

**Statement of**  
**Pennsylvania Partnerships for Children**  
**Before the**  
**Senate Public Health and Welfare Committee**  
**and**  
**Senate Banking and Insurance Committee**  
**Regarding**  
**Cover All Kids**

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Good Morning Chairman Corman, Chairman Armstrong and members of the Senate Public Health and Welfare and Banking and Insurance Committees. I am Joan Benso, President and CEO of Pennsylvania Partnerships for Children (PPC). PPC is a statewide advocacy organization dedicated to the health, education and well-being of the Commonwealth's children and youth. Thank you for the opportunity to appear before you today to discuss Cover All Kids – the proposal to expand eligibility for the Children's Health Insurance Program (CHIP) to all children in Pennsylvania.

Health insurance coverage is essential to providing access to appropriate and necessary health care for children. Currently, about 1.1 million or one in three Pennsylvania children are enrolled in Medical Assistance (MA) or the Children's Health Insurance Program (CHIP). The vast majority of these children, approximately 976,000 children are enrolled in MA. CHIP enrollment is about 145,800. Of those children enrolled in CHIP, roughly 137,000 children receive free CHIP coverage, while 8,800 Pennsylvania children receive reduced-cost CHIP coverage.

The Commonwealth finances CHIP and MA with both federal and state funds. About 55 cents of every dollar spent on MA in Pennsylvania comes from the federal government. Nearly 69 cents of every dollar spent on CHIP in Pennsylvania comes from the federal government.

According to the Pennsylvania Department of Insurance, 92 percent of Pennsylvanians, or more than nine in ten citizens, have some type of health care coverage. The majority of coverage, 66 percent, is from private health insurance. Health care coverage from publicly funded programs is roughly 29 percent.<sup>1</sup>

Though CHIP and MA provide much-needed health care coverage to a great number of Pennsylvania children, approximately 133,500 children in the Commonwealth are uninsured. Of these, approximately 108,000 are eligible for

MA and CHIP, while 25,500 of the uninsured children in Pennsylvania are ineligible for any publicly funded health care coverage.

Health insurance status is the single most important factor in determining whether or not a child will have access to health care. The American Academy of Pediatrics recommends annual medical care visits for all children ages 2-18 and more frequent visits for children from birth to 2 years of age. However, in 2003, one-third of uninsured children in America went without any medical care for an entire year.<sup>2</sup> Conversely, nearly 88 percent of their insured counterparts received medical care during the same period.<sup>3</sup>

Nationwide, nearly 80 percent of uninsured children live with working families.<sup>4</sup> The parents of uninsured children live with the fear of what might happen if injury or illness strikes. In a 2001 survey, nearly 70 percent of parents with uninsured children responded that they worry about whether they will have the money to pay for medical bills if their kids become sick or injured.<sup>5</sup> The survey also found that one in five parents with uninsured children kept a child out of athletic activities for fear of injury.<sup>6</sup>

Low-income women, who have the fewest financial resources, are the most likely to lose pay when caring for a sick child. Two-thirds of low-income women (family incomes below 200 percent of the federal poverty income guidelines - FPIG) and 75 percent of very poor women (less than 100 percent FPIG) do not get paid when they miss work to care for a sick child.<sup>7</sup>

Providing health care coverage to children improves access to health care and thereby improves the health outcomes of children. Children who have health insurance are more likely to be immunized, receive regular check-ups and get prompt treatment for common childhood ailments, such as ear infections and asthma. Uninsured children are less likely to see a doctor on a regular basis and

they are less likely to see a doctor when symptoms develop. The uninsured are nine times more likely to be hospitalized for a preventable problem.<sup>8</sup>

Children who have health insurance generally have a relationship with a primary care physician. The insured are less likely to use costly emergency room services for common childhood ailments. In June 2006, the Institute of Medicine released a report indicating that the nation's emergency rooms are overburdened.<sup>9</sup> According to the report, one of the main problems contributing to overburdened emergency rooms is the growing number of uninsured patients.<sup>10</sup>

Children's health is important to their academic success. Because children with health insurance are more likely to avoid preventable childhood illnesses, they generally have better school attendance. A Florida study showed that uninsured children are 25 percent more likely to miss school.<sup>11</sup>

Several studies in other states have also shown that providing children health care improves their school performance. A 2002 impact evaluation study conducted on the California Healthy Families Program found that children enrolled in public coverage experienced a 68 percent improvement in school performance and school attendance.<sup>12</sup> A study conducted in Vermont showed that reading scores doubled after those without insurance were provided health care coverage.<sup>13</sup>

Quite simply, if you are not in school, your chances of academic success are less than those who do attend. And if your health needs are not met, your chances of academic success are less as well.

The uninsured (children and adults) can afford to pay an average of only 35 percent of their medical bills.<sup>14</sup> According to a national health advocacy organization, U.S. uncompensated health care (for children and adults) totaled

\$43 billion in 2005.<sup>15</sup> Pennsylvania's uncompensated care (children and adults) in 2005 was estimated at \$1.4 billion.<sup>16</sup>

There is no definitive data on uncompensated care for children in Pennsylvania. However, we can better comprehend the dollar amount involved by reviewing related data. According to the Pennsylvania Health Care Cost Containment Council, there were 4,332 inpatient hospital discharges for children (ages 0-18) classified as "self pay" in 2004 at a cost of \$25.4 million. Most "self pay" cases end up as uncompensated care.

Furthermore, the Pennsylvania Department of Public Welfare provides payments, from tobacco settlement funds, to hospitals for uncompensated care cases that exceed more than 2.5 times the amount of the hospital's average uncompensated care. These are known as "extraordinary expense" cases. According to the Department and the Health Care Cost Containment Council, there was a total of \$15.4 million in "extraordinary expense" cases involving children in FY 2003-2004.

All children in Pennsylvania must have access to health care coverage. In short, the Commonwealth's Children's Health Insurance Program must be made available to all Pennsylvania children regardless of family income. Those who can afford to pay for a portion of the coverage must do so. Others with higher family incomes can pay the Commonwealth's negotiated cost for coverage.

Some have raised concerns about the costs of Cover All Kids and have questioned whether this is a wise expenditure of state dollars. The cost of the expansion, or the cost of providing health insurance to the 25,600 uninsured children who are not eligible for CHIP or MA today, is modest. The funding included in the Commonwealth's FY 2006-2007 is modest - approximately \$1.928 million (\$954,000 for coverage and \$974,000 for increased outreach and administration). The cost in year five would be \$16.804 million in state funds

(\$15.828 million for coverage and \$976,000 for outreach and administration). These are small investments weighed against uncompensated care costs for children and the benefits to children's health and well-being that come from health coverage.

Some have speculated that it is an unwise use of resources to extend CHIP to all children when the majority of uninsured children already are eligible for MA and CHIP. We counter that extending coverage to all Pennsylvania children would significantly reduce confusion as to eligibility and income requirements. In a 2001 study commissioned by the Insurance Department, it was found that 50 percent of families with CHIP-eligible but uninsured children did not know that they were eligible for the program. Indeed, working families of moderate incomes are less likely to realize that there is a publicly-funded solution for their children. If all children were eligible, enrollment would likely increase because outreach efforts could utilize a "coverage for all children" message.

Some have also speculated that extending CHIP to all children in Pennsylvania via Cover All Kids would "crowd out" private insurance. The federal government requires the establishment of a "go-bare" period of several months before a child can become eligible for coverage. The go-bare provision serves as an effective disincentive to drop private insurance in favor of CHIP. Furthermore, CHIP has been in existence in Pennsylvania since 1992. To date, we have not encountered any evidence of CHIP crowding out the private insurance market.

An April 2006 IssuesPA Poll showed that reducing health care costs is the health care issue that will be most important in determining respondents' votes in this year's elections. Addressing the uninsured was the second major health care concern expressed in the survey; in fact, 96 percent of respondents stated that the candidates' positions on how to provide health insurance for uninsured children were very important or somewhat important in determining their votes.

Pennsylvania has a tradition of leadership on providing children with low-cost health care coverage. The issue of uninsured children is of concern to us all and crosses the political spectrum. Since its inception, Democrats and Republicans alike have provided strong support for CHIP legislation and for the necessary funding (through a cigarette tax, some general state revenue, and significant federal funding). It is time for all legislators to embrace Cover All Kids and provide health care coverage to all Pennsylvania children.

The Cover All Kids proposal is a simple concept: Take the groundbreaking and successful CHIP Program and extend coverage availability to all children in the Commonwealth. The proposal is straightforward: no changes in benefits, and no new significant requirements for CHIP contractors. While the substance of the Cover All Kids is modest, the potential impact on the overall health and well-being of Pennsylvania's children is dramatic.

The General Assembly included the necessary funds for the first year of Cover All Kids in the Commonwealth's FY 2006-2007 general fund budget. Unfortunately, Cover All Kids enabling legislation was not enacted with the budget. I understand that House and Senate caucus leaders signed an agreement to draft and consider Cover All Kids legislation in the fall, so that all children can have access to health coverage beginning in January 2007.

Approximately 133,600 uninsured children and their families are counting on the General Assembly to fulfill its promise to enact Cover All Kids this fall. I respectfully urge you to support this important effort.

Thank you for the opportunity to appear before you today.

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<sup>1</sup> Pennsylvania Department of Insurance, The Health Insurance Status of Pennsylvanians: Statewide Survey Results, May 9, 2005

<sup>2</sup> Robert Wood Johnson Foundation, "Going Without: America's Uninsured Children" August 2, 2005

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- <sup>3</sup> Ibid.
- <sup>4</sup> Campaign for Children's Healthcare, "America's Uninsured Children" July 2006
- <sup>5</sup> Wirthlin Worldwide, Survey of American Parents, June 2001
- <sup>6</sup> Wirthlin Worldwide, Survey of American Parents, June 2001, Robert Wood Johnson Foundation Report
- <sup>7</sup> Henry J. Kaiser Family Foundation, Kaiser Women's Health Survey, 2001
- <sup>8</sup> Shi, L. et al. (1999). "Patient characteristics associated with hospitalizations..." Southern Medical Journal 92 (10) 989-98
- <sup>9</sup> Institute of Medicine, "Hospital-Based Emergency Care: At the Breaking Point" June 14, 2006
- <sup>10</sup> Ibid.
- <sup>11</sup> Healthy Kids Annual Report (1997) Florida Healthy Kids Corporation
- <sup>12</sup> Health Status Assessment Project-First Year Results, Data Insights Report No. 10 (2002) Children's Health Assessment
- <sup>13</sup> Building Bridges to Healthy Kids and Better Students (2002) Council of Chief Safe School Officers
- <sup>14</sup> Families USA, "Paying a Premium: The Increased Cost of Care for the Uninsured." June 8, 2005
- <sup>15</sup> Ibid.
- <sup>16</sup> Ibid.