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TESTIMONY OF JUDITH SOLOMON  
SENATE BILL 1137  
SENATE COMMITTEE ON BANKING AND INSURANCE  
JUNE 18, 2007

Thank you for the opportunity to testify before you today on Senate Bill 1137. I am a Senior Fellow at the Center on Budget and Policy Priorities and work primarily on state health policy issues. I had the opportunity to testify before the House Insurance Committee last year, and I commend the legislature for continuing its efforts to find a way to expand health coverage for Pennsylvania residents. Pennsylvania Access to Basic Care (PA ABC) would represent an important step in that direction.

Since 1981, the non-profit, non-partisan Center on Budget and Policy Priorities has worked at both the federal and state levels on fiscal policy and public programs that affect low- and moderate-income families and individuals. The Center conducts research and analysis to inform public debates over proposed budget and tax policies and to help ensure that the needs of low-income families and individuals are considered in these debates. The Center promotes fiscally responsible budgets at the state and federal levels, and is regarded as one of Washington's leading budget watchdog groups.

Over the last several years, I have been following and analyzing the efforts states are making to expand health insurance coverage and reduce the number of uninsured state residents. Unfortunately state budget problems have kept states from making much progress this year. While more modest than the original plan for Cover All Pennsylvanians, Senate Bill 1137 would allow Pennsylvania to move forward in a way that would cover thousands of uninsured Pennsylvanians and provide the state with federal matching funds for money it is already spending on Adult Basic.

**Senate Bill 1137 Would Bring New Federal Funds to Pennsylvania**

A large portion of the cost of the coverage expansion in PA ABC would be paid by state funds now funding Adult Basic. While the state pays the full cost of Adult Basic, federal matching funds would be available for PA ABC, thus stretching state dollars. Currently Pennsylvania gets \$1.18 in federal funds for every dollar it spends on its Medicaid program.

At least eighteen states have federal Medicaid waivers that allow the states to get federal funds to cover adults without children. In some states these waivers also cover parents with income above Medicaid eligibility levels. Many of these state programs, like Pennsylvania's Adult Basic program, were funded by state-only funds until the state obtained a waiver in order to get federal match.

States can use waivers to obtain federal matching funds to cover adults without children who are under 65 and not disabled. These adults cannot be covered under Medicaid unless the state gets permission to cover them through a waiver. States can also use waivers to provide coverage in ways not usually allowed under Medicaid rules. For example, with some exceptions, PA ABC will limit coverage to those who have been uninsured for 180 days. This is not usually allowed under Medicaid but can be allowed under a waiver.

I know that questions have been raised about whether the federal government would approve a waiver to cover adults with income up to 200 percent of the poverty line as contemplated in SB 1137. The answer is yes. The federal Centers for Medicare and Medicaid Services (CMS) has actually drawn the line for Medicaid waivers covering adults at 200 percent of the poverty line. Last month, CMS sent a letter to Oklahoma concerning the state's request for a waiver to cover adults with income up to 250 percent of the poverty line. The letter stated: "In order to ensure that those populations with the greatest needs are the focus of Medicaid funding, we have provided policy guidance to Oklahoma and to other states that CMS would consider adult expansions up to 200 percent of the FPL."

I also know that concerns have been expressed that enacting PA ABC could cause Pennsylvania to experience unexpected costs given the recent experience in Massachusetts where its health reform initiative has been more costly than expected. As currently designed PA ABC is very different from the Massachusetts health reform initiative. Massachusetts has a mandate that requires all state residents to have health coverage unless they can show that coverage is not affordable. A key component of the plan is subsidized coverage for all those who do not have an offer of employer coverage who have incomes below 300 percent of the poverty line. Because individuals must have insurance, the subsidized program is open to all who qualify.

Because more people ended up being eligible for subsidized coverage than the state expected, Massachusetts has experienced a shortfall in its budget for the subsidized program. This would not happen with PA ABC, because the design of the program does not include a mandate that state residents have coverage. In addition, SB 1137 authorizes the state to cap enrollment if necessary to stay within the program's budget.

Most states with Medicaid waivers that expand coverage for adults without children, like the waiver authorized by SB 1137, have caps on enrollment for this group. Waivers allow states to receive federal funds to provide coverage in ways not usually allowed under Medicaid, but the federal government will not provide more matching funds than it would have in the absence of a waiver. Because waivers must be budget neutral to the federal government, states cap enrollment of adults without children so that they do not end up in a situation where they exhaust the federal funds that are available to them. Without the ability to cap enrollment, the state is at risk of having to cut eligibility, benefits or provider payments in their Medicaid programs or pay for Medicaid with state-only funds.

So, while caps are not an optimal solution in that they can exclude eligible uninsured people if they are invoked, they do allow the state to stay within its budget. SB 1137 has such a cap, so enrollment can be halted if necessary.

## Senate Bill 1137 Would Improve Adult Basic

Adult Basic does not cover prescription drugs, but it covers office visits, emergency services and unlimited hospital days. Given that the program is for low-income adults with incomes below 200 percent of the poverty line (\$20,800 for a single individual), many participants likely have trouble filling their prescriptions. So, for example, a participant with asthma could end up in the emergency room or hospital because of an inability to afford the medications to control his or her asthma. Adult Basic would end up paying for the emergency room visit or the hospitalization that could have been prevented.

The new program, PA ABC, does include prescription drugs, medical supplies and equipment. It would also cover behavioral health services, which Adult Basic does not cover.

Besides providing comprehensive benefits, PA ABC would be affordable for low-income people. People with income below 150 percent of the poverty line would not be charged a premium. (I would suggest for administrative efficiency that you charge a single amount for those with incomes between 150 and 200 percent of the poverty line rather than split this group into two with a premium of \$40 a month for those with income between 150 and 175 percent of the poverty line and \$50 a month for those with incomes between 175 and 200 percent of the poverty line. Any increased collections for the second group would likely be outweighed by the administrative costs of tracking and making changes due to small fluctuations in income.)

Comprehensive benefits and limited cost-sharing are critical for low-income people. While some states are experimenting with high-deductible health plans and limited benefit plans for low-income people, these plans leave low-income people at risk of high out-of-pocket costs they cannot afford.

A survey by the Commonwealth Fund published this month found that the number of underinsured people in the United States is growing. The problem is particularly acute for people with low incomes, the group that would be covered by PA ABC. In 2007, only 28 percent of adults with income below 200 percent of the poverty line were insured and not underinsured for the entire year. Almost half (48 percent) were uninsured during the year and 24 percent were underinsured. People who are underinsured report problems like those reported by the uninsured. Over half (53 percent) of people at all income levels who were underinsured reported going without care, and 45 percent reported having problems paying medical bills.<sup>1</sup>

I know that an alternative proposal that would rely on free health clinics, volunteer doctors, and programs for free and low-cost prescription drugs was announced last week. These programs are not bad ideas and they would provide some help, but unlike SB 1137, these programs would not put Pennsylvania on a path to comprehensive coverage for uninsured state residents. Clinics need buildings, equipment, and funds for ongoing operations. Community health centers provide many low-income people with medical homes, but much of their funding comes from Medicaid. They cannot operate if all their patients are uninsured.

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<sup>1</sup> Cathy Schoen, et al., "How Many are Underinsured? Trends Among U.S. Adults, 2003 and 2007," *Health Affairs web exclusive*, June 10, 2008.

Volunteer physicians in Project Access initiatives in many communities play an important role in providing care, but these projects do not operate statewide and they are unable to provide all the services people need such as hospital care, behavioral health services and prescription drugs. There is no guarantee that these projects would develop in parts of Pennsylvania where the need is greatest. Moreover, like high-deductible health plans and plans with limited benefits, these initiatives would still leave low-income uninsured people at risk for unmet needs and medical debt. The alternative proposal would provide only about 8,000 people with actual coverage through the high-risk pool while SB 1137 is projected to cover an estimated 273,000 Pennsylvanians by 2013.

In closing, I want to again commend you for taking on the challenge of addressing the problem of uninsured state residents. We all hope that there will be action towards a comprehensive federal solution in the next few years, but to the extent you can alleviate the burden of uninsurance for thousands of state residents by improving Adult Basic and bringing in new federal funds, it makes no sense to wait for federal action. I would be happy to answer any questions you have today or in the coming days.