

Testimony of the  
Children's Defense Fund – New York

**Fair Share Proposals for Health Care Costs**

Honorable Richard N. Gottfried, Chairman, Committee on Health  
Honorable Alexander B. Grannis, Chairman, Committee on  
Insurance  
Honorable Susan John, Chairwoman, Committee on Labor

Presented by  
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## **Introduction**

My name is Kinda Serafi, and I am the Senior Policy Associate for the Children's Defense Fund-New York. I would first like to thank the Committee Chairs, Assemblyman Richard N. Gottfried, Assemblyman Alexander B. Grannis and Assemblywoman Susan John for hosting this important hearing today and for affording the Children's Defense Fund-New York the opportunity to submit testimony on Fair Share proposals.

For over 30 years the Children's Defense Fund has provided a strong, effective voice for all the children of America who cannot vote, lobby or speak for themselves. The Children's Defense Fund educates the nation about the needs of children and encourages preventative investment before they get sick, into trouble or drop out of school, or suffer family breakdown. We have worked in New York for more than a dozen years and we are honored to be a partner in what has been a broadly supported and thoughtful effort to address the crisis of New York's uninsured.

## **New York's Uninsured Children**

New York has made tremendous progress in recent years in increasing the availability of public health insurance for children and families. Through a range of enrollment and renewal simplifications, program enhancements, system improvements and the implementation of facilitated enrollment, New York has created a more rational and effective health insurance system for working families.

While these strategies have helped decrease the number of uninsured children by 36 percent in six years, our work is still not done. Almost half a million New York children, 465,000, are still uninsured.<sup>1</sup> More than two-thirds of these children, 310,000, are eligible for a public health insurance program, either Child Health Plus A or B, but not enrolled. The remaining 155,000 uninsured children live in families whose incomes fall above 250 percent of the federal poverty level.<sup>2</sup>

Additionally, 71 percent of uninsured children live in working families,<sup>3</sup> 40 percent live outside of New York City,<sup>4</sup> 75 percent are school-aged, and 90 percent are U.S. Citizens.

It is the goal of CDF-NY to develop a system of health insurance that will provide access to comprehensive and affordable health insurance coverage for every single child in New York State. *No child* in New York should be without health insurance. Uninsured children are four times as likely as those with coverage to lack a regular source of health care or have an unmet need for medications. Children in poor health are more likely to

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<sup>1</sup> Numbers reflect a three year average (2002-2004) of un-insurance rates drawn from the 2003, 2004 and 2005 Current Population Survey, Annual Social and Economic Supplement.

<sup>2</sup> For a family of three, that equates to a family income over \$41,628.

<sup>3</sup> March 2003 and 2004, Current Population Survey, Annual Social and Economic Supplement.

Tabulations prepared for the United Hospital Fund by the Urban Institute.

<sup>4</sup> *Id.*

have poor social and economic outcomes and even shorter life expectancies. Providing health insurance for all children is not only the right thing to do, it is a moral imperative.

New York State has been a leader in efforts to provide health insurance to children. As mentioned previously, we have made tremendous strides, but our work is not over. To that end, CDF-NY is very pleased that the New York State Assembly is considering a myriad of options for reaching the remaining uninsured children in the State, including strategies that more stringently hold employers accountable for contributing to the provision of health insurance for their employees.

### **Child Health Plus B Coverage**

Child Health Plus B has a full cost buy-in option for children in families with incomes above 250 percent of the federal poverty level and New York is one of eight states that offer a buy-in option for children.<sup>5</sup> As you know, Child Health Plus B does not have a full cost buy-in option for employers. The individual buy-in option is not widely advertised and only presented when a child is screened ineligible for Child Health Plus A or B. Despite this, an estimated 13,700 children are enrolled at the full premium. This represents about 4 percent of all New York's children currently enrolled in Child Health Plus B.

As of April 2006, monthly premiums range from \$89 per month per child to \$180 per month per child. Child Health Plus B premiums are dependent on the county the child lives in and the health plan selected. When averaged, the monthly premium is \$122 per month per member.

Despite the fact that these premiums are significantly lower than private health insurance premiums, the cost of the full premium in Child Health Plus B is prohibitive for many of New York's families. This is illustrative by the contrast in the high numbers of children who are uninsured, have the option of buying into the full premium but do not (155,000) and the low number of children who actually take advantage of the option (13,000).

For example, in the Capital District, a family of three consisting of a parent and two children making 250 percent of the federal poverty level, or about \$41,628 would pay nearly 9 percent of their gross annual income to purchase Child Health Plus B. National studies have shown that when low-income families are required to pay premiums and co-payments that exceed 5 percent of their annual income, they eventually face gaps or total loss of coverage because they are financially unable to maintain the cost-sharing required for their health insurance.<sup>6</sup>

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<sup>5</sup> Dina Belloff and M. Susan Marquis, *Full Cost Buy-In Options for Optimizing Coverage through NJ Family Care*, State of New Jersey Department of Human Services in collaboration with Rutgers Center for State Health Policy, April 2006.

<sup>6</sup> Leighton Ku, *Charging the Poor More for Health Care: Cost Sharing in Medicaid*, Center on Budget and Policy Priorities, May 2003.

Child Health Plus B offers a comprehensive benefit package at a much lower cost than what employers are paying, or could pay, to purchase coverage for children. According to MEPS data, on average it costs \$271 to add a child to an individual policy.<sup>7</sup> Building on the State's purchasing power, expanding the Child Health Plus B buy-in program to employers may provide a more cost-effective model for offering coverage to children.<sup>8</sup> However, any such expansion must consider reducing family co-premiums in order to ensure affordability.

### **Issues Related to Employer Sponsored Buy-In Options**

The Children's Defense Fund-New York recommends a full examination of a number of issues that have arisen in other buy-in programs including adverse selection and crowd-out issues before any proposal is implemented in New York.

#### **Adverse Selection**

Adverse selection occurs when sicker individuals leave private health insurance in large numbers to join a more low-cost health plan. This can drive up costs and push health insurers out of the market.

Based on the New Jersey report cited earlier, states with buy-in programs that report adverse selection had no waiting periods and reported that their programs attracted high-risk individuals because their full buy-in option offered immediate comprehensive coverage at a much lower cost than found in their private market.<sup>9</sup>

States that did not report adverse selection used waiting periods as the antidote. Sicker children are less likely to ascribe to waiting periods because they can not risk being uninsured and face costly care as they wait for their enrollment.

New York State currently does not measure adverse selection in our Child Health Plus B buy-in program, which does not have a waiting period. New York's individual insurance market is guaranteed issue and community rated, which means that the cost of the individual market and the premium is based on the average risk. This makes the premium more reasonable and therefore allows sicker individuals access to health insurance at an affordable rate.

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<sup>7</sup> Agency for Healthcare Research and Quality, Medical Expenditure Panel Survey, Private Sector Employer Coverage Data, 2003. The average total premium per month for employer coverage is \$299 for an individual, \$570 for an individual and a child, and \$787 for a family. *Id.*

<sup>8</sup> Currently, 14.6 percent of poor children living below the poverty level have employer-based coverage. Forty-eight percent of children whose incomes fall between 100 and 200 percent of the federal poverty level have employer coverage and 60 percent of children with incomes between 200 and 250 percent of the federal poverty level have employer coverage. Eighty-four percent of all children who live in family incomes above 250 percent of the federal poverty level have employer-based insurance. *Supra* note 1.

<sup>9</sup> It is important to note that adverse selection is much more likely an occurrence with adults than children, since children tend to be much healthier than adults. It is also much more likely to occur in public programs with less generous eligibility levels than currently offered by New York.

New York's Child Health Plus B plan is a comprehensive and rational program that should not be jeopardized by waiting periods. Any employer-sponsored buy-in plan that the Legislature considers must assess the risk of adverse selection in their proposals its effect on cost on health and health plan participation as well as also ensuring no waiting periods are ever implemented. Such waiting periods would be deleterious to the integrity of the program and significantly impact access to high quality health coverage currently assured New York's children.

### **Crowd Out**

Crowd-out occurs when individuals enrolled in private coverage opt to drop their insurance in order to enroll in more affordable public health insurance. It also occurs when employers reduce the availability of their private coverage when public coverage is made available to their employees. This concern has surrounded most debates around expansions in publicly funded health insurance.

For New York's Child Health Plus B program, crowd-out rates can not exceed 8 percent of new enrollees, in accordance with federal SCHIP benchmarks. If crowd-out levels exceed the 8 percent gap, waiting periods, also known as program wide look back periods, of six months are automatically instituted.

Crowd-out levels in our Child Health Plus B program have never exceeded 8 percent, only ranging between two and six percent, and therefore there have never been waiting periods. New York is one of only 18 states that do not have a waiting period for its SCHIP Program. Waiting periods, as previously mentioned, would create significant barriers to enrollment for all program applicants. Again, any employer-sponsored proposals must closely examine crowd-out issues to ensure the eight percent level is never reached and that our current programs are not impacted negatively in any way.

### **Conclusion**

Finally, as with any new program, we anticipate that there would be considerable challenges in the implementation of an employer-sponsored buy-in proposal that includes an expansion of current public health insurance programs. New York's current system of public health insurance is already complex—administered through multiple child-only and adult-only programs. As such, CDF-NY strongly recommends that any proposals that are considered be carefully examined before implementation to ensure that in no way are our State's current health insurance programs compromised or negatively impacted in any way. We are certain that all of us agree that we want to protect the hard fought gains we have achieved together over the last decade and therefore should proceed with caution on any major new untested initiatives.

In closing, I reiterate our appreciation to the New York State Assembly for your vision and commitment in hosting this important hearing and in continuing to focus on the critical issue of health coverage for all New Yorkers. All of us at the Children's Defense Fund are deeply grateful to you for your leadership and look forward to working in partnership with you to ensure that in New York State we truly Leave **No** Child Behind®.