

## **North Carolina Medicaid for Children/SCHIP Eligibility Expansion**

### **Summary**

On July 31, 2007, Governor Mike Easley signed into law NC Kids' Care. NC Kids' Care is a new publicly subsidized insurance program for children in families earning 201 percent to 300 percent of the federal poverty level (FPL). Currently, North Carolina provides Medicaid and Health Choice (its SCHIP program) to children with family income up to 200 percent of the FPL.

Originally set for implementation on July 1, 2008, North Carolina is revisiting the implementation of the program as a result of funding limitations and new federal restrictions placed on states to use federal funds to provide coverage to children with family income above 250 percent of the FPL. In 2008, the state enacted revised legislation limiting the expansion to 250 percent of the FPL. Implementation is set for July 1, 2009.

The legislative enactment was primarily due to leadership provided by the Governor and legislature, and a long-term campaign conducted by community and advocacy organizations to address growth in the rate of uninsured children with family income above 200 percent of the FPL.

### **Background**

North Carolina's Medicaid program provides coverage to children ages 0 to 5 up to 200 percent of the federal poverty level (FPL) and children ages 6 to 18 up to 100 percent of the FPL. In 1998, North Carolina developed its State Children's Health Insurance Program (SCHIP), North Carolina Health Choice. North Carolina Health Choice was established as a separate SCHIP program and provides health coverage to children, ages 6 to 18, who are not eligible for Medicaid and in families with incomes up to 200 percent of the FPL. The state does not provide health coverage to immigrants who are not eligible for coverage under Medicaid/SCHIP. Data from the North Carolina Division of Medical Assistance show that in 2006 Medicaid and Health Choice covered more than 850,000 children.

Data from the Census Bureau's Current Population Survey indicate that enrollment gains in Medicaid and Health Choice have helped to drive a notable decline in the percentage of uninsured children in North Carolina—from 16 percent in 1998 to 10 percent in 2000. After 2000, however, the enrollment successes in Medicaid and Health Choice were not enough to offset a significant decline in children receiving coverage through their parent's employer and the consequent rise in the rate of uninsured children (which in 2005 rose to 13 percent).

During the summer of 2006, Action for Children North Carolina convened a broad workgroup of organizations—including children's advocates, the state chapter of the American Academy of Pediatrics, the North Carolina Hospital Association and insurers—to develop a solution to the growing rate of uninsured children in the state. Since they believed the state was generally doing a good job at reaching children eligible but not enrolled in Medicaid and Health Choice, they focused

on uninsured children with family income above 200 percent of the FPL, where there was the greatest percentage of newly uninsured children.

Working with an actuarial consultant, Mercer Government Human Services Consulting, the group developed Carolina Cares for Children which called for a new health insurance program that would be subsidized by either Medicaid or SCHIP dollars, available for children up to age 18 in families with incomes between 200 and 300 percent of the FPL. Additionally, the proposal recommended that families above 300 percent of the FPL be able to buy into the program.

### **Legislative History**

The Carolina Cares for Children proposal was presented to members of the North Carolina House of Representatives Health Committee. There they found champions in Representative Verla Insko (D), the co-chair of the House Appropriations Subcommittee on Health and Human Services, where the debate over funding the program played out, and Representative Bob England (D), the Vice Chairman of the House Health Committee. As a result of their support, the proposal was drafted into legislation and was introduced in the House and included in the House budget proposal.

On another front, Governor Easley (D) included in his budget a program called North Carolina (NC) Kids' Care to address the growing number of children without health insurance in families with incomes between 200 and 300 percent of the FPL. Although he did not incorporate the House's legislative language into his initiative, the funding for NC Kids' Care mirrored the dollars that the House had included in its budget to implement Carolina Cares for Children. The Senate did not include any funding or legislative language to expand coverage for children.

During negotiations among Governor Easley and the House and Senate (both with Democratic majorities), an agreement was reached to create NC Kids' Care. Included in the final budget, the agreed upon language did not include many specific policy details but instead authorized the Division of Medical Assistance (the state agency responsible for Medicaid and Health Choice) to develop and implement a health insurance program for children in families with incomes at 201 percent up to 300 percent of the FPL. The funding for NC Kids' Care in the final budget, \$21 million state and federal, mirrored the amount identified in the Carolina Cares for Children proposal.

### **Primary Opposition**

The main opposition to the legislation came from those opposed to the idea of expanding coverage to families at more moderate incomes and/or concerns about "crowd out". The significant cost sharing that was included in the original Carolina Cares for Children proposal was cited to counter some of the opposition. However, the component of the original Carolina Cares for Children proposal that would have allowed families above 300 percent of the federal poverty level (FPL) to buy into the program at the full cost was not included in NC Kids' Care, primarily due to the opposition concerns about crowd-out.

Some of the opposition to covering higher income families was also limited by support by members of the small business community who were able to speak out about the importance of having such a program to help them meet the needs of their employees.

Strong leadership and support from the North Carolina provider community also may have helped offset any concerns about access. Unique to North Carolina is that provider reimbursement for its Medicaid, Health Choice (and eventually) NC Kids' Care programs is similar to Medicare rates. This is not the case in many states, where concerns about access (due to low provider reimbursement rates) have the potential to deter or derail expansion efforts. Because North Carolina's publicly

funded programs are well regarded by the provider community, their support and leadership for NC Kids' Care was strong throughout this effort.

### **Program Elements**

The program details were not specified in the legislation and will be established by the Division of Medical Assistance, which operates Medicaid and Health Choice. In general, however, NC Kids' Care was established as a publicly-subsidized insurance product for children up to age 18 who live in families earning 201 to 300 percent of the federal poverty level (FPL). Because the program intends to rely on federal matching funds, the eligibility rules will meet Medicaid or SCHIP standards (depending on the eventual funding stream), including immigration requirements.

The program was originally planned for implementation on July 1, 2008. However, the state is revisiting the implementation of the program as a result of new federal restrictions placed on states to use federal funds to provide coverage to children with family income above 250 percent of the FPL. In 2008, the state enacted revised legislation limiting the expansion to 250% of the FPL. Implementation is set for July 1, 2009.

Some of the known details of NC Kids' Care include:

- Families will share in the cost of the program. Cost sharing will range according to family income, and will include premiums, co-payments and deductibles. Co-payments will not be required for preventive care services and overall out-of-pocket expenses are not to exceed 5 percent of family income. The average enrollee premium is expected to be approximately \$65.50 per month.
- Seamless and simple program administration. The same agency that administers Medicaid and Health Choice, the Division of Medical Assistance, will administer NC Kids' Care. Families will be able to apply to the program via the same application.
- Benefit package similar to either Health Choice or Medicaid. While the specific benefit package has not been determined, the benefits available to children in NC Kids' Care will be similar to either those available through Health Choice or Medicaid. A notable exception is that the new program will have no dental benefit.
- Case management to address access to care. Children enrolled in NC Kids' Care will also be included in the state's primary care case management program called Community Care of North Carolina.

### **Funding**

In total, \$21 million in federal and state dollars was allocated in the final budget to fund NC Kids' Care for the 2008-09 fiscal year. The program will be effective July 1, 2008. However, due to funding limitations the program's financing mechanisms have not been decided.

Reflecting experiences in other states that have seen significant growth in the number of previously eligible but uninsured children who enroll when an expansion is implemented, the state also allocated additional dollars to fund enrollment growth in Medicaid and Health Choice.

### **Results**

Since the program has not been implemented there are no enrollment results. State data suggests that there are 38,000 children potentially eligible for the program. However, the number of children ultimately eligible for the program will be determined by program design and funding decisions.

### **Lessons Learned**

- **Build ownership.** The broad workgroup involved in the development of the proposal and the wide swath of supporters involved early on fostered a sense of ownership for all involved and a stronger interest in seeing the proposal succeed.
- **Provide critical data.** Another lesson, according to various stakeholders, was the value of having actuarial estimates of what the program would cost. The workgroup worked with Mercer Actuarial Consultants to develop the proposal and cost estimates. The importance and credibility of this work was evidenced by the state using the workgroup's funding recommendation.
- **Counter opposition early.** The workgroup that developed the original proposal tried to identify early on any possible opposition to offering subsidized coverage to families above 200 percent of the FPL. One tactic they felt helped avert opposition was the implementation of cost sharing that was relative to what families might pay in the private market. To ensure affordability for families, the workgroup chose a sliding scale premium structure to allow for a larger contribution by households with more income, while still keeping coverage affordable at the lower end of the income scale.

The workgroup weighed the cost sharing strategies against a family's affordability to buy that coverage, an important consideration since cost-sharing levels have a direct correlation to participation.

### **Contacts**

Tom Vitaglione, MD,  
Senior Fellow, Health and Safety  
Action for Children North Carolina  
919-834-6623 ext. 235  
tom@ncchild.org

Adam Searing, JD, MPH  
Project Director, NC Health Access Coalition  
North Carolina Justice Center  
919-856-2568  
adam@ncjustice.org

William Lawrence, Jr., MD  
Senior Deputy Director  
North Carolina Division of Medical Assistance  
919-855-4100  
william.lawrence@ncmail.net

*Information for this state example was obtained through interviews with state advocacy organizations and administrative officials, review of Web site and program materials, and research resources.*

## North Carolina's Medicaid/SCHIP Program At a Glance

Program Element	Current Program	Proposed Expansion
<b>Implementation Date</b>	N/A	Originally set for July 1, 2008; scaled-back expansion postponed until July 1, 2009
<b>Program Type</b>	Separate Medicaid and SCHIP programs; SCHIP called Health Choice	Separate program, NC Kids' Care
<b>Income Range and Population</b>	<p><u>Medicaid</u>: infants to age 5, up to 200% FPL; children ages 6-18, up to 100% FPL</p> <p><u>SCHIP</u>: children ages 6-18, up to 200% FPL</p> <p>Does not provide health coverage to immigrants who are not eligible for coverage under Medicaid/SCHIP</p>	Children up to age 19 with family income from 201% to 250% FPL (enacted legislation would have covered children to 300% of the FPL, but due to funding limitations and the <u>CMS Directive</u> , the state scaled back to 250%)
<b>Premiums/Cost-Sharing</b>	<p><u>150% FPL or below</u>: Co-payments for prescription drugs only; \$1 for generic and \$3 for brand name</p> <p><u>151% FPL and above</u>: Annual premium: \$50 for one child or \$100 for two or more</p> <p>Co-payments: \$5 for non-preventive visit; \$20 for non-emergency ER visit; \$1 for generic and \$10 brand name prescription drugs</p>	Cost-sharing requirements will be determined on a sliding fee schedule; will include premiums, co-payments and deductibles; co-payments will not be required on preventive care; overall out-of-pocket expenses are not to exceed 5% of family income; the average per enrollee premium is expected to be \$65.50 per month
<b>Medicaid/SCHIP Coordination</b>	Administered by the Division of Medical Assistance; joint application for Medicaid and SCHIP	Same for expansion
<b>Enrollment/Retention Procedures</b>		
<b>Application</b>	Mail-in application; no face-to-face interview or asset test required	To be determined
<b>Continuous Eligibility</b>	12 months for Medicaid and SCHIP	To be determined
<b>Renewal</b>	Joint renewal form for Medicaid and SCHIP; no face-to-face interview or asset test required	To be determined

<b>Crowd-Out Measures for Separate SCHIP</b>	Must be uninsured at time of application, no waiting period	To be determined
<b>Benefits</b>		
<b>Benefits</b>	Among other things, both Medicaid and SCHIP cover hospitalization and outpatient care, and preventive, dental, vision and hearing benefits	Benefits will be similar to those offered in either SCHIP and Medicaid (to be determined); except a dental benefit will not be offered
<b>Service Delivery System</b>	Community Care of North Carolina (primary care case management program). <a href="#">Read more.</a>	Program will use same system

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