Testimony
House Committee on Energy and Commerce, Subcommittee on Health

SCHIP Crowd-Out Rule Changes (August, 2007)

Good afternoon Chairman Pallone, Ranking Member Deal, and members of the Committee, my name is Gary Alexander I am the Director of the Department of Human Services in Rhode Island. I would like to thank you for the opportunity to offer testimony on Rhode Island's experience with Medicaid and SCHIP crowd-out and our ability to comply with provisions outlined in the CMS State Health Official letter dated August 17, 2007.

Rhode Island's Medicaid Program recognized the potential for crowd-out of private health insurance in its managed care program, known as RIte Care, almost a decade ago. As we experienced an increase in enrollment in the late 1990's policymakers quickly identified the risks to RIte Care's fiscal viability, and in response, adopted a series of health reforms aimed at stabilizing the program. Those reforms were guided by the following principles: the preservation of employer sponsored insurance, ensuring that there are no incentives for employers to shift their employees from private to public coverage, the wise and responsible use of public dollars, ensuring

continued health coverage for low-income beneficiaries, and to promote personal responsibility thought beneficiary cost sharing. As a result, Rhode Island created the RIte Share premium assistance program and established cost sharing requirements for RIte Care and RIte Share beneficiaries above 150% of the Federal Poverty Level.

Rhode Island sought and received approval from CMS, through a State Plan Amendment, to create the RIte Share public-private partnership. This program is aimed at helping eligible beneficiaries maintain employer sponsored insurance. In the RIte Share program, the State pays the beneficiary's portion of the employer sponsored insurance and provides wrap-around services through the state Medicaid program. A portion of that State "share" may be paid by the beneficiary as a monthly premium. This arrangement has been extremely successful a maintaining the employee/employer link. CMS has agreed that this is an acceptable alternative to a one year waiting period, because we are able to effectively capture the employer coverage and avoid any crowd-out issues.

The RIte Share has been very successful helping lower income families maintain employer sponsored insurance and avoid moving to a

completely government funded health plan. Currently, 90% of RIte Share families have an income below 185% of the Federal Poverty Level. Those families are at greatest risk for dropping their employer sponsored insurance and becoming crowd-out statistics. The RIte Share approach has maintained the employer share at a savings of $1 million for every 1000 enrollees every year. Those are costs that would have likely come to the state as employers have passed higher commercial premiums on to their employees, creating an affordability problem for lower-income families.

Rhode Island also received approval to require monthly premiums for families with incomes over 150% of the Federal Poverty Level. For higher income enrollees, monthly premiums have lessened the gap between the cost of maintaining employer sponsored insurance and enrolling in a government alternative. This is intended to dissuade employees from dropping commercial health plans for less expensive government funded coverage. To avoid losing the lower-income enrollees to relatively high cost sharing efforts, Rhode Island has opted for a sliding scale monthly premium based on income. Our ability to maintain a high percentage of eligible persons enrolled is evidence that we have been successful at balancing these competing interests.

Additional measures contained in the CMS SHO letter include the monitoring of possible health coverage through non-custodial parents, a requirement that 95% of eligible children under 200% of the Federal Poverty Level are insured, and an assurance that the number of children under 200% of the Federal Poverty Level covered by private insurance has not decreased by more than 2% over the past five year.

As part of RI Medicaid's program integrity procedures, the State routinely conducts third-party liability checks in an effort to determine any other source of insurance coverage, which would include coverage associated with non-custodial parents. These checks are conducted routinely and in conjunction with commercial insurers.

Rhode Island has complied with the assurance that 95% of eligible children under 200% of the Federal Poverty Level are insured. Compliance was achieved through long-term outreach and a commitment to sustaining commercial insurance through the RIte Share program. Rhode Island has a history of strong community advocacy; with these community partners, the

State has been able to enroll tens of thousands of children in this program. Efforts educate the public about this program continue on a daily basis.

The assurance that limits the potential decrease in commercial insurance coverage for this population to 2% over 5 years is the most difficult provision to meet. Statewide insurance initiatives to expand access and affordability are not under the purview of the State Medicaid Program, but in Rhode Island they have played an active role in those strategic discussions. The ability for low income Rhode Islanders to afford commercial health insurance is important to Governor and to the fiscal integrity of the State's Medicaid Program.

In conclusion, compliance with the CMS SHO letter, date August 17, 2007, was not the result of last minute program changes or quick fixes. Rhode Island has been able to avoid crowd-out issues because of a long-term reasoned approach that seeks to maintain an enrollee's existing coverage, creates disincentives for migrating from commercial to government funded health coverage, and maximizes the use of public dollars.