the goals of private responsibility.
- Benefits employers by retaining employees longer because they have insurance coverage.
- Deters crowd-out.

CONS

- Iowa insurance law does not currently provide for Medicaid or SCHIP eligibility to be considered a "qualifying" event. For the program to be cost-effective, legislation would be needed which would allow the employee to enroll in the private employer-sponsored insurance at the same time as enrollment in a public program. Otherwise, the family would be limited to the annual open enrollment program for the private insurance coverage.
- The cost of employer-sponsored insurance is increasing rapidly which could make it difficult to establish cost-effectiveness and provide savings to the state program.
- There would be a significant upfront investment for the state and it could take several years before a cost-savings was shown.
- Enrollment in the program is complex and time-consuming.
- States have traditionally experienced low participation in ESI premium assistance programs, particularly if wrap-around benefits are not provided.
- The shifting nature of low-income families' employment status increases the labor intensity of administering the program.

Administrative Issues

- Assuring access to required minimum SCHIP benefits
- Assessing cost-effectiveness
- Staff assessment of all employer plans
- If the wrap-around option were chosen, a third-party administrator would be necessary, involving contracts and additional costs beyond those of premium reimbursement.
- SCHIP regulations stipulate that the program cannot spend more than 10% of the cost on administration.

ESI premium assistance is certainly an option for Iowa to consider in its efforts to provide health care coverage for children. However, lessons learned from other states that have utilized this option should be carefully studied and made use of by taking whatever preliminary steps are necessary to increase the participation in and the cost-effectiveness of such a program to the state and to the participants.

Report to the Governor and General Assembly

Premium Assistance for Employer Sponsored Insurance for *hawk-i* Eligible Children

Background

The 2008 Iowa Legislature directed the Department of Human Services (DHS) to develop options and recommendations to allow children eligible for ***hawk-i*** to participate in a qualified employer plan through a premium buy-in option.

Specifically, House File 2539 requires:

> H.F. 2539 section 9. Section 514I.5, subsection 7, Code Supplement 2007, is amended by adding the following new paragraph:
> NEW PARAGRAPH. l. Develop options and recommendations to allow children eligible for the ***hawk-i*** or ***hawk-i*** expansion program to participate in qualified employer-sponsored health plans through a premium assistance program. The options and recommendations shall ensure reasonable alignment between the benefits and costs of the ***hawk-i*** and ***hawk-i*** expansion programs and the employer-sponsored health plans consistent with federal law. The options and recommendations shall be completed by January 1, 2009, and submitted to the governor and the general assembly for consideration as part of the ***hawk-i*** and ***hawk-i*** expansion programs.

Nationally, there is great interest in employer sponsored insurance (ESI) premium assistance programs for several reasons. First, premium assistance builds on the employer-based system, the principal mechanism for providing health insurance in the United States. Secondly, state and federal governments are attracted to premium assistance because of its potential for reducing public costs by capturing the employers' premium contribution. Many also believe that subsidizing employer-sponsored insurance may strengthen low-income workers' attachment to the workforce, and may also reduce the substitution of public coverage for private coverage, commonly known as crowd-out. Lastly, premium assistance may enable all members of a family to be covered in the same health care plan.[1]

An Oregon researcher reported, "While parents may be covered under health insurance, three million children in the U.S. remain uninsured due to the cost". Dr. Jennifer De Voe of Oregon Health & Science University led this study in 2007. The study further showed that more than 2 million children is this country who have no health insurance of any kind have at least one parent who is covered by employer-provided medical coverage. Dr. De Voe states in an interview: "I think there's been a myth that all uninsured children have uninsured parents, and so if we cover the parents

[1] Source: Kaiser Commission report on "Medicaid and the Uninsured" – October 2003

we can cover the kids." She added, "In most cases the parents have insurance through work at reduced rate or no cost, but adding their family is unaffordable."

Current research quite naturally leads states to explore the possibility of utilizing ESI insurance coverage as a means of expanding health coverage to more children. In the light of experiences of those states that have pursued this effort, we are led to question the actual cost-effectiveness of pursuing this option, both in terms of the cost-savings for state programs and the cost-effectiveness for beneficiaries. Other states have found that the participants in ESI premium assistance programs often are faced with the responsibility of co-pays and deductibles, which they can ill-afford.

In addition, employer-sponsored coverage is governed by separate regulations than is public coverage. When states adopting a premium assistance program create a link with private and public coverage, they must ensure that their private insurance regulations support this linkage. An example of why this is important can be found in the current private insurance regulations that allow an employee to enroll in ESI only during a specific time period. This time period is usually once a year during a time usually referred to as "open enrollment". Once that time period has expired, usually only the occurrence of a "qualifying event" allows enrollment in this insurance. Typical qualifying events include a new hire, birth of a child, or a marriage. In order to implement a premium assistance program, the state's insurance regulations must allow for Medicaid or SCHIP enrollment to be considered a qualifying event for private insurance.[2] Without a change to existing insurance regulations, ESI premium assistance would be handicapped by low enrollment and participation.

Iowa's Health Insurance Premium Payment (HIPP) Program for Medicaid

Buying health insurance through an employer for people on public assistance is not a new concept. Section 1906 of the Social Security Act includes premiums in the definition of Medicaid-covered services.

The Sixth Omnibus Budget Reconciliation Act of 1990 (OBRA 90), mandated states to pay the employee's share of cost-effective employer health insurance. Although mandated, very few states actually implemented the program before subsequent federal legislation made it optional.

Iowa's HIPP program for people who are on Medicaid has been recognized as one of the most successful employer buy-in programs in the country. The HIPP program was implemented on July 1, 1991, to provide premium assistance for people who are on Medicaid and who also have access to insurance through an employer. Oftentimes, employer insurance is available, but is unaffordable for the employee to cover themselves and/or their family.

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[2] Source: State Health Policy Briefing, A Publication of the National Academy for State Health Policy. Covering All Children: Issue and Experience in State Policy Development - April 2008

The purpose of the program is to reduce Medicaid expenditures by paying the employee's share of the premium when it is more cost-effective than paying for all the person's medical care with Medicaid. Medicaid provides 'wrap-around" coverage for those services outside the scope of the purchased plan, such as deductibles, co-pays, and services not covered by the plan for people covered by the insurance who are Medicaid-eligible.

When a cost-effective employer health plan is available, participation in the program is a condition of Medicaid eligibility for the employee. While savings can be achieved through an employer buy-in program, the process of identifying cost-effective plans, enrolling eligible employees and keeping up with changes in the household, health plan or employment status is very labor intensive. The HIPP Unit is comprised of 15 FTEs who:

- Evaluate health plans for availability, covered services, and cost-effectiveness;
- Ensure enrollment in the plan when cost-effective;
- Authorize payment of premiums;
- Conduct annual eligibility reviews to ensure the plan remains cost-effective and that the Medicaid-eligible people in the household remain enrolled in the coverage;
- Act on changes that occur within the household that impact employer sponsored insurance (e.g. adding newborn children, job loss, premium increases, benefit or carrier changes, loss of Medicaid eligibility, etc.)

Approximately 98 percent of the premium payments made in the HIPP program are reimbursements for payroll deductions. Very few employers will accept direct payment in lieu of a payroll deduction. HIPP reimbursement payments are made on the same schedule as the employee is paid (e.g. weekly, bi-weekly, etc.). Families on public assistance have low-incomes and it is important that premium reimbursement for payroll deductions be made timely as not to impose a hardship on the family.

Iowa receives 50 percent federal matching funds for the administrative costs associated with the HIPP program. Premium payments are defined as a covered Medicaid service. Premium payments are funded at the same federal matching rate, approximately 63 percent, as any other Medicaid covered service.

Premium Assistance for Children on *hawk-i*

As with Section 1906 of the Social Security Act for Medicaid, Title XXI of the Social Security Act includes provisions that allow the purchase of ESI for children participating in a state's SCHIP program. States have three options in designing their SCHIP program:

1. Expand their existing Medicaid program; or
2. Implement an entirely new stand-alone program; or
3. Implement a combination program.

Iowa took a combination approach that resulted in expanding Medicaid to 133 percent of the Federal Poverty Level (FPL) for children in Medicaid and the creation of the stand-alone ***hawk-i*** program in which health insurance coverage is purchased through commercial insurance plans. As discussed later in this report, there is an added element of complexity for states that have stand-alone programs.

ESI buy-in was a topic included in the agenda at the health care summit hosted by DHS and the Child & Family Policy Center on September 11-12, 2008. Nationally recognized experts in child coverage programs attended the summit to assist Iowa in exploring options to maximize enrollment and retention of children in Medicaid and ***hawk-i***.

Cindy Mann of Georgetown University made the following points concerning the goals of pursuing ESI coverage:

- Lower public cost/share costs – Many employers contribute towards the cost of health insurance coverage for their employees and their dependents. Additionally, the size of the employer's risk pool may reduce the overall cost of coverage because costs are spread over a larger population. By supporting employees to buy into an employer plan, the state reaps the benefits of both the employer contribution and the lower overall cost of coverage.

- Covering family members in the same plan and utilizing the same provider network can keep families insured together – continuity of care. Providers are more likely to diagnose related conditions among family members when treating the entire family as opposed to an individual member.

- (Indirectly) cover other family members – As with Iowa's HIPP program, purchasing family coverage in order to provide coverage to eligible children often results in parents or ineligible children (e.g. children up to the age of 21 or 25 who are full-time college students) also being covered at no additional cost. This helps reduce the state's overall uninsured rate and reduces the burden on charity care and the use of emergency rooms for treatment of non-emergent medical conditions.

- Expand access to providers – The employer's provider network may provide access to providers and services that are not available under the ***hawk-i*** program (e.g. orthodontia).

- Promote ESI – Assistance with premium payments would promote employee enrollment in the employer's plan.

- Prevent crowd-out – Crowd-out is the phenomenon, or perceived phenomenon, that as public programs expand families will drop employer-sponsored coverage in order to take advantage of publicly funded programs. Assistance with premium payments would promote enrollment in the employer's plan.

Ms. Mann's summary concluded that:

- It makes sense to consider ways to pool contributions.
- To date, enrollment has been very low or modest although more opportunities arise as states expand coverage to more moderate income families.
- It is important to consider cost-effectiveness, particularly in light of rising private costs.
- Our strategy ought not to disadvantage children in terms of access to care.

Comparison of Federal ESI Buy-In Requirements for Medicaid & SCHIP

Element	Medicaid	SCHIP
Cost-effectiveness	The method by which cost-effectiveness is established is not specifically defined. In general, payment for a set of covered services cannot exceed the cost of providing those same services under Medicaid.	1. The State's cost for coverage for children under premium assistance programs must not be greater than the cost of other SCHIP coverage for these children; and 2. The State may base its demonstration of cost effectiveness on an assessment of the cost of coverage for children under premium assistance programs to the cost of other SCHIP coverage for these children, done on a case-by-case basis, or on the cost of premium assisted coverage in the aggregate.
Protections Against Substitution (crowd-out)	No provisions.	An enrollee must not have had coverage under a group health plan for at least 6 months prior to enrollment in a premium assistance program. A state cannot require an uninsured period of more than 12 months. States may permit

Element	Medicaid	SCHIP
		reasonable exceptions to the uninsured period (e.g. involuntary loss of coverage, economic hardship, etc.)
Participation	Currently no provisions. Iowa requires participation as a condition of eligibility. **	States cannot require participation as a condition of eligibility.*
Creditable Health Insurance	Currently no requirement. However, it is unlikely that plans that do not meet the definition of creditable health insurance would be determined cost-effective. **	The plan must qualify as creditable coverage under Section 2701(c)(1) of the Public Health Services Act*
Employer Contribution	Currently no requirement. If the health plan is cost-effective, the employer contribution is not a consideration.	Employer must contribute at least 40% of the cost.*
Supplemental Coverage for Benefits and Cost-Sharing Protection	Medicaid 'wraps around' the employer benefits to provide coverage for any non-covered services, deductibles and co-payments.	The state is required to provide supplemental coverage for each child enrolled in ESI premium assistance to cover items or services that are not covered, or are only partially covered, under the ESI plan; and to provide cost-sharing protection so that the family's cost does not exceed 5% of their gross annual income.*
Opt Out Provisions	Currently no requirement. Iowa requires enrollment in a cost-effective health plan be maintained as a condition of eligibility.**	The state must establish a process for permitting the parent of a child receiving premium assistance to disenroll the child from the ESI coverage and enroll the child in the state's regular SCHIP program in a manner that will ensure continuity of coverage.*

* Identifies the provisions of the Child Health Insurance Reauthorization Program Act of 2007 (CHIPRA 1), which is likely to be the basis of reauthorization of the program by the Obama Administration.

** Provisions may be amended under CHIPRA

Issues for Consideration

As noted earlier, there is an added element of complexity for states that have stand-alone SCHIP programs (such as ***hawk-i***) when implementing an ESI premium assistance program. As a result of the added complexity, most states opting to implement an ESI premium assistance program for children in their SCHIP programs have done so through 1115 waivers rather than under the prescriptive provisions of Title XXI. Some of the issues around program complexity are discussed below.

Administration:

Although Iowa has an existing infrastructure designed to determine cost-effectiveness and pay premiums under the HIPP program for people on Medicaid, a contracted third party administrator administers the ***hawk-i*** program. If the existing HIPP infrastructure were used to administer an ESI premium assistance program for ***hawk-i***, a significant amount of coordination between the two entities would have to occur. It is assumed this coordination would be accomplished through technology.

Wrap Around Benefits

One of the biggest challenges for stand alone programs is the requirement to provide wrap around benefits to supplement the coverage provided by the ESI coverage and ensure that family cost-sharing does not exceed 5 percent of the family's gross annual income.

People who participate in the HIPP program are also eligible for Medicaid. Therefore, Medicaid is available to supplement the ESI coverage and provide Medicaid-covered services that are not covered by the ESI plan. The Medicaid program has a claims coordination component already established to process claims for people who have other health insurance.

A claims coordination component does not exist under Iowa's ***hawk-i*** program because, unlike Medicaid, federal law requires that a child be uninsured in order to participate in the program. Rather, the Department pays commercial health plans a premium to provide ***hawk-i*** covered services. In order to provide wrap around benefits to cover services not provided by the ESI plan, the state would have to establish a process for benefit coordination and claims payment in addition to the ESI premium assistance process. This could be accomplished through contracts with the participating health plans that would then pay for the additional benefits on a fee-for-service basis. The cost of a claims coordination component has not been established.

Tracking Family Cost Sharing

In addition to providing wrap-around benefits, the state must ensure that the family does not expend more than 5 percent of their annual gross income in cost-sharing (deductibles, co-payments, etc.) under an ESI plan. This is problematic because traditionally, cost sharing and other out-of-pocket expenditure caps are based on the program in which the person is enrolled, not their household income. The state would have to establish a process to track the family's cost compared to their income and then provide reimbursement once expenditures exceeded the limit. Because household income varies, each family's cost-sharing cap could be different. This process further complicates the administration of an ESI premium subsidy program and increases administrative costs.

Opt Out Provisions

The state must have a process by which the family can opt out of the ESI premium assistance program at any time and enroll the child in the state's regular SCHIP program. It is unclear how these provisions apply in situations where the employer does not allow enrollment changes except during an open enrollment period. Allowing families to opt in and out of coverage further complicates program administration and will increase administrative costs.

Other State's Experience

The table below reflects the various options adopted by states[3]. As of October of 2007, twenty states were providing premium assistance in some form or another for their SCHIP population. Twelve of these states operated programs under the authority of Section 1906 of the Social Security Act (Medicaid expansion states). Thirteen states operated programs under both Section 1906 and 1115 waiver authority. No states have implemented ESI premium assistance programs under Title XXI authority.

	Authority		Mandatory enrollment?	Wrap around provided?	Minimum employer contribution
States with Premium Assistance Programs	1906	1115			
Arkansas		X	Yes	No	$15/enrollee/yr
California	X				
Georgia	X				
Idaho		X	Yes, adults only	Immunizations only	50%
Illinois		X	No	Immunizations	None

[3] Source - The State Health Policy Monitor, Premium Assistance - October 2007

	Authority		Mandatory enrollment?	Wrap around provided?	Minimum employer contribution
Iowa	X				
Maine	X	X	Yes	Yes	None
Massachusetts	X	X	Yes	Yes	50%
Missouri	X				
New Jersey	X	X	Yes	Yes	50%
New Mexico		X	Yes	No	$75/enrollee/mo
Nevada		X	No	No	50%
Oklahoma		X	Yes, not preg. Women	No	25%
Oregon		X	No	Yes	None
Pennsylvania	X				
Rhode Island	X				
Texas	X				
Utah		X	No	No	50%
Virginia	X	X	No	Immunizations	None
Wisconsin	X	X	Yes	Yes	Between 40-80%

An Urban Institute study published on May 16, 2003, focused on the experience of three states with premium assistance programs, Massachusetts, Mississippi, and Wisconsin. These were the first states with federally approved SCHIP premium assistance programs. The reasons given among the states for subsidizing employer-sponsored insurance were similar and included the following:

- A desire to expand health coverage to working families who could not otherwise afford employer-sponsored insurance;
- An interest in maximizing the use of financial resources by leveraging private funding "already in the system"; and
- The opportunity to deter the likelihood that SCHIP would crowd out private health insurance coverage.

Two states, Massachusetts and Wisconsin, actually implemented SCHIP premium assistance programs. The outcome of this study suggests several findings that might be useful to other states considering premium assistance.

- Outreach. A premium assistance program necessarily involves and requires the cooperation of employers. To gain the employers' support and cooperation, outreach campaigns might need to target employers and perhaps involve them in the design phase of the program.

- Enrollment. Both Wisconsin and Massachusetts learned they had to engage in time-consuming and challenging enrollment processes. Employer packages and costs had to be investigated and compared to the SCHIP benchmark.

- Outcomes. Both states felt their premium assistance programs were worthwhile, but struggled with relatively small numbers of enrollees.

This study concluded that the administrative complexity associated with the program and the small numbers utilizing the program would indicate that this might not be an efficient strategy for reducing rates of uninsurance among low-income children.

***hawk-i* ESI Premium Assistance in Iowa**

PROS

- Iowa currently has a premium assistance program in place under 1906 authority, the HIPP program. The current computer system could be modified to add this additional program.
- It could reduce state costs for the ***hawk-i*** program by leveraging employer dollars for health care.
- Enrolling parents and children in the same plan increases the likelihood of using the coverage.
- Strengthens the private insurance market by providing more participants so that small businesses can afford to offer insurance plans.
- Encourages work and is consistent with the goals of private responsibility.
- Benefits employers by retaining employees longer because they have insurance coverage.
- Deters crowd-out.

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- Iowa insurance law does not currently provide for Medicaid or SCHIP eligibility to be considered a "qualifying" event. For the program to be cost-effective, legislation would be needed which would allow the employee to enroll in the private employer-sponsored insurance at the same time as enrollment in a public program. Otherwise, the family would be limited to the annual open enrollment program for the private insurance coverage.
- The cost of employer-sponsored insurance is increasing rapidly which could make it difficult to establish cost-effectiveness and provide savings to the state program.
- There would be a significant upfront investment for the state and it could take several years before a cost-savings was shown.
- Enrollment in the program is complex and time-consuming.
- States have traditionally experienced low participation in ESI premium assistance programs, particularly if wrap-around benefits are not provided.
- The shifting nature of low-income families' employment status increases the labor intensity of administering the program.

Administrative Issues

- Assuring access to required minimum SCHIP benefits.
- Assessing cost-effectiveness.
- Staff assessment of all employer plans.
- If the wrap-around option were chosen, a third-party administrator would be necessary, involving contracts and additional costs beyond those of premium reimbursement.
- SCHIP regulations stipulate that the program cannot spend more than 10 percent of the cost on administration.

Recommendations

If Iowa is to pursue an ESI premium assistance program, it should be done under section 1115 waiver authority, which would allow the state to forego wrap-around features of the federal requirements. Providing wrap-around coverage, as is done with Medicaid under section 1906 authority, would be cost-prohibitive. It would require the establishment of a third party administrator to facilitate the wrap around benefits, which would add additional cost to the project. Federal code § 457.618 mandates a 10 percent limit on certain SCHIP expenditures. This includes administrative expenditures such as those required to administer any kind of wrap around coverage for the premium assistance program. While 1115 waiver authority lends itself to wide variation among the states policies that govern their premium assistance programs, of the eight states operating under this authority, only one, Oregon, provides wrap around coverage. Five other states provide wrap around coverage using this authority in combination with section 1906 authority (Medicaid).[4]

To implement this change...		Comments (list legal sites if applicable)
Is legislation required?	☑ YES ☐ NO	Authorizing legislation and an appropriation would be required
Are amendments to the administrative rules required?	☑ YES ☐ NO	
Are changes to IT systems needed?	☑ YES ☐ NO	The current HIPP system will need modified
Is there a fiscal impact?	☑ YES ☐ NO	The fiscal impact cannot be determined at this time and is dependent upon the ultimate design of the program.
What is the length of time needed to implement this change?		Minimum - 12 months
Other Comments:		Additional FTEs would be needed to administer the program.

[4] Source: State Policy Monitor - October 2007

Conclusion

ESI premium assistance is certainly an option for Iowa to consider in its efforts to provide health care coverage for children. However, lessons learned from other states that have utilized this option should be carefully studied and made use of by taking whatever preliminary steps are necessary to increase the participation in and the cost-effectiveness of such a program to the state and to the participants.