

# Maryland Children's Health Program

January 2007

In 1997 the federal government enacted legislation creating the State Children's Health Insurance Program (SCHIP) as a means for states to provide health insurance coverage to low-income children who were not eligible for Medicaid. In Maryland, this became the Maryland Children's Health Program (MCHP), implemented July 1, 1998.

MCHP Premium, Maryland's MCHP expansion program, was implemented on July 1, 2001. For a modest monthly premium, MCHP Premium provides access to low-cost health insurance for children at moderate income levels.

MCHP and MCHP Premium provide children with a comprehensive benefit package through HealthChoice, Maryland's Medicaid managed care program.

## Eligibility

Maryland has one of the highest income eligibility thresholds for children—insuring children in families with incomes up to 300% of the Federal Poverty Level (FPL).

MCHP experienced changes in recent years. In FY 2002, Maryland implemented an MCHP Premium employer-sponsored insurance (ESI) option. However, this option was permanently eliminated by the General Assembly effective July 1, 2003.

At the same time, as a result of mounting budget constraints, the General Assembly made temporary changes to MCHP. Families with incomes between 185% and 200% of the FPL were required to pay a monthly premium for the first time, and MCHP Premium enrollment of families with incomes between 200% and 300% of the FPL was frozen. These changes were for Fiscal Year (FY) 2004 only.

Following these changes, the General Assembly continued to debate changes to MCHP during the 2004 General Assembly Session. Those changes would have continued the premium for individuals between 185% and 200% FPL beyond FY 2004 and would have established a tiered premium based on family size for MCHP Premium. These proposals did not pass, and as a result, the program returned to its pre-FY 2004 structure:

- Children under the age of 19 may be eligible for MCHP if family income is at or below 200% of the FPL (\$33,200 for a family of three in 2006);
- Children under the age of 19 with family incomes above 200% but at or below 300% of the FPL (\$33,200- \$49,800 for a family of three in 2006) may be eligible to enroll in MCHP Premium.

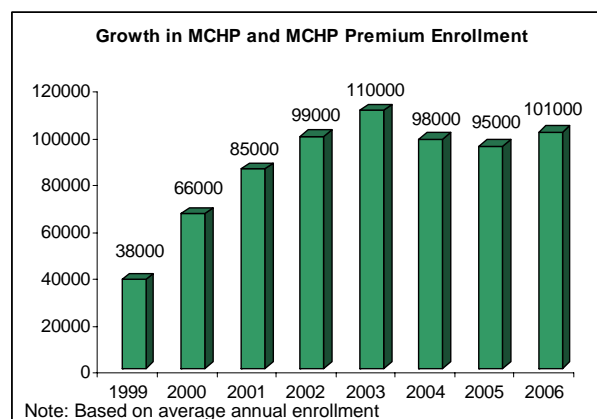
Premium amounts are on a per family basis, regardless of the number of eligible children. Qualifying income levels are based on the FPL and change each April, for FY 2007 :

- Families with incomes between 200% and 250% of the FPL contribute \$44/month;
- Families with incomes above 250% but at or below 300% of the FPL contribute \$55/month.

There are no asset or resource tests for the MCHP population.

## Enrollment

Average enrollment grew from about 38,000 enrollees in FY 1999 to over 110,000 enrollees in FY 2003. In FY 2004, average enrollment decreased to 98,000, primarily due to a mass review of eligibility that moved more than 16,500 children from MCHP to Medicaid coverage groups and disenrolled 2,300 children who had employer-sponsored insurance. During the same time period, about 1,600 children disenrolled when the new premium requirement was imposed, and enrollment growth slowed due to the MCHP Premium enrollment freeze and a reduction in MCHP marketing and outreach. Subsequently, enrollment in MCHP Premium increased slightly.



Together, Medicaid and MCHP provide health care coverage for approximately 28% of Maryland's children.

## SCHIP Allotment

The federal government provides annual allotments to each state for SCHIP. SCHIP programs receive a 65% enhanced federal match. Each state's SCHIP allotments are based on a federal funding formula established in 1997. These allotments do not meet all of the costs of the Maryland's MCHP program. Some states do not use their entire allotment while others are left with excesses. Typically, when states fail to spend their entire allotment the excess is returned to the federal treasury. Other states have expenditures that exceed their allotments. The federal government has addressed this deficiency by redistributing the excess to those states with shortfalls.

For the past five years, Maryland has relied upon federal funding redistributions from states that have not spent their entire allotments. In 2003, Congress passed legislation (H.R. 2854) to extend the availability of \$2.7 billion in SCHIP funding. However, this legislation failed to address longer term funding problems through FY

2007, and as a result \$1.07 billion in federal funds reverted to the federal treasury.

During the lame-duck session of the 109th Congress, a bill was passed that included a provision to address expected FY2007 federal funding shortfalls in the program. The measure does not include any new funding but depends on a \$271 million redistribution of funds already in the program.

SCHIP is scheduled to be reauthorized by Congress in 2007. The funding level at which SCHIP might be reauthorized is not yet known. There continues to be uncertainty about the adequacy of federal SCHIP funding in future years. Maryland currently projects that the MCHP allotment will be exhausted before the end of FY 2007, resulting in an MCHP funding shortfall. Most of the MCHP enrollees will continue to be covered at 50% federal matching. The MCHP premium population, however, will need to be covered with state general funds if program changes are not made. Given recent changes under the Deficit Reduction Act, Maryland is considering the MCHP premium population as a Medicaid expansion group. This will allow them to maintain coverage even after the allotment is exhausted.

## **Program Evaluation**

### *MCHP Evaluation*

In 2003, Maryland evaluated MCHP.

Key findings of the evaluation were:

- MCHP expanded coverage to over 100,000 children, including an adolescent population that was largely excluded from prior public coverage.
- MCHP is a well-liked and appreciated program.
- There is little evidence of private insurance crowd-out (enrollees dropping employer-based coverage to gain public coverage or employers ceasing to offer coverage to employees).
- The MCHP Premium program expanded coverage. Although enrollment has fallen short of initial estimates, program participation has grown at a healthy rate.
- Premiums deter some potential enrollees from enrolling in MCHP Premium.
- Once enrolled in MCHP Premium, the premium is not an impediment. Families paying a premium are no more likely to exit MCHP Premium than families not paying a premium in MCHP.
- The MCHP Premium Employer Sponsored Insurance (ESI) option failed to live up to its enrollment goals, an experience shared with other states that have implemented premium assistance initiatives.
- Coverage through the MCHP Premium ESI option was more expensive than coverage through MCHP Premium (HealthChoice). There is little indication that the program could have achieved cost-effectiveness.

A final report on the MCHP Premium ESI option was prepared for the General Assembly is available online at <http://www.dhmd.state.md.us/mma/html/reppubs.html>.

Maryland also conducted focus groups with MCHP Premium applicants who terminated the application process and in-depth telephone interviews with parents whose children disenrolled from MCHP Premium. Findings from the focus groups and interviews included:

- The MCHP Premium application form is easy to complete, but the process is confusing.
- Family financial hardship prevents payment of premiums.
- Increases in family income are a reason why parents disenroll their children from MCHP Premium.
- Enrollees have mixed impressions of MCHP Premium, influenced greatly by the health plan in which their children are enrolled.
- Many parents say they like the current premium pricing structure in MCHP Premium.

A final report from the focus group project is available online at <http://www.dhmd.state.md.us/hrsa/>.

### *Assessment of the Impact of Premiums*

In the months immediately following the implementation of the FY 2004 premium requirement for families with incomes between 185% and 200% FPL, one-quarter of affected children disenrolled from the program. It was originally projected that approximately half of affected children would disenroll.

Between February and April 2004, Maryland surveyed parents/guardians of the disenrolled children to assess the impact of the new premium requirement on enrollment.

Key findings from the study were:

- The premium's impact on enrollment was immediate and temporary. Since December 2003, enrollment has been steadily growing.
- A majority of parents said the premium was not the main reason their child left MCHP.
- Sixty-three percent of parents thought the \$37/month premium was affordable.
- Over half of parents said they had obtained other health insurance for their children.
- While enrolled, children who disenrolled were less likely to access services than children who remained enrolled.
- Families with one child accounted for the majority of disenrollment.
- There were few differences between enrolled and disenrolled children with regard to age, race/ethnicity, or region.

A full report on the impact of MCHP premiums on enrollment and health coverage is available online at [www.dhmd.state.md.us/mma/html/reppubs.html](http://www.dhmd.state.md.us/mma/html/reppubs.html).