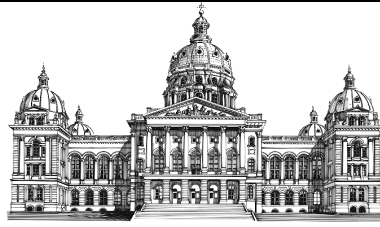


Iowa Legislative Fiscal Bureau

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State Capitol
Des Moines, IA 50319
August 28, 2000

Update on Iowa's Children's Health Insurance Program

ISSUE

Review of Iowa's Children's Health Insurance Program including Medical Assistance expansion and implementation of the Healthy and Well Kids in Iowa (HAWK-I) Program.

AFFECTED AGENCIES

Department of Human Services

CODE AUTHORITY

Public Law 105-33, Social Security Act, Title XXI
Chapter 249A, Code of Iowa

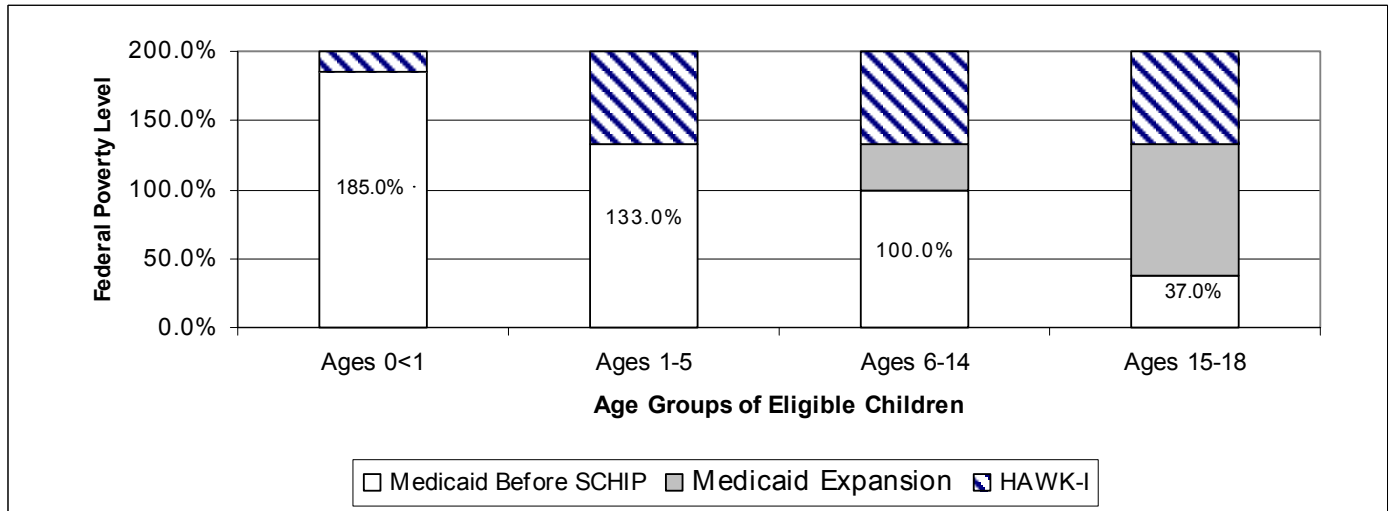
BACKGROUND

The federal State Children's Health Insurance Program (SCHIP) was established by the Balanced Budget Act of 1997 to provide health care coverage to uninsured low-income children, under age 19, living in families with incomes below 200.0% of the federal poverty level. Iowa implemented the SCHIP through a combination of Medicaid expansion and a new program entitled Healthy and Well Kids in Iowa (HAWK-I). Medicaid expansion was mandated in HF 2517 (1998 HAWK-I Program Act) which expanded coverage for children up to 133.0% of the federal poverty level effective July 1, 1998. The same Act created the HAWK-I Program providing coverage for children living in families with incomes between 133.0% and 185.0% of the federal poverty level effective January 1, 1999. House File 2555 (FY 2001 Tobacco Settlement Fund Appropriations Act) expanded the HAWK-I Program to provide coverage for children with family incomes ranging from 185.0% to 200.0% of the federal poverty level effective July 1, 2000. **Figure 1** illustrates SCHIP health insurance availability for eligible low-income children.

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Figure 1
SCHIP Eligibility By Program



CURRENT SITUATION

Enrollment:

The federal Health Care Administration has allocated approximately \$32.4 million annually to Iowa based upon an estimated 67,000 uninsured Iowa children. In early FY 1999, the Iowa Department of Human Services (DHS) estimated 55,000 of the uninsured children would be eligible for the Program, and established an enrollment target of 15,500 children in the Medicaid expansion category and 39,500 children in the HAWK-I Program by the end of FY 2000. As of June 30, 2000, 13,100 children were actually enrolled in the Program, with approximately 5,700 in the Medicaid expansion portion and 7,400 in the HAWK-I Program. The DHS estimates an average of 5,900 children will be enrolled in Medicaid expansion and 11,700 children will be enrolled in HAWK-I during FY 2001. **Attachment A** provides additional enrollment data. The DHS is attempting to increase enrollment through a variety of outreach programs including local grassroots efforts, billboards, public speaking engagements, and a State Outreach Coordinator.

Coverage Costs and Selection:

The average Medicaid expansion cost of insuring a child in FY 2001 is estimated at \$226 per month. The HAWK-I cost of insuring a child in FY 2001 depends upon whether the child receives services through a managed care provider (at a cost of \$91 per month) or through an indemnity provider (at a cost of \$118 per month). Under the HAWK-I Program, children are required to enroll for services through a managed care provider if a provider is available in the child’s home county or available in the county in which the child traditionally receives health care. If multiple managed care entities serve a county, enrollees may choose among the managed care providers. If managed care is not available in the child’s home county, the child may enroll for services through an indemnity provider until such time as managed care services become available (at which time, the child must switch to the managed care provider on the child’s enrollment anniversary).

Service Providers:

The DHS has contracted with three managed care entities to provide HAWK-I services in 44 counties during FY 2001. The managed care providers include Iowa Health Solutions, Unity Choice from Wellmark, and John Deere Health. The remaining 55 counties are served through Iowa's indemnity contractor, Wellmark Blue Cross Blue Shield. **Attachment B** provides a map illustrating county by county coverage.

Federal Freedom of Choice Waiver:

Senate File 2435 (FY 2001 Human Services Appropriations Act) directed the DHS to seek a federal waiver to permit families to choose between Medicaid and HAWK-I coverage. The DHS indicates it has been notified by the federal Health Care Finance Administration that a waiver is not available to grant families a choice of coverage plans. An amendment to the Balanced Budget Act of 1997 would be required to permit such flexibility, and the HAWK-I Board has sent a letter to Iowa's congressional delegation asking for the delegation's support of a statutory change.

BUDGET IMPACT

Available FY 2000 funding for the SCHIP was \$43.6 million in State and federal funds. Actual expenditures as of June 30, 2000, were \$16.0 million. The final accounting for FY 2000 does not occur until September, and year-end expenditures may vary significantly from actual expenditures on the last day of the fiscal year. It is anticipated approximately \$8.0 million of State General Funds will remain unexpended in the HAWK-I Trust Fund. An additional \$20.4 million of FY 2001 federal funds will remain unexpended and will be maintained for Iowa's use during the following three fiscal years. **Figure 2** details estimated FY 2000 SCHIP funding and expenditures as of June 30, 2000.

Figure 2**FY 2000 State Children's Health Insurance Program Funds and Expenditures**

Funding Sources		Expenditures	
Source	Amount	Category	Amount
FY 2000 GF Appropriation	\$ 10,250,000	HAWK-I Service Delivery	\$ 4,239,174
FY 1999 GF Appropriation Carryforward	1,015,000	Medicaid Expansion Service Delivery	10,379,186
FY 2000 Federal Funds	32,296,485	Outreach	150,620
Total	\$ 43,561,485	Administration	1,231,276
		Total	\$ 16,000,256

The FY 2001 appropriation for the SCHIP is \$5.2 million. The DHS is also permitted to carry forward approximately \$6.6 million in State funds which were appropriated for the Program but not expended in FY 2000. The combined \$11.7 million is eligible for a federal match of \$31.1 million, for total FY 2001 funding of \$42.8 million. **Figure 3** details the budgeted FY 2001 SCHIP funding and expenditures.

Figure 3

FY 2001 State Children's Health Insurance Program Funds and Expenditures

Funding Sources		Expenditures	
Source	Amount	Category	Amount
FY 2001 GF Appropriation	\$ 5,184,508	HAWK-I Service Delivery	\$ 16,129,363
FY 2000 GF Appropriation Carryforward	6,565,404	Medicaid Expansion Service Delivery	24,678,402
FY 2001 Federal Funds	31,053,410	Outreach	500,000
Total	<u>\$ 42,803,322</u>	Administration	1,495,557
		Total	<u>\$ 42,803,322</u>

The administrative funding limit continues to be an issue for Iowa and the majority of other states. Federal legislation requires that the amount of federal funding spent on administration and outreach not exceed 10.0% of federal funding spent on service dollars per federal fiscal year. A tension exists because states need to increase outreach funding in order to increase enrollment and service costs, but a proper balance between outreach and service dollars must be achieved to comply with the 10.0% administrative funding limit. In FY 1999, Iowa expended \$1.4 million on administration (13.2% of total service dollars). In FY 2000, Iowa is expected to expend \$1.4 million on administration (9.5% of total service dollars), and the FY 2001 budget includes \$2.0 million (4.9%) for administration. The DHS indicates it believes Iowa will meet the administrative funding limit for each of FY 1999-FY 2001.

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Attachment A

	<u>Actual FY 2000</u>		<u>Projected FY 2001</u>		<u>Projected FY 2002</u>	
	<u>Monthly Enrollees</u>	<u>Cumulative Enrollees</u>	<u>Monthly Enrollees</u>	<u>Cumulative Enrollees</u>	<u>Monthly Enrollees</u>	<u>Cumulative Enrollees</u>
Medicaid Expansion Enrollment						
Beginning Enrollment		5,654		5,701		5,993
July	-102	5,552	24	5,725	25	6,018
August	144	5,696	24	5,749	25	6,043
September	223	5,919	24	5,773	25	6,068
October	-210	5,709	24	5,797	25	6,093
November	273	5,982	24	5,821	25	6,118
December	11	5,993	24	5,845	25	6,143
January	-328	5,665	24	5,869	26	6,169
February	351	6,016	24	5,893	26	6,195
March	-170	5,846	25	5,918	26	6,221
April	-265	5,581	25	5,943	26	6,247
May	408	5,989	25	5,968	26	6,273
June	-288	5,701	25	5,993	26	6,299
SFY Average		5,804		5,858		6,157
HAWK-I Enrollment						
Beginning Enrollment		1,848		7,401		15,215
July	256	2,104	753	8,154	707	15,922
August	281	2,385	721	8,875	728	16,650
September	424	2,809	674	9,549	751	17,401
October	298	3,107	614	10,163	774	18,175
November	433	3,540	637	10,800	797	18,972
December	446	3,986	661	11,461	822	19,794
January	324	4,310	581	12,042	848	20,642
February	1017	5,327	598	12,640	875	21,517
March	607	5,934	615	13,255	903	22,420
April	557	6,491	634	13,889	933	23,353
May	390	6,881	653	14,542	963	24,316
June	520	7,401	673	15,215	995	25,311
SFY Average		4,523		11,715		20,373
Total SCHIP Enrollment						
Beginning Enrollment		7,502		13,102		21,208
July	154	7,656	777	13,879	732	21,940
August	425	8,081	745	14,624	753	22,693
September	647	8,728	698	15,322	776	23,469
October	88	8,816	638	15,960	799	24,268
November	706	9,522	661	16,621	822	25,090
December	457	9,979	685	17,306	847	25,937
January	-4	9,975	605	17,911	874	26,811
February	1368	11,343	622	18,533	901	27,712
March	437	11,780	640	19,173	929	28,641
April	292	12,072	659	19,832	959	29,600
May	798	12,870	678	20,510	989	30,589
June	232	13,102	698	21,208	1021	31,610
SFY Average		10,327		17,573		26,530

HAWK-I

Health Plan Coverage Areas



Iowa Health
Solutions
and
Unity
Choice

Wellmark
Indemnity



Wellmark
Unity Choice

★ John Deere
4-1-00

★ John Deere
5-1-00