



**HOUSE COMMITTEE ON APPROPRIATIONS**  
2009-10 Legislative Session

**FISCAL NOTE**

**HOUSE BILL: 1**

**PRINTER'S NO: 1872**

**PRIME SPONSOR: Eachus**

<b>FISCAL IMPACT SUMMARY</b>	<b>FY 2008/09</b>	<b>FY 2009/10</b>
<b>Expenditure Increase/(Decrease):</b>		
Tobacco Settlement Fund	\$0	See Analysis
Community Health Reinvestment Account	\$0	See Analysis
Health Care Provider Retention Account	\$0	See Analysis
<b>Revenue Increase/(Decrease):</b>		
Pennsylvania Expanded Adult Basic Coverage Insurance Program Fund	\$0	See Analysis

**OVERVIEW:**

House Bill 1 creates the Expanded Adult Basic Coverage Insurance Program Act. The bill expands the current adult Basic health insurance program, contingent on the availability of federal financial participation in the program. Under the program, adults with incomes between 150% and 200% of the federal poverty level are eligible for health insurance coverage under the program. Individual monthly premiums for 2009/10 will be based on a sliding scale based on income. For subsequent years, the Insurance Department may adjust the premiums through posting in the Pennsylvania Bulletin. The department shall also implement a premium assistance program which would allow the Commonwealth to pay part or all of the premium for an enrollee's group health insurance or coverage under a group health plan if more cost-effective. A waiting list will be maintained for eligible individuals who are unable to enroll due to insufficient funding for the program.

The Insurance Department will administer the program. The bill specifies that the benefit package may include various services, including prescription drugs and behavioral health services. Under this legislation, each professional health service plan corporation, hospital plan corporation, health maintenance organization owned or controlled by a professional health service plan corporation or a hospital plan corporation and each entity that provides services under the Department of Public Welfare's (DPW) Physical Health HealthChoices Program shall be required to submit a bid or proposal to the department to carry out the program. The Insurance Department, in consultation with DPW, shall review and score bids or proposals.

DPW, in cooperation with the Insurance Department, shall apply for all applicable waivers from the Federal Government. The enactment of the program is contingent on the availability of federal participation. The legislation specifies that any premiums and/or any eligibility requirements may be adjusted in order to meet federal requirements. The bill also specifies that if the federal government enacts a similar health care program, this act shall be construed to supplement any program and that participants shall utilize any federal program first.

The bill creates a Pennsylvania Expanded Adult Basic Coverage Insurance Program Fund to receive funds to be used in implementing the program. Funding for the program will be provided through existing revenue streams under the Tobacco Settlement Act (Tobacco Settlement Funds and the Community Health Reinvestment Account) and a deposit of \$362 million from the Health Care Provider Retention Account (HCPRA). The act also imposes a two-percent premium tax on any hospital plan corporation and professional health service plan corporation operating in the Commonwealth beginning in January 2011, in the event those entities do not extend or renegotiate the Community Health Reinvestment Agreement. Revenues from that premium tax would be deposited into the Pennsylvania Expanded Adult Basic Coverage Insurance Program Fund.

The act will take effect in 90 days.

The current adult Basic health insurance program was created under Chapter 13 of the Tobacco Settlement Act of 2001. The program provides state-funded low-cost health insurance coverage for low-income working adults on a "first-come, first-served" basis. Under the program, adults ages 19-64 with household income levels below 200% of the federal poverty level (FPIG) may be eligible for coverage if they are not otherwise covered by health insurance and do not qualify for Medicaid. Enrollees are required to contribute toward the cost of health insurance, currently \$35 per month. A waiting list has been necessary. Adults on the waiting list may choose to purchase coverage at-cost (approximately \$310 per month) until an offer for enrollment is made.

Funding for the current adult Basic program is provided through Tobacco Settlement Fund revenues, as specified under the Tobacco Settlement Act. Beginning in 2005/06, additional funding has been provided through the Community Health Reinvestment (CHR) Account. This funding stream is the result of the CHR Agreement with the four major Blue Cross and Blue Shield Plans serving Pennsylvania. Under the agreement, the Blue Plans pledged an ongoing commitment of funds over six years.

#### **ANALYSIS:**

Under the current adult Basic program, the state cost to insure an average monthly enrollment of 47,000 adults during 2008/09 is approximately \$165 million. The current program is funded with Tobacco Settlement Funds (nearly \$40 million) and the Community Health Reinvestment (CHR) Account (nearly \$130 million).

The balance of HCPRA is expected to be nearly \$712 million by the end of 2008/09. The Governor's proposed 2009/10 budget would transfer \$350 million from HCPRA to the General Fund. In addition, the proposed budget would redirect revenue the 25 cent cigarette tax currently deposited into HCPRA to the General Fund. The Governor's proposal also would use \$280 million from HCPRA to pay down the unfunded liability in the Medical Care Availability and Reduction of Error (MCARE) Fund.

The 2009/10 proposed budget includes nearly \$22 million in Tobacco Settlement Funds for the adult Basic health insurance program. The end-of-year balance in the (CHR) Account is expected to be close to \$32 million. In addition, the Commonwealth expects to receive nearly \$100 million in payments from CHR participants in 2009/10.

House Bill 1 transfers \$362 million from the Health Care Provider Retention Account (HCPRA) to the newly created Pennsylvania Expanded Adult Basic Coverage Insurance Program Fund. In addition, HB 1 would transfer existing funds for the adult basic program (Tobacco Settlement Funds and CHR) to the Fund. As a result, nearly \$527 million would be available in the Fund during 2009/10.

House Bill 1 does not specify how many enrollees may be covered in the program.

For example, if the Commonwealth could choose to enroll 120,000 in the program annually. For 2009/10, this analysis assumes moving the current 40,000 adult Basic enrollees to the federalized program on July 1, 2009 with an incremental monthly enrollment of remaining enrollees through June 30, 2010. Assuming an annual premium cost per enrollee of \$3,603 in 2009/10, the approximate total cost of the program less the enrollee share of premiums as defined in the act (\$6.6 million) would be \$282 million. Assuming federalization of the program, the federal share of the total cost would be approximately \$152 million and the state share of the total cost of coverage plus administrative costs (approximately \$8 million) would be nearly \$138 million in 2009/10.

Likewise, the Commonwealth could choose to cover approximately 130,000 adults in the program annually. For 2009/10, this analysis assumes moving the current 40,000 adult Basic enrollees to the federalized program on July 1, 2009 with an incremental monthly enrollment of remaining enrollees through June 30, 2010. Assuming an annual premium cost per enrollee of \$3,603 in 2009/10, the approximate total cost of the program less the enrollee share of premiums as defined in the act (\$7 million) would be \$299 million. Assuming federalization of the program, the federal share of the total cost would be approximately \$162 million and the state share of the total cost of coverage plus administrative costs (approximately \$8 million) would be nearly \$146 million in 2009/10.

**PREPARED BY:** Lisa M. Fleming, Budget Analyst  
House Appropriations Committee, (D)

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**General Note and Disclaimer:** *This Fiscal Note was prepared pursuant to House Rule 19(a), and the elements considered and reported above are required by Section 5 of the rule. Estimates are calculated using the best information available. Actual costs and revenue impact incurred may vary from estimates.*