

**Schedule 13
Funding Request for the 2012-13 Budget Cycle**

Department: Health Care Policy and Financing

Request Title: CHP+ Eligibility for Children of State Employees

Priority Number: R-9

Dept. Approval by: John Bartholomew *JB 10/14/11* Date

OSPB Approval by: *Grant R. ...* *10/14/11* Date

<input checked="" type="checkbox"/> Decision Item FY 2012-13
<input type="checkbox"/> Base Reduction Item FY 2012-13
<input type="checkbox"/> Supplemental FY 2011-12
<input type="checkbox"/> Budget Amendment FY 2012-13

Line Item Information		FY 2011-12		FY 2012-13		FY 2013-14
		1	2	3	4	5
	Fund	Appropriation FY 2011-12	Supplemental Request FY 2011-12	Base Request FY 2012-13	Funding Change Request FY 2012-13	Continuation Amount FY 2013-14
Total of All Line Items	Total	\$213,086,149	\$0	\$187,766,874	\$0	\$0
	FTE	0.0	0.0	0.0	0.0	0.0
	GF	\$29,551,808	\$0	\$25,066,119	\$0	\$0
	GFE	\$446,100	\$0	\$446,100	\$0	\$0
	CF	\$44,582,245	\$0	\$40,206,188	\$0	\$0
	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$138,505,996	\$0	\$122,048,467	\$0	\$0
(4) Indigent Care Program; Children's Basic Health Plan Medical and Dental Costs	Total	\$213,086,149	\$0	\$187,766,874	\$0	\$0
	FTE	0.0	0.0	0.0	0.0	0.0
	GF	\$29,551,808	\$0	\$25,066,119	\$0	\$0
	GFE	\$446,100	\$0	\$446,100	\$0	\$0
	CF	\$44,582,245	\$0	\$40,206,188	\$0	\$0
	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$138,505,996	\$0	\$122,048,467	\$0	\$0

Letternote Text Revision Required? Yes: No: If yes, describe the Letternote Text Revision:

Cash or Federal Fund Name and COFRS Fund Number: None.

Reappropriated Funds Source, by Department and Line Item Name: None.

Approval by OIT? Yes: No: Not Required:

Schedule 13s from Affected Departments: None.

Other Information:



DEPARTMENT OF HEALTH CARE POLICY AND FINANCING

John W. Hickenlooper
Governor

*FY 2012-13 Funding Request
November 1, 2011*

Susan E. Birch
Executive Director

Department Priority: R-9
Request Title: CHP+ Eligibility for Children of State Employees

Summary of Incremental Funding Change for FY 2012-13	Total Funds	General Fund	FTE
Statewide Savings	\$0	\$0	0.0

Request Summary:

The Department is proposing to reduce State expenditures by allowing State employees to enroll their eligible children into the Children's Basic Health Plan, marketed as Child Health Plan *Plus* (CHP+). Appropriations for State Health, Life and Dental benefits are set through statewide Common Policies, so the Department is not requesting specific adjustments to these appropriations at this time. However, because the state funds portion of CHP+ per capita costs are lower than the State contribution for employee dependent premiums, there will be savings to the state for every child that enrolls in CHP+ instead of the state's health and dental plans. Savings to every department will ultimately be achieved from future adjustments to Common Policy through the normal budgetary process.

Prior to the passage of the Affordable Care Act, section 2110(b) of the Social Security Act (the Act) excluded children of state employees from being eligible for the Children's Health Insurance Program (CHIP). Over time, it has become clear that in some states, children of State employees who are within the income eligibility level of their State's CHIP program do not have access to affordable and comprehensive coverage options. Section 10203(b)(2)(D) of the Affordable Care Act permits States to extend CHIP eligibility to children of State employees who are otherwise eligible under the State child health plan to the extent that one of two conditions is met. These

conditions are described in a new section 2110(b)(6) of the Act (added by the Affordable Care Act and amended by Public Law 111-309) and are referred to as the hardship and the maintenance of agency contribution conditions.

The Department believes that Colorado may extend coverage to children of state employees under CHP+ through the maintenance of agency contribution condition. Please see Appendix A for more detail. The State must demonstrate that it has been consistently contributing to the cost of employee dependent coverage, with increases for inflation, since 1997. According to the Department of Personnel and Administration, the 1997 contribution per employee for child health coverage would be \$2,188.36 in 2010 dollars. The State actually contributed \$3,372.48 per employee for child coverage in 2010, which is \$1,184.12 greater than the 1997 contribution adjusted for inflation.

The Department believes that this request would result in savings to the state. While the State contributes to the health insurance premiums of its employees and covered dependents using state funds, CHP+ receives a 65% federal match on its expenditures. Additionally, CHP+ child per capita costs are projected to be lower than the annualized premiums contributions paid by the State for employees' dependents. In FY 2012-13, the Department estimates the average State

contribution for employee dependents to be \$3,700, while the CHP+ medical and dental per capita is estimated to be \$2,407.31.

Due to the movement from dependents' enrollment in the state's health and dental plans to enrollment in CHP+, implementation of this policy will result in higher costs to the Department with lower Common Policy costs to other departments. Savings will ultimately be achieved from future adjustments to Common Policy through the normal budgetary process.

Modifications to the Colorado Benefits Management System will be necessary to implement this policy change. Preliminary cost estimates for design, development and testing are approximately \$16,000 in FY 2011-12 in order to implement this policy change by July 1, 2012.

Thus, the Department is proposing to take advantage of the opportunity presented by the Affordable Care Act to reduce the number of uninsured and underinsured children in Colorado by allowing income- and age-eligible children of State employees to enroll in CHP+ while realizing savings to the State.

Please see Appendix A for a detailed description of the background for this request.

Anticipated Outcomes:

The Department anticipates that a substantial number of state employees would enroll their children in CHP+ as a result of this request. This would lead to savings to the State as the number of health care premiums contributions for children of employees would decrease as these moved to CHP+.

The Department believes that this change would also benefit families that choose to enroll their children in CHP+ through lower costs to the family for health insurance. While the State provides a healthy subsidy to families who enroll in the state health insurance plans, the cost-sharing in CHP+ is lower than the employee contribution toward the current state health plans. This would allow low-income families to have

access to a more affordable, comprehensive health insurance plan for their children.

Consequences if not Funded:

If this request is not approved, the State will forego the opportunity to save state funds, including General Fund, while providing affordable and comprehensive health care options for its employees.

Impact to Other State Government Agency:

All state agencies with employees who decide to enroll their children in CHP+ will realize savings to their Health, Life and Dental appropriations through the normal the Common Policy process.

Current Statutory Authority or Needed Statutory Change:

The Children's Health Insurance Program is established in federal law in the Social Security Act, Title XXI (42 U.S.C. 1397aa through 1397jj) and amended by the Children's Health Insurance Program Reauthorization Act of 2009 (P.L. 111-3). Section 2110(b)(6) of Social Security Act (42 U.S.C. 1397jj (b)(6)), as amended by Section 10203(b)(2)(D) of the Affordable Care Act (P.L. 111-148) allows eligible children of state employees to enroll in CHP+ as long as the hardship condition or the maintenance of agency contribution condition is met

This request necessitates statutory change as 25.5-8-109 (1) C.R.S. requires that a child not have been insured by a comparable health plan through an employer, with the employer contributing at least 50% of the premium cost in the three months prior to application for CHP+. Children who have lost coverage due to a change in, or loss of, employment are exempt for this three month rule. The current statute would force eligible children of state employees to go uninsured for three months (or purchase costly small-group insurance) before applying for CHP+, effectively discouraging movement into the program. An additional exception for children of state employees from this three month waiting period in state statute would be required to implement the proposed change and achieve savings to the State.

Appendix A: Assumptions and Calculations for R-9

Maintenance of Agency Contribution

This condition is met when the public agency expenditures for health coverage for employees that have dependent coverage is not less than the amount of such expenditures in the 1997 State fiscal year, increased by the percentage increase of the medical care expenditure category of the Consumer Price Index (CPI-M) for All-Urban Consumers (all items: U.S. City Average). To meet this condition, States may aggregate employee contributions by the public agency. Only the expenditures for health coverage for employees who elect dependent coverage need be considered.

In 1997, Colorado contributed \$2,902.08 towards the health insurance coverage of an employee with two or more dependents. From 1997 to 2010, the CPI-M was 66%¹, which equates to a state contribution of \$4,817.27 in 2010. In 2010, the State contributed \$7,655.52 for employees plus one or more child. This is an increase of 164%, well above the 1997 inflation-adjusted figure. Considering only the children's portion of the state contribution, the State contributed \$1,321.68 per employee in 1997. Using the same CPI-M as above, this amount would be \$2,188.36 in 2010. In that year, the State contributed \$3,372.48 per employee for child coverage, which is a 155% increase and greater than the 1997 amount adjusted for inflation.

The Child Health Plan Plus (CHP+) clearly meets the maintenance of agency contribution criteria and may begin to provide CHP+ coverage to the income- and age-eligible children of state employees. The Department believes that allowing the children of state employees to enroll in CHP+ would result in savings to the state. While the State contributes to the health insurance premiums of its employees and covered dependents using only state funds, CHP+ receives a 65% federal match on its expenditures. Additionally, CHP+ child per capita costs are projected to be lower than the annualized premiums contributions paid by the State for employees' dependents. Please see Table 1 below for these costs.

Table 1: CHP+ Per Capitas vs State Contribution per Child (Estimates)			
	FY 2011-12	FY 2012-13	FY 2013-14
CHP+ Medical	\$2,099.03	\$2,231.58	\$2,326.76
CHP+ Dental	\$168.97	\$175.73	\$183.22
Total CHP+	\$2,268.00	\$2,407.31	\$2,509.98
Employee Only State Contribution	\$4,706.64	\$4,706.64	\$4,706.64
Employee + Child State Contribution	\$8,410.08	\$8,410.08	\$8,410.08
State contribution for Child (in addition to employee only coverage)	\$3,703.44	\$3,703.44	\$3,703.44
Employee + Spouse State Contribution	\$7,949.04	\$7,949.04	\$7,949.04
Employee Plus Family State Contribution	\$11,650.56	\$11,650.56	\$11,650.56
State contribution per Child (in addition to employee + spouse coverage)	\$3,701.52	\$3,701.52	\$3,701.52

¹ From the US Bureau of Labor Statistics, Consumer Price Index for all Urban Consumers, U.S. City Average, Medical Care.