



Pennsylvania's 2007 Health Care Proposal: Prescription for Pennsylvania

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Where Did the State's Coverage Expansion Efforts Start?

In recent years, Pennsylvania has implemented a number of programs to provide coverage to the state's uninsured residents.

In 2001, Pennsylvania started a program called AdultBasic. The program provides subsidized health coverage to low-income adults (adults with incomes up to 200 percent of poverty, or \$20,240 for an individual in 2007), including those without children or dependents. The state uses tobacco settlement money to fund this program. AdultBasic covers most kinds of preventive, hospital, and emergency care, but it does not cover prescription drugs or behavioral health services. As of June 4, 2007, AdultBasic had approximately 48,000 enrollees.¹ Enrollment is capped because state funding cannot meet the tremendous interest in the program. As of June 2007, the waiting list for AdultBasic was about 101,000.²

To address the problem of uninsured children, on March 1, 2007, Pennsylvania opened its Children's Health Insurance Program (CHIP) to all children in the state. This expansion relies on state and federal dollars to provide health coverage. CHIP enrollment was 161,402 as of June 2007, which represents a 1.6 percent increase since May 2007 and a 12.5 percent increase since June 2006.³ Enrollment is expected to continue increasing as more people become aware of the eligibility changes. Currently, Pennsylvania does not cover parents or pregnant women through its CHIP program.

Even with these expansions, state coverage of certain groups is still quite restricted, and many residents remain uninsured. For example, Medicaid coverage for low-income parents in Pennsylvania remains very limited: In order to be eligible for Medicaid, parents must have incomes below 31 percent of poverty (about \$3,166 a year for an individual).⁴

To expand coverage to even more of the state's uninsured, Governor Rendell introduced his plan for comprehensive health reform, Prescription for Pennsylvania, in January 2007. If enacted, this proposal would significantly expand health coverage for low- and middle-income families.

Prescription for Pennsylvania comprises three parts:

1. a public-private coverage partnership called Cover All Pennsylvanians (CAP),
2. a cost-containment agenda, and
3. a quality improvement platform.

The governor's proposal was introduced as House Bill 700, the Pennsylvania Health Care Reform Act. If passed, the Prescription for Pennsylvania proposal will target coverage to uninsured adults and small businesses.

Who Will Be Eligible for the Coverage Expansion?

If passed, Prescription for Pennsylvania would replace Pennsylvania's AdultBasic program with the Cover All Pennsylvanians (CAP) program.

Uninsured adults would be eligible for coverage through CAP if they meet the following criteria:

1. They have been a resident of Pennsylvania for at least 90 days;
2. They are not eligible for Medicaid or Medicare; and
3. They have a household income *below 200 percent of poverty* (\$20,420 for an individual in 2007) and have been uninsured for at least 90 days **OR** they have a household income *above 200 percent of poverty* and have been uninsured for at least 180 days.⁵

If a CAP-eligible adult is offered job-based coverage, Pennsylvania can opt to pay the employee's share of premiums to cover the adult and his or her dependents if the insurance commissioner decides that it is more cost-effective than providing coverage through CAP.

Some small businesses that do not currently provide insurance would be eligible to purchase subsidized health insurance products for their employees and their dependents through CAP. These businesses will be eligible to participate in CAP if they meet the following criteria:

1. They have between two and 50 full-time employees;
2. They have not offered health insurance to their employees for at least 180 days prior to enrollment; and
3. They pay an average annual wage that is lower than Pennsylvania's average annual wage (\$40,000 in 2007).

Businesses that participate in the CAP program must:

- enroll at least 75 percent of their employees who work 20 hours or more per week,
- pay at least 65 percent of the discounted CAP premium, and
- establish a program that enables employees to pay their premiums with pre-tax dollars.

How Much Will People Pay for Coverage?

Cover All Pennsylvanians (CAP) would provide subsidies to uninsured individuals and employees of small businesses to obtain health coverage. The premiums and subsidies for CAP coverage would be determined annually by Pennsylvania's Insurance Commissioner and could vary by region. Premiums would be indexed to the medical component of the Consumer Price Index.⁶

Uninsured adults with incomes below 300 percent of poverty (\$30,630 for an individual in 2007) would be eligible for subsidies on a sliding scale based on income. The Prescription for Pennsylvania bill provides the following subsidy estimates for the fiscal year beginning in July 2007:

- For individuals with incomes below 100 percent of poverty (\$10,210), the average monthly premium would be \$10.
- For individuals with incomes between 100 and 200 percent of poverty (between \$10,210 and \$20,420), the average monthly premium would be \$40.
- For individuals with incomes between 200 and 300 percent of poverty (between \$20,420 and \$30,630), the average monthly premium would be \$60.

In addition, individuals with incomes above 300 percent of poverty, including those with offers of job-based coverage, would be able to purchase CAP coverage at the full premium cost. The Governor's Office of Health Care Reform estimates that premiums will be \$280 per month in the first year (this may vary by region).⁷

Eligible small businesses would receive a discount of up to 30 percent on their monthly premiums under CAP. With this discount, the Governor's Office of Health Care Reform estimates monthly premiums to be \$200 per individual enrollee in 2007. The proposal requires small businesses to pay at least 65 percent of this amount, which is \$130. Employees would be required to pay the \$70 difference ($\$200 - \$130 = \70). Then, depending on his or her income, the enrollee could receive a subsidy to cover a portion of this expense. The amount that enrollees would have to pay themselves for insurance would be the same as those described in the bulleted list above for uninsured adults.

The Department of Insurance would be responsible for establishing "reasonable cost-sharing arrangements," which will be used by the insurers that administer CAP benefits, according to program guidelines for how high copayments, deductibles, and other fees may be. As of June 2007, no specific figures on cost-sharing had been disclosed.

What Benefits Will People Receive?

All insurance companies that offer coverage under CAP would be required to offer a basic benefit package that includes the following benefits:

- emergency care,
- inpatient and outpatient care,
- preventive and wellness care,
- preliminary and annual health assessments,
- prescription drug coverage,
- medical supplies and equipment,
- maternity care,
- chronic disease management,
- emergency dental care,
- inpatient and outpatient behavioral health services,
- skilled nursing care, and
- home health and hospice care.

Under CAP, individuals could not be denied coverage because of a preexisting condition, nor could a CAP plan exclude coverage for a preexisting condition.

Further details about the CAP basic benefits package and the limits placed on the amount of benefits to be offered would be determined by the Department of Insurance.

Who Will Provide Coverage?

Cover All Pennsylvanians (CAP) would be administered through private plans. The bill requests that health insurance companies submit proposals for state contracts to cover CAP enrollees in their plans. The state would then award one or more contracts to health insurers through a competitive bidding process. The bill requires Blue Cross insurance plans to submit proposals for coverage, but other insurance carriers would also be allowed to submit proposals for contracts.

Are There Any Incentives or Mandates to Encourage Participation in This Expansion?

Prescription for Pennsylvania would require full-time college and graduate students to obtain a minimum level of health insurance. If a college or university does not insist that students have health insurance as a condition of enrollment, the school will be fined. Other than this provision, the bill does not include an individual mandate, which would require individuals to obtain health coverage or pay a penalty for not having coverage. However, the governor has discussed phasing in an individual mandate for people with incomes above 300 percent of poverty.⁸

Prescription for Pennsylvania would establish an annual 3 percent “fair share tax,” which is a tax equal to 3 percent of wages for employers that do not provide qualified health coverage to their workers. The Department of Labor and Industry, in conjunction with the Department of Health, would determine whether the coverage an employer offers would be considered qualified coverage. Their decision will be based on the number of a company’s employees that enroll in CAP coverage, as well as on the premiums and other out-of-pocket expenses that are paid by employees. This tax will remain at 3 percent of wages until June 30, 2010, when the tax rises to 3.5 percent of wages. During the first five years of implementation, the state will offer a partial credit against the tax to employers to help them adjust to the new requirement.⁹

How Will This Expansion Be Financed?

A fund known as the CAP Fund would be established to administer the CAP program. The fund would comprise monies from the following sources:

- appropriations from general revenues,
- funding from the federal government,
- revenue from the fair share tax on employers,
- tobacco settlement funds, and
- funds that Pennsylvania Blue Cross plans would be required to reinvest in the community to fulfill their mission as nonprofit insurers.

Previously, the tobacco settlement funds and the funds from the Pennsylvania Blue Cross plans were used for AdultBasic, which would be replaced by the CAP program.

It is important to note that federal funding for CAP will depend on whether Pennsylvania is able to get approval of a Medicaid or SCHIP waiver, which would allow the state to draw down federal matching funds to cover some of the low-income groups served under this proposal.

Does Prescription for Pennsylvania Reform State Insurance Regulations?

As part of its cost containment agenda, Prescription for Pennsylvania would reform the private insurance market to make coverage more affordable for all families. The proposal would require all insurers that sell plans in the small group or individual market to do the following:

- Use modified community rating: Under modified community rating, insurers can take into account only an applicant’s age, geographic region, and family composition when setting premium rates. Insurers cannot base premiums on health status.

- Implement rate bands to limit variations in premiums: These rate bands, which set a floor and ceiling on premiums, can vary no more than 33 percent above or below the community rate that is established for each individual or small group applicant based on the criteria outlined above.
- Implement a medical loss ratio of 85 percent for small group carriers: The term “medical loss ratio” refers to a minimum percentage of premium dollars that must be spent on medical care, as opposed to administrative expenses.
- Offer a standard benefits package to individuals and small businesses: These standard packages must be guaranteed issue, which means that insurers are required to sell a policy to anyone who seeks one and cannot exclude preexisting conditions. These packages must include all of the benefits offered under CAP, except behavioral health benefits.

This proposal would also provide parents with the option of using their own health insurance to cover their dependents up to the age of 30, so long as the dependent is not married, has no dependents him or herself, and is a resident of Pennsylvania. The dependent also cannot have any other health coverage.

What Other Major Provisions Does This Reform Include?

As part of the plan’s cost containment agenda, Prescription for Pennsylvania will make health care more affordable by doing the following:

- Not-for-profit hospitals receive tax and other benefits as a result of their classification as charitable institutions and, in return, are supposed to provide a “substantial community benefit.” Prescription for Pennsylvania must ensure that the state’s non-profit hospitals provide an appropriate level of uncompensated goods and services, especially free and discounted care, in return for the tax breaks and other benefits they receive from the state and federal government. To this end, hospitals would be required to conduct community needs assessments and prepare community benefits reports, which would detail how they are meeting the health care needs of the community. Hospitals that are found to not be providing appropriate levels of uncompensated care would have to pay financial penalties.
- Require that hospitals and providers charge uninsured or self-pay patients the Medicare reimbursement rate for their health care services. Absent such a regulation, uninsured patients are often charged much higher rates for their medical care than insured people.
- Mandate that hospitals abide by uniform admission policies, meaning that hospitals must decide whether to admit a patient based solely on medical criteria and prioritize admissions based on urgency, without discrimination.

- Hospitals would also have to abide by fair billing and debt collection practices. Hospitals would be required to work with patients to connect them with financial resources and public programs for which they might be eligible.
- Restructure hospital billing and pricing policies to make them more transparent to patients.
- Develop three new price registries: a drug retail price registry, a hospital payment registry, and an outpatient procedure registry. These registries would include information on the payments received for the 50 to 150 most frequently prescribed medicines, frequent admission diagnoses, and frequent outpatient procedures. This information would be made available to consumers and would be combined with other databases to provide statistics on quality and price.

To make health care more accessible, Prescription for Pennsylvania would expand providers' scope of practice, meaning that nurses and other health care practitioners would be given more authority to examine and care for patients. The following providers would be granted this greater level of responsibility:

- certified registered nurse practitioners,
- clinical nurse specialists,
- physician assistants,
- nurse midwives, and
- independent dental hygienists.

To promote better quality of care, Prescription for Pennsylvania would do the following:

- Establish requirements for health care providers to eliminate hospital-acquired infections, reduce errors, and improve patient safety. To accomplish this, all hospitals and nursing homes would have to report health care-acquired (iatrogenic) infections to a central body, develop e-prescribing systems, submit annual reports on error trends, and improve patient safety trainings and resources.
- The proposal also includes a statewide smoking ban. Smoking would be prohibited in public areas, including places of employment, bars, restaurants, health care facilities, and a number of other enclosed areas that are open to the public. Violators would be subject to a financial penalty.

What Are the Strengths of Prescription for Pennsylvania? Are There Issues of Concern?

Strengths of this program include the following:

- It provides subsidized coverage to adults with incomes up to 300 percent of poverty (\$30,630 for an individual in 2007).
- It offers a benefits package that is more comprehensive than the one currently offered through AdultBasic.
- It creates an affordable insurance product for small businesses.
- It allows people to buy health coverage regardless of their health status.
- It improves overall insurance regulation in Pennsylvania, limiting insurer profits and administrative costs and prohibiting insurers from considering health status when they are setting premiums. It makes other improvements in the health care system to make quality health care more affordable and accessible for the uninsured.

Issues of concern include:

- Will funding be adequate to serve the need, prevent long waiting lists for CAP, and sustain affordable premiums over time?
- How will reasonable cost-sharing be defined?
- The law allows CAP plans to “limit benefits.” How will the extent of coverage under CAP plans compare to coverage offered in the commercial market?
- Will the state do anything to address the health care needs of the undocumented people in Pennsylvania who will not be covered under this plan?

For More Information

- For the full text of House Bill 700, go to <http://www.legis.state.pa.us/cfdocs/billinfo/billinfo.cfm?year=2007&sind=0&body=H&type=B&bn=0700>.
- For a summary of the legislation, go to <http://www.ohcr.state.pa.us/prescription-for-pennsylvania/PlainEnglishLegislation.pdf>.
- For a summary of the governor’s proposal, go to his Web site at <http://www.ohcr.state.pa.us/prescription-for-pennsylvania/index.html>.

Endnotes

¹ Pennsylvania Department of Insurance, *AdultBasic: Current Enrollment*, available online at <http://www.ins.state.pa.us/ins/cwp/view.asp?a=1336&Q=543266&PM=1&insNav=|>, accessed on June 4, 2007.

² Pennsylvania Department of Insurance, *Adult Waiting List Comparison by County*, available online at <http://www.ins.state.pa.us/ins/cwp/view.asp?A=1336&Q=544981>, accessed on June 13, 2007.

³ Pennsylvania Children's Health Insurance Program, *Enrollment by County*, available online at http://chipcoverspakids.com/interior.php?subPage=Partners_Facts, accessed on June 13, 2007; Governor Edward Rendell, Press Release, *Governor Rendell Announces Another Record Growth Month for Expanded CHIP Program, Renews Call for Action on "Prescription for Pennsylvania" Reform Plan* (Harrisburg, PA: June 11, 2007), available online at <http://www.state.pa.us/papower/cwp/view.asp?Q=464033&A=11>.

⁴ State Coverage Initiatives, *Coverage Profile: Pennsylvania*, available online at <http://www.statecoverage.net/profiles/pennsylvania.htm>, accessed on June 21, 2007.

⁵ Waiting periods do not apply to those individuals who are transferring from AdultBasic or other public programs, or to those who've lost their health insurance because of a change in employment status or divorce.

⁶ The Consumer Price Index (CPI) is a measurement of inflation at the consumer level. The medical component of the CPI tracks changes in medical care prices, which include hospital, medical, dental, and drug prices. Many state programs use the CPI as a measure of changes in consumer buying power, and they increase the level of benefits provided to reflect those changes. The Bureau of Labor Statistics tracks the CPI.

⁷ *Summary: Pennsylvania Health Care Reform Act*, Chapters 72 through 75 of Title 40 of the Pennsylvania Consolidated Statutes (Harrisburg, PA: The Governor's Office of Health Care Reform, 2007), available online at <http://www.gohcr.state.pa.us/prescription-for-pennsylvania/PlainEnglishLegislation.pdf>.

⁸ *The Prescription for Pennsylvania: An Overview* (Harrisburg, PA: Pennsylvania Budget and Policy Center, January 2007), available online at <http://www.pennbpc.org/pdf/prescriptionpa.pdf>.

⁹ The credit will be \$15,000 per quarter in the first year and \$3,981 per quarter in the fifth year.



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