

SENATE BILL REPORT

SB 5416

As Reported By Senate Committee On:
Health & Long-Term Care, February 1, 1999
Ways & Means, February 23, 1999

Title: An act relating to creating the children's health insurance program.

Brief Description: Creating the children's health insurance program.

Sponsors: Senators Thibaudeau, Eide, Patterson, Franklin, Rasmussen, Snyder, Wojahn, Bauer, Kohl-Welles and McAuliffe; by request of Governor Locke.

Brief History:

Committee Activity: Health & Long-Term Care: 1/25/99, 2/1/99 [DPS-WM].
Ways & Means: 2/22/99, 2/23/99 [DPS (HEA), DNPS].

SENATE COMMITTEE ON HEALTH & LONG-TERM CARE

Majority Report: That Substitute Senate Bill No. 5416 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Thibaudeau, Chair; Wojahn, Vice Chair; Costa, Deccio, Franklin, Johnson and Winsley.

Staff: Jonathan Seib (786-7427)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 5416 as recommended by Committee on Health & Long-Term Care be substituted therefor, and the substitute bill do pass.

Signed by Senators Loveland, Chair; Brown, Vice Chair; Fairley, Fraser, Kline, Kohl-Welles, Rasmussen, B. Sheldon, Snyder, Spanel, Thibaudeau, Winsley and Wojahn.

Minority Report: Do not pass substitute.

Signed by Senators Honeyford, Rossi and Zarelli.

Staff: Tim Yowell (786-7435)

Background: In August 1997, federal legislation was approved establishing the state Children's Health Insurance Program (CHIP) under a new Title XXI of the Social Security Act. Authorized for ten years, the program makes federal matching funds available to states at an "enhanced" rate in order to expand health insurance coverage of low-income children.

CHIP matching funds may be used to provide health coverage to children under 19 with family incomes below 200 percent of the federal poverty level (FPL), or 50 percentage

points higher than a state's Medicaid eligibility levels. The funds may not be used to cover any child who was eligible for coverage under an existing state program as of June 1997.

Since 1993, Washington has provided health insurance coverage through Medicaid and Basic Health Plus for children with family incomes up to 200 percent of FPL. Thus, Washington may receive CHIP matching funds only for children in families with incomes between 200 and 250 percent of FPL, and only for children within that range that state coverage is expanded to include.

The law allows the state to expand its coverage in one of three basic ways: (1) Medicaid expansion; (2) creating or expanding a separate program that provides coverage through participating insurers; or (3) a combination of both. Under option (1), the state would be required to follow all Medicaid requirements regarding, for example, the entitlement nature of the program, eligibility, benefits, and cost sharing. Option (2) would give the state greater flexibility regarding program design, but would require benefits consistent with one of three "benchmark plans" set forth in the federal law. Option (3) may require the state apply for waivers of Title XXI provisions through Section 1115 of the Social Security Act.

Washington's CHIP allotment for FFY98 and FFY99 is approximately \$46.7 million each year. To the extent needed to cover eligible children, the state would be able to draw on these funds at a matching rate of 66.51 percent, compared to a current Medicaid matching rate of around 52 percent. To preserve these allotments, the state must have a CHIP plan approved by the Health Care Finance Administration (HCFA) by September 30, 1999. Once a plan is approved, this allotment, and each annual allotment thereafter, may be drawn upon for up to three years after the allotment year. The state plan may be amended at any time, subject to HCFA approval.

Washington's congressional delegation has indicated its intention to continue working for an amendment to CHIP which would allow Washington to access the matching funds to cover children eligible but not enrolled in Medicaid under the state's current eligibility standards.

Summary of Substitute Bill: The children's health insurance program is created under the auspices of the Department of Social and Health Services (DSHS). The program, the benefits of which are not an entitlement, is to provide health insurance coverage to persons age 18 and under whose family income is between 200 and 250 percent of the federal poverty level.

DSHS is given general authority to design and implement the program consistent with the requirements of Title XXI of the Social Security Act, although enrollees will be required to receive coverage from a managed care plan and to share costs. The department is also explicitly authorized to purchase coverage for uninsured children whose families have access to dependent coverage.

DSHS is directed to seek a change in the federal law which would allow the state's CHIP dollars to be used to cover children under 200 percent of the federal poverty level, and to report back to the Legislature regarding these efforts.

Substitute Bill Compared to Original Bill: Language is added in the substitute directing DSHS to seek a change in the federal law which would allow the state's CHIP dollars to be

used to cover children under 200 percent of the federal poverty level, and to report back to the Legislature regarding these efforts.

Appropriation: None.

Fiscal Note: Available.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Testimony For (Health & Long-Term Care): Insuring that every child has health care means that children stay healthy, are ready to learn, and able to reach their full potential. Research shows that the cost of health coverage is climbing out of reach of many families whose income is just above 200 percent of poverty. CHIP is a promising strategy for the state to further expand health coverage for children. Washington State is one of only two states that have chosen not to participate in CHIP and is missing the opportunity to provide a vital support to working families. Not participating in CHIP means that the state forfeits its federal allotment, even though it contributes to the funding of the program, effectively exporting our tax dollars to other states.

Testimony Against (Health & Long-Term Care): None.

Testified (Health & Long-Term Care): PRO: Eileen Sullivan, Office of the Governor; John Neff, Children's Hospital and Regional Medical Center; Cassie Sauer, Children's Alliance; Majken Ryherd Keira, Friends of BHP, WATCH; Cynthia Shurtleff, Washington Chapter of the American Academy of Pediatrics, March of Dimes; Susie Tracy, Washington State Medical Association; Andy Davidson, Washington State Hospital Association.

Testimony For (Ways & Means): Children have lost health insurance coverage at a faster rate than any other population group. They are particularly vulnerable under our employer-based method of providing health insurance coverage. This bill will prevent lower income families from becoming impoverished if their child suffers a catastrophic illness. It will also help assure that children receive the routine, preventative care which prevents minor problems from developing into more costly and severe ones.

Not participating in the federal CHIP program effectively exports our tax dollars to other states. Participating in the federal program will give the state's congressional delegation additional leverage in getting a change in the federal law so that Washington can use some of its CHIP allocation for children under 200 percent of poverty.

Testimony Against (Ways & Means): None.

Testified (Ways & Means): PRO: Eileen Sullivan, Office of the Governor; John Neff, Children's Hospital; Tom Bedell, DSHS Medical Assistance; Mary Selecky, Department of Health; Cassie Sauer, Children's Alliance.