

Office of the
Legislative Fiscal Analyst

FY 2001 Budget Recommendations

Joint Appropriations Subcommittee for
Health and Human Services

Utah Department of Health
Children's Health Insurance Program (CHIP)

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1.0 Department of Health - Children’s Health Insurance Program (CHIP)

Summary

The 1998 Legislature passed House Bill 137, which established the Children's Health Insurance Program (CHIP) for the State. This program provides health insurance coverage to uninsured children up to age 19 living in families whose income is less than 200 percent of the Federal Poverty Levels. The program receives approximately 80 percent of its funding from Federal Funds, but requires a state match, which is coming from an assessment on hospitals operating in the State.

	Analyst FY 2001 Base	Analyst FY 2001 Changes	Analyst FY 2001 Total
Financing			
Federal Funds	\$18,136,200		\$18,136,200
GFR - Hospital Provider Assessment	5,306,200		5,306,200
Transfers	(\$1,400)		(\$1,400)
Total	<u>\$23,441,000</u>	<u>\$0</u>	<u>\$23,441,000</u>
Programs			
Children's Health Insurance	<u>\$23,441,000</u>		<u>\$23,441,000</u>
Total	<u>\$23,441,000</u>	<u>\$0</u>	<u>\$23,441,000</u>
FTE	1.0		1.0

3.1 Children's Health Insurance Program

Recommendation

The Analyst recommends funding in the amount of \$23,441,000 for FY 2001 to continue the health insurance coverage for those children who have enrolled in CHIP since its inception and projected enrollees through FY 2001. The projections are based on 30,000 uninsured children who would be eligible for the CHIP, approximately 70 percent of whom would apply for CHIP coverage.

The major funding source is Federal Funds, which will provide approximately \$18.1 million. The State's required match is expected at \$5.3 million. This \$5.3 million comes from an assessment on hospitals operating within the State (UCA 26-40-111).

	FY 1999	FY 2000	FY 2001	Est/Analyst
Financing	Actual	Estimated	Analyst	Difference
Federal Funds	\$5,532,593	\$16,017,100	\$18,136,200	\$2,119,100
GFR - Hospital Provider	2,000,000	4,154,500	5,306,200	1,151,700
Transfers			(1,400)	(1,400)
Total	\$6,894,197	\$20,171,600	\$23,441,000	\$3,269,400
Expenditures				
Personal Services	\$90,064	\$1,460,100	\$1,772,600	\$312,500
In-State Travel	681	700	700	
Out of State Travel	2,614	4,800	4,800	
Current Expense	292,105	345,300	290,800	(54,500)
DP Current Expense	750	700	700	
Other Charges/Pass Thru	6,507,983	18,360,000	21,371,400	3,011,400
Total	\$6,894,197	\$20,171,600	\$23,441,000	\$3,269,400
FTE	6.5	1.0	1.0	

Purpose

The Federal government created the State Children's Health Insurance Initiative (Title XXI) as a part of the Balanced Budget Act of 1997. The purpose of this act is to provide health insurance to children who (1) are age 18 or under, (2) live in families with incomes below 200 percent of the Federal Poverty Level, (3) are not eligible for Medicaid, and (4) are uninsured.

During the 1998 Legislative session, the Legislature passed House Bill 137 which established the Children's Health Insurance Program for Utah.

CHIP Funding

The major portion of the funding for CHIP comes from Federal funds. The authorized level of Federal Funds is tied to the State's Medicaid rate, but at an enriched level. Because the State of Utah has a relatively high Medicaid rate, the CHIP services match rate is also fairly high (approximately 80 percent), with the State putting up the balance of 20 percent. (The match for CHIP administrative costs is 50 percent). An assessment levied on hospitals in the State was established during the 1998 Legislature to provide the necessary revenue stream for the State's match requirement. The statute puts a cap of \$5.5 million on the assessment, and allows any balance from the \$5.5 million, after the match requirement, to help pay for Medicaid expenses. For FY 2000, approximately \$1.3 million was available and used in the Medicaid budget. For FY 2001, the Analyst utilizes \$5.3 million of the assessment for the CHIP, leaving just under \$200,000 for the Medicaid program.

The original estimate for the premium cost for the program was \$64 per member per month. With approximately one year of claims history, the actual rate (including dental benefits) is approximately \$72 for urban participants and \$100 for rural participants. The administration is looking at this discrepancy and trying to determine if this is accurate and the reason for the difference.

CHIP Benefit Package

The benefit package for the CHIP is based on the benefit package for public employees, but emphasizes prevention. Well-child exams and immunizations are covered at 100 percent. Some services require co-payments, depending on the family's income level.

Enrollment began the first part of August 1998. Through the end of FY 1999, 9,770 children had been enrolled - about 62 percent of whom are in families with incomes between 100 and 150 percent of poverty (Plan A), with the other 38 percent from families with incomes between 150 and 200 percent (Plan B). Approximately 45 percent of the enrolled children come from rural areas and 55 percent from urban areas. As of November 19, 1999, the total enrollment had grown to 12,893. The distributions between urban and rural and Plan A and Plan B remains as outlined above.

4.0 Additional Information: Children’s Health Insurance Program (CHIP)

4.1 Funding History

	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
	Actual	Actual	Actual	Estimated	Analyst
Financing					
Federal Funds			\$5,532,593	\$16,017,100	\$18,136,200
GFR - Hospital Provider Assessment			2,000,000	4,154,500	5,306,200
Transfers					(1,400)
Total	\$0	\$0	\$6,894,197	\$20,171,600	\$23,441,000
% Change				192.6%	16.2%
Programs					
Children's Health Insurance			\$6,894,197	\$20,171,600	\$23,441,000
Total	\$0	\$0	\$6,894,197	\$20,171,600	\$23,441,000
Expenditures					
Personal Services			\$90,064	\$1,460,100	\$1,772,600
In-State Travel			681	700	700
Out of State Travel			2,614	4,800	4,800
Current Expense			292,105	345,300	290,800
DP Current Expense			750	700	700
Other Charges/Pass Thru			6,507,983	18,360,000	21,371,400
Total	\$0	\$0	\$6,894,197	\$20,171,600	\$23,441,000
FTE			6.5	1.0	1.0

4.3 Federal Funds

Program		FY 1999 Actual	FY 2000 Estimated	FY 2001 Analyst
Children's Health Insurance Program	Federal	\$5,532,593	\$16,017,100	\$18,136,200
Title XXI CHIP	Required State Match*	1,618,300	4,685,000	5,304,800
	Total	7,150,893	20,702,100	23,441,000
	Federal	5,532,593	16,017,100	18,136,200
	Required State Match	1,618,300	4,685,000	5,304,800
	Total	\$7,150,893	\$20,702,100	\$23,441,000

* The Required State Match is paid for by an assessment on hospitals operating within the State (see UCA 26-40-111).