Office of the
Legislative Fiscal Analyst

FY 2002 Budget Recommendations

Joint Appropriations Subcommittee for
Health and Human Services

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

Contents:

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, beginning in FY 2001 is funded from proceeds from the Master Settlement Agreement between the State and tobacco companies.

Financing	Analyst FY 2002 Base	Analyst FY 2002 Changes	Analyst FY 2002 Total
Federal Funds	19,135,400		19,135,400
GFR - Tobacco Settlement	5,493,200		5,493,200
Total	$24,628,600	$0	$24,628,600
Programs			
Children's Health Insurance Program	24,628,600		24,628,600
Total	$24,628,600	$0	$24,628,600
FTE/Other			
Total FTE	4		4

3.1 Children's Health Insurance Program

Recommendation

The Analyst recommends funding in the amount of $24,628,600 for FY 2002 to continue the health insurance coverage for those children who have enrolled in CHIP since its inception and projected enrollees through FY 2002. 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 $19.1 million. The State's required match is expected at $5.5 million. This $5.5 million comes from funds received by the State in conjunction with the Master Settlement Agreement. (UCA 63-97-201 (4(a))).

Financing	2000 Actual	2001 Estimated	2002 Analyst	Est/Analyst Difference
Federal Funds	12,427,043	14,751,200	19,135,400	4,384,200
GFR - Hosp Provider Assess	4,154,500			
GFR - Tobacco Settlement		5,500,000	5,493,200	(6,800)
Lapsing Balance	(929,596)			
Total	$15,651,947	$20,251,200	$24,628,600	$4,377,400
Expenditures				
Personal Services	106,147	1,115,600	1,183,100	67,500
In-State Travel	590	4,400	4,400	
Out of State Travel	2,378	5,400	5,400	
Current Expense	556,704	418,100	418,000	(100)
DP Current Expense	1,341	55,300	45,300	(10,000)
Other Charges/Pass Thru	14,984,787	18,652,400	22,972,400	4,320,000
Total	$15,651,947	$20,251,200	$24,628,600	$4,377,400
FTE/Other				
Total FTE	1	4	4	

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.

Administration/ Service Cost Breakdown Intent Language

The 2001 Legislature also approved this item of intent language for this division:

It is the intent of the Legislature that the budget analysis for the Department of Health be presented with a breakdown between costs of administration and services delivered.

The Department reports that this budget is 8 percent administration.

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. This revenue source helped to fund the CHIP in FY 1999 and FY 2000. Last year, this revenue source was switched to the Tobacco Settlement Restricted Account and capped at $5.5 million

The premium cost for the program is approximately $69.40 per member per month (health and dental).

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, which vary, 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. Between November of 1999 and November of 2000, an additional 6,817 children have been added to the program, for a total population of 19,710. Currently, 59 percent are in Plan A and 41 percent are in Plan B. The distribution between urban and rural enrollees is 58 percent urban/42 percent rural.

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

4.1 Funding History

Financing	1998 Actual	1999 Actual	2000 Actual	2001 Estimated	2002 Analyst
Federal Funds		5,532,593	12,427,043	14,751,200	19,135,400
GFR - Hosp Provider Assess		2,000,000	4,154,500		
GFR - Tobacco Settlement				5,500,000	5,493,200
Lapsing Balance		(638,396)	(929,596)		
Total	$0	$6,894,197	$15,651,947	$20,251,200	$24,628,600
Programs					
Children's Health Insurance Program		6,894,197	15,651,947	20,251,200	24,628,600
Total	$0	$6,894,197	$15,651,947	$20,251,200	$24,628,600
Expenditures					
Personal Services		90,064	106,147	1,115,600	1,183,100
In-State Travel		681	590	4,400	4,400
Out of State Travel		2,614	2,378	5,400	5,400
Current Expense		292,105	556,704	418,100	418,000
DP Current Expense		750	1,341	55,300	45,300
Other Charges/Pass Thru		6,507,983	14,984,787	18,652,400	22,972,400
Total	$0	$6,894,197	$15,651,947	$20,251,200	$24,628,600
FTE/Other					
Total FTE		7	1	4	4

4.3 Federal Funds

Program		FY 2000 Actual	FY 2001 Estimated	FY 2002 Analyst
Children's Health Insurance Program	Federal	$12,427,043	$14,751,200	$19,135,400
Title XXI CHIP	Required State Match*	3,224,904	5,500,000	5,493,200
	Total	15,651,947	20,251,200	24,628,600
	Federal	**12,427,043**	**14,751,200**	**19,135,400**
	Required State Match	**3,224,904**	**5,500,000**	**5,493,200**
	Total	**$15,651,947**	**$20,251,200**	**$24,628,600**

* The Required State Match was paid for by an assessment on hospitals operating within the State (see UCA 26-40-111)in FY 2000 and from proceeds from the Tobacco Settlement in FY 2001 and FY 2002.