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FISCAL IMPACT STATEMENT

LS 6526

BILL NUMBER: HB 1008

NOTE PREPARED: Feb 21, 2007

BILL AMENDED: Feb 20, 2007

SUBJECT: Health Coverage for Children and Adults.

FIRST AUTHOR: Rep. C. Brown

FIRST SPONSOR:

BILL STATUS: CR Adopted - 1st House

FUNDS AFFECTED: GENERAL
 DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) This bill increases the cigarette tax by 25.0 cents per pack for deposit in the Health Coverage Fund. The bill establishes the Health Coverage Fund to fund the Health Coverage Program.

The bill creates the Health Coverage Program, and requires establishment of a health coverage plan for all children and for adults with incomes below 100% of the federal poverty level (FPL), to be administered by the Office of the Children's Health Insurance Program (CHIP).

The bill increases the income limit for Medicaid eligibility for pregnant women and infants up to age 1 year from 150% to 200% of the federal income poverty level .

The bill provides for 12 continuous months of eligibility for an eligible child under Medicaid, CHIP and the Health Coverage Program.

The bill establishes the Healthy Indiana Task Force. It makes conforming changes.

The bill makes an appropriation.

Effective Date: Upon passage; July 1, 2007.

Summary of Net State Impact: (Revised) *Tobacco Tax Increase:* The bill provides for a \$0.25 increase in cigarette taxes; increasing the tax to \$0.805. The bill would change the distribution percentages currently in statute to hold the dollars constant for existing distributions while providing an estimated \$121.9 M and

\$123.4 M for FY 2008 and FY 2009, respectively.

Medicaid and CHIP 12-month continuous eligibility is estimated to cost in excess of \$23 M in state General Funds annually.

(Revised) The bill also requires a Medicaid State Plan amendment to expand Medicaid eligibility for pregnant women and infants from 150% of the FPL to 200%. This provision would create an entitlement for services to a total population estimated by OMPP to be approximately 14,733 pregnant women and an equal number of infants. Total cost of this provision is estimated to be \$160.1 M, or approximately \$60.9 M in state General Funds.

The cost of the Health Coverage for Children Program and the Health Coverage for Adults Program is indeterminate at this time.

The Office of the CHIP (Office) is required to conduct an annual study by regions of the state to establish reliable estimates of the number of children eligible and enrolled in various types of health care coverage and the health outcomes or benefits of using the health insurance. The cost of this study is not known at this time.

The Healthy Indiana Task Force is estimated to cost approximately \$16,500 per interim session.

Explanation of State Expenditures: Medicaid & CHIP Provisions

Medicaid and CHIP Continuous Eligibility: The bill would provide that children under the age of 19 years would be continuously eligible for 12 months following a determination of eligibility for Medicaid or CHIP. In the December of 2002, Medicaid Cost Containment Forecast savings estimated for the Medicaid Program due to eliminating continuous eligibility were \$23.5 M in state General Funds for FY 2005. The cost of re-instituting this provision is estimated to be somewhat higher due to increased enrollment. It is not clear from the forecast document if CHIP savings are included in the savings estimate. This provision would also apply to the expansion group added with the Health Coverage For Children Program.

(Revised) *Details on the Expansion of Medicaid Pregnancy Related Services* - The bill requires OMPP to apply for a Medicaid State Plan amendment to expand Medicaid coverage for pregnant women with incomes from 150% of FPL to 200%. A State Plan amendment would create an entitlement status for the new population group.

A Medicaid State Plan amendment could only be applied to the population of pregnant women up to 185% of FPL. However, the state has the flexibility to determine amounts of income that may be disregarded in determining financial eligibility and therefore could effectively implement a medicaid eligibility expansion to 200% of poverty for all pregnant women. The Plan amendment would also be required to cover the additional group of infants born with Medicaid coverage from birth until one year of age. This is a federal requirement. Under CHIP, a small percentage of the expansion group of infants already receive services subsidized by the state.

(Revised) *Medicaid Fiscal Impact - Pregnant Women:* This provision would create an entitlement for services to a total population estimated by OMPP to be approximately 14,733 pregnant women. The average cost of pregnancy care in the Medicaid program is reported to be \$8,421. Total cost of this provision is estimated by OMPP to be \$124.1 M, or approximately \$47.2 M in state General Funds. (This is the total cost to add the population of pregnant women to Medicaid.)

(Revised) *Medicaid Fiscal Impact - Infants*: All children born to mothers with Medicaid benefits are eligible to remain on Medicaid until their first birthday. If it is assumed that 14,733 infants become eligible for Medicaid as a result of the expansion for pregnant women, an additional annual cost of \$36.0 M or approximately \$13.7 M in state General Funds would result.

(Revised) *CHIP Impact - Infants*: Under the CHIP C program, all children in families with income between 150% and 200% of FPL can be covered at low cost to families. The premium amounts are between \$22 and \$50 per month, based on the family income and the number of family members covered. There are also small co-payments for some services. The expansion of eligibility for pregnant women under the Medicaid program up to 200% of FPL would also include the shift of all current CHIP infants, and any subsequently born, to the Medicaid program. CHIP premium revenue would be reduced by the amount being contributed to cover children under the age of one year who are in families with income below 200% but above 150% of FPL.

FSSA procurement documents estimated the size of this enrolled population to be 189 infants in CHIP C. If all infants projected to be enrolled in CHIP are assumed to be single children, the maximum annual loss of premium revenue would be approximately \$50,000.

Medicaid Reimbursement: The Medicaid Program is jointly funded by the state and federal governments. The state share of program expenditures is approximately 38%. Medicaid medical services are matched by the federal match rate (FMAP) in Indiana at approximately 62%. The CHIP program receives enhanced federal reimbursement of approximately 74%. The state share of the CHIP Program is approximately 26% for medical services. Administrative expenditures with certain exceptions are matched at the federal rate of 50%.

Health Coverage for Children Provisions

Health Coverage for Children: The bill creates the Health Coverage for Children Program to be administered by the CHIP program. The Program is to be coordinated with the existing children's health programs operated by the state. The CHIP Office is required to report details regarding the implementation of the Program to the Select Joint Commission on Medicaid Oversight, and the bill names that Commission as the forum for health care providers, advocates, consumers, and other interested parties to advise the Office with respect to the Program. The bill specifies the Office has rule-making authority to implement the Program.

Benefits: The Office is required to purchase, subsidize, or provide health coverage for eligible children that is identical to the coverage provided for children in the CHIP program with the exclusion of non-emergency transportation services. The Office may provide partial coverage for children that have health insurance coverage with a high deductible plan or may offer limited benefit packages to cover dental, vision, or provide other particular benefits. Children in the program are to have continuous 12-month eligibility as long as premium payments are made.

(Revised) *Cost Sharing*: The Office is required to adopt rules to establish cost sharing requirements to include copayments and coinsurance for health care services other than preventive care services and monthly premiums. All cost sharing requirements must be based on a sliding fee scale determined by family income.

(Revised) *Eligibility*: Eligible children must be state residents under the age of 19 years and not eligible for Medicaid or CHIP. Children must have been without health insurance coverage for at least 6 months, be a newborn with no affordable health insurance coverage, a child who lost insurance coverage due to a parent's

loss of employment, or a child who has lost Medicaid or CHIP coverage.

Required Study: The Office is required to conduct an annual study by regions of the state to establish reliable estimates of the number of children eligible and enrolled in various types of health care coverage and the health outcomes or benefits of using the health insurance. The Office is to: (1) survey families with children who have declined employer-sponsored health care coverage concerning the reason for declining the coverage; and (2) determine the comprehensiveness of employer-sponsored coverage for children, the levels of cost sharing required for that coverage and the amount of cost-sharing required of employees. The study is to compare data from year to year. The study is to be submitted to the Governor and the Legislative Council. Preliminary results are due not later than July 1, 2009, and the final report is due July 1, 2011.

Federal Financial Participation: The bill specifies that the Office shall cooperate with OMPP to request any necessary State Plan amendments or waivers of federal requirements to allow for the receipt of federal matching funds to implement the program. However, the bill specifies that the Program is to be implemented regardless of federal approval of amendments or waivers. If federal approval for the whole Program or some portion of the Program is not received, federal matching funds would not be available, requiring the program, or portions of it, to use 100% state funding.

(Revised) Health Coverage Fund: The bill creates the nonreverting, dedicated Health Coverage Fund to be administered by the Office. Money in the Fund is annually appropriated for the use of the Office in carrying out the Health Coverage for Children Program. Money in the Fund is to consist of distributions of cigarette tax revenue, appropriations, interest accruing from investments, and donations.

Health Coverage for Adults Provisions

(Revised) The bill requires the Office to establish a plan through which the Office provides or purchases health coverage for individuals who are age 19 and above who do not have health services coverage. The Office is required to design a plan to cover Indiana residents in households with income 100% of FPL or less. The benefits covered under the program are to be determined by the Office. The cost of this program is indeterminate.

Healthy Indiana Task Force

The bill would establish the Healthy Indiana Task Force consisting of 16 lay members. The Task Force is to study and provide guidance to the state concerning the expansion of coverage for health care services for all children in Indiana, to develop methods to increase the availability of affordable coverage for all Indiana residents, and to make recommendations to the Legislative Council before November 1, 2008. The committee is to operate under the policies governing study committees adopted by the Legislative Council. Legislative Council resolutions in the past have established budgets for interim study committees in the amount of \$16,500 per interim for committees with 16 members or more.

Explanation of State Revenues: *(Revised) Tobacco Tax Increase:* The bill provides for a \$0.25 increase in cigarette taxes; increasing the tax to \$0.805. The bill would change the distribution percentages currently in statute to hold the dollars constant for existing distributions while providing an estimated \$121.9 M and \$123.4 M for FY 2008 and FY 2009, respectively.

Medicaid: See *Explanation of State Expenditures* regarding federal reimbursement in the Medicaid Program.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Office of CHIP, OMPP, Family and Social Services Administration.

Local Agencies Affected:

Information Sources: Christy Tittle, Department of State Personnel, 317-232-3241; 2006 Annual Membership eSurvey, Wellness Councils of America, <http://www.welcoa.org/>. Employer Health Benefits Annual Survey, 2005 & 2006, Kaiser Family Foundation, <http://www.kff.org/>. State and Area Employment, Hours, and Earnings, U.S. Bureau of Labor Statistics, <http://www.bls.gov>.

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