



## Increased Premiums and Co-payments Would Put Health Insurance Out of Reach for Many Low-Income Children

The Governor's 2008-09 budget proposal calls for increasing health insurance premiums and co-payments for children in the Healthy Families Program. **The Administration's own estimates indicate that implementing this policy would result in 60,000 to 70,000 children losing their health insurance.**

Healthy Families, California's version of the State Children's Health Insurance Program (SCHIP), provides low-cost health coverage for children in families with incomes too high to qualify for Medi-Cal, but too low to purchase private insurance. Parents with children enrolled in Healthy Families must pay monthly premiums for insurance and co-payments for some services.

### Governor's Budget Proposes to Hike Children's Premiums by as much as 78%

The Governor's budget proposes to increase monthly premiums:

- By 78% for children in families between 150-200% of the federal poverty level (FPL) (\$26,400 to \$35,200 annually for a family of three), to a new monthly premium of \$16 per child.
- By 27% for children in families between 200-250% FPL (\$35,200 to \$44,000 annually for a family of three) to a new monthly premium of \$19 per child.

### Higher Premiums Lead Directly to Decreased Enrollment of Children

A large body of research shows that even modest increases in cost-sharing result in health insurance becoming unaffordable and children losing coverage.<sup>1</sup> In low-income populations, sharp enrollment declines are consistently observed when premiums are a larger share of a family's income. For example, in 2003 when Maryland began charging monthly premiums of \$37 per family for children between 185-200% FPL previously receiving no-cost coverage, roughly 28% of those children disenrolled.<sup>2</sup> Maryland's Legislature later rescinded the premiums.

Healthy Families Program staff estimate that 17% of children in the 150-200% FPL bracket and 7% of children in the 200-250% FPL bracket are expected to disenroll, amounting to a total of 60,000-70,000 children losing health coverage. Our estimates, developed using actuarial models from the Center on Budget and Policy Priorities, support this number. Similar results – reduced enrollment or hastened disenrollment – have been seen in SCHIP programs in Arizona,<sup>3</sup> Florida,<sup>4</sup> Kansas,<sup>5</sup> Kentucky,<sup>3</sup> Maryland,<sup>2</sup> Missouri,<sup>6</sup> New Hampshire,<sup>5</sup> New Jersey,<sup>7</sup> Rhode Island,<sup>8</sup> and Vermont,<sup>9</sup> among others.

When children lose public coverage, they are likely to become uninsured. Public costs then *increase* when the site of care shifts from less costly doctor's offices and clinics to emergency rooms and hospitals. A 2006 study published in the *American Journal of Public Health* concluded that a \$10 increase in monthly SCHIP premiums would generate a 10% reduction in enrolled children and raise net public expenditures by 6%, largely due to high-cost emergency care.<sup>10</sup>

Increasing Healthy Families premiums would not erase our state's budget deficit. Such a policy would merely exacerbate future budget problems, while risking children's health.

## Increasing Co-Payments Would Jeopardize Children's Access to Needed Services

The Governor's budget also includes a proposed 50% increase in co-payments for children above 150% FPL – from \$5 to \$7.50 – for non-preventive services. Experience in other states shows that even fairly small increases in co-payments lead to reductions in the use of essential health care services and medications:

- When Washington State imposed new co-payments for recent immigrant children and families previously enrolled in a Medicaid look-alike program, many providers saw an increase in uncompensated care and emergency room usage. One pediatric hospital estimated that \$100,000/month was spent on children who had become uninsured after the policy change.<sup>11</sup>
- After Texas increased SCHIP co-payments from \$0-5 per office visit to \$3-7 (as part of a package of policy changes including increased premiums), children's enrollment dropped by 29%. The poorest children in the SCHIP program were the most likely to become disenrolled.<sup>12</sup>
- In 2003, after Oregon increased co-payments for basic services in its Medicaid program, physicians reported patients delaying needed care, cutting back on prescribed medications, or going hungry to pay for their medications. In the first three months of Oregon's simultaneous co-payment and premium increases, emergency visits by the uninsured increased by 17%.<sup>12</sup>

Children with chronic health conditions are the most vulnerable to the impact of increased co-payments. Because these children must regularly use both preventive and non-preventive services to maintain health, co-payments add up and create a serious financial hardship for their families.

What's more, this proposal will disproportionately affect low-income California families, who already spend a greater percentage of their income for health care than do middle-income families.<sup>13</sup>

## We urge the California Legislature to protect children's health and our state health care system by rejecting both premium and co-payment increases for children in the Healthy Families Program.

*The 100% Campaign, a collaborative effort of The Children's Partnership, Children Now and Children's Defense Fund California, was created to ensure that all of California's children obtain the health insurance they need to grow up strong and healthy. [www.100percentcampaign.org/](http://www.100percentcampaign.org/)*

<sup>1</sup> See for example Ku & Wachino, "The Effect of Increased Cost-Sharing in Medicaid: A Summary of Research Findings," Center on Budget and Policy Priorities, July 2005. [www.cbpp.org/5-31-05health2.htm](http://www.cbpp.org/5-31-05health2.htm).

<sup>2</sup> Maryland Department of Health and Mental Hygiene, Maryland Children's Health Program, "Assessment of the Impact of Premiums," April 2004. [www.dhmm.state.md.us/mma/pdf/MCHPSurvey-FINAL042604.pdf](http://www.dhmm.state.md.us/mma/pdf/MCHPSurvey-FINAL042604.pdf).

<sup>3</sup> Kenney, Marton, McFeeters, & Costich, "Assessing Potential Enrollment and Budgetary Effects of SCHIP Premiums: Findings from Arizona and Kentucky," *Health Services Research*, volume 42, December 2007.

<sup>4</sup> Shenkman, "Healthy Kids Program Changes in State Fiscal Year 2003-2004: Associations with Enrollee Case-Mix, Health Care Expenditures, and Disenrollment - A Report to the Healthy Kids Corporation," Institute for Child Health Policy, University of Florida, November 2004.

<sup>5</sup> Kenney, Allison, Costich, Marton, & McFeeters, "Effects of Premium Increases on Enrollment in SCHIP: Findings from Three States" *Inquiry*, volume 43 (4), Winter 2006/2007.

<sup>6</sup> Ferber, "Measuring the Decline in Children's Participation in the Missouri Medicaid Program: An Update," Legal Services of Eastern Missouri, September 2006.

<sup>7</sup> Miller, Gaboda, Cantor, Videon, & Diaz, "Demographics of Disenrollment from SCHIP: Evidence from NJ KidCare," *Journal of Health Care for the Poor and Underserved*, volume 15 (1), February 2004.

<sup>8</sup> MCH Evaluation, Inc., "Results of Rite Care Premium Follow-Up Survey #2," Center for Child and Family Health, Rhode Island Department of Human Services, July 2004. [www.ritecare.ri.gov/documents/reports\\_publications/RCPremium.followupsurvey2.pdf](http://www.ritecare.ri.gov/documents/reports_publications/RCPremium.followupsurvey2.pdf).

<sup>9</sup> Kappel, "Effects of Medicaid Premiums on Program Enrollment: Preliminary Analysis," Vermont Joint Fiscal Office, April 2004. [www.leg.state.vt.us/JFO/Healthcare/Medicaid%20Premiums.pdf](http://www.leg.state.vt.us/JFO/Healthcare/Medicaid%20Premiums.pdf).

<sup>10</sup> Johnson, Rimsza, & Johnson, "The Effects of Cost-Shifting in the State Children's Health Insurance Program," *American Journal of Public Health*, volume 96 (4), April 2006.

<sup>11</sup> Artiga & O'Malley, "Increasing Premiums and Cost Sharing in Medicaid and SCHIP: Recent State Experiences," Kaiser Family Foundation, May 2005. [www.kff.org/medicaid/upload/Increasing-Premiums-and-Cost-Sharing-in-Medicaid-and-SCHIP-Recent-State-Experiences-Issue-Paper.pdf](http://www.kff.org/medicaid/upload/Increasing-Premiums-and-Cost-Sharing-in-Medicaid-and-SCHIP-Recent-State-Experiences-Issue-Paper.pdf).

<sup>12</sup> Dunkelberg & O'Malley, "Children's Medicaid and SCHIP in Texas: Tracking the Impact of Budget Cuts," Center for Public Policy Priorities & the Kaiser Commission on Medicaid and the Uninsured, July 2004.

<sup>13</sup> Ku, "Charging the Poor More for Health Care: Cost-Sharing in Medicaid," Center on Budget and Policy Priorities, May 2003. [www.cbpp.org/5-7-03health.pdf](http://www.cbpp.org/5-7-03health.pdf).