

# Ideas in Action

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## CHIP— Ensuring Every Idaho Child a Healthy Start

### What is CHIP?

The Children's Health Insurance Plan (CHIP) is a program designed to provide health insurance for children in families that earn too much to qualify for Medicaid but not enough to purchase private health insurance. Idaho implemented the CHIP program in October 1997, when former Governor Batt expanded Medicaid coverage of low-income children by accessing federal CHIP funds.

Since fiscal year 1998, Idaho has been allotted over \$70 million in federal money for the CHIP program. As of fiscal year 2001, however, Idaho has spent only \$26 million of that money — 37 percent of the money available over the four-year period. In 2002, Idaho is eligible to receive an additional \$15 million from the federal government.

### Successes of the CHIP program in Idaho

- **CHIP covers more than 10,000 previously uninsured children.** The expansion of Medicaid in 1997 resulted in new eligibility levels set at 150 percent of the Federal Poverty Line for children 19 years and younger (\$21,945 a year for a family of three). Previously, the eligibility levels were set at the federal minimum levels and 19-year-olds were not covered.
- **Low cost-sharing ensures that children get the health care they need.** Currently, Idaho imposes few cost-sharing requirements for most individuals enrolled in Medicaid. This gives low-income families the ability to access the health care they need and still be able to meet their basic food and shelter needs.

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*"My husband and I have three kids who use Medicaid. They have been using Medicaid since April 2000. Medicaid has been extremely beneficial to use because my kids get sick a lot. If we did not have Medicaid, we would not be able to take our children to the doctor when they need to because my husband is the only one who currently works. The legislature needs to keep Medicaid going — there are too many people in this state and in this country that simply cannot afford to go to the doctor or to get their medications. I would like to see the people who want to cut Medicaid go through a year without health insurance just so they know what it is like to be in our shoes. Medicaid helps us to take care of our children — we are very happy that Medicaid helps us when we need it."*

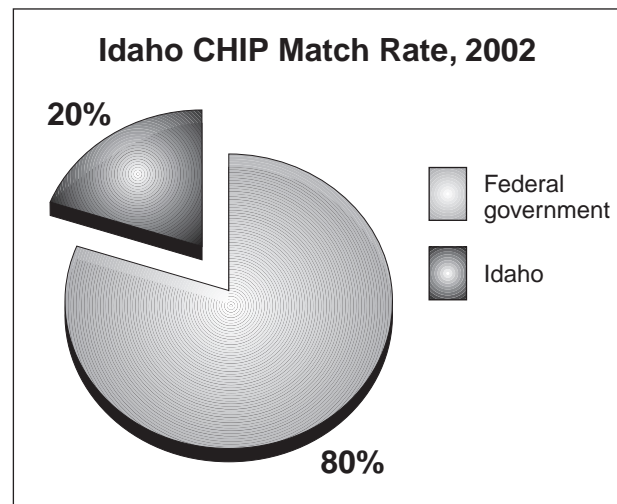
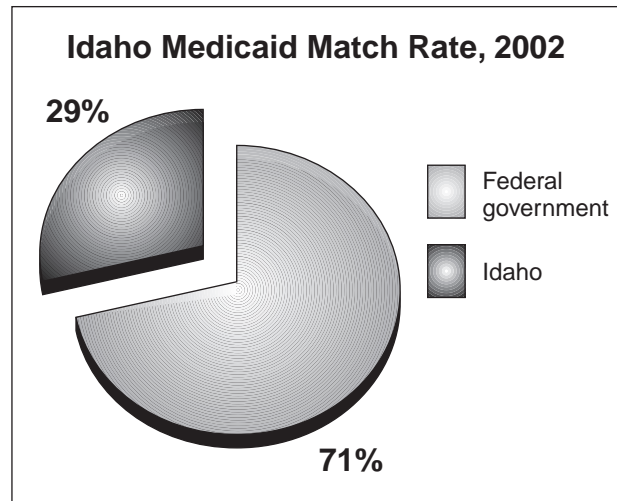
Linda — Rupert, Idaho

- **The basic benefit package of CHIP ensures that children get the preventative services they need.**

The CHIP program, because it is an extension of the state Medicaid program, offers the same list of services that Medicaid recipients receive, including the Early and Periodic Screening, Diagnosis, and Treatment (EPSDT) program. EPSDT provides comprehensive preventative and well child care.

- **The federal government pays for most of Idaho's CHIP program.**

Idaho receives one of the most generous match rates in the country for its Medicaid program: the federal government pays 71 percent of the cost of the general Medicaid program and 80 percent of the cost of the CHIP program. For all Medicaid programs combined, Idaho pays just 28.3 percent of the total cost.<sup>1</sup> In 2001, Idaho spent \$607 million on Medicaid — but less than \$200 million was from state dollars.



### **Why Idaho continues to need a CHIP program.**

- **Idaho suffers from high rates of poverty.** Idaho's poverty rate continues to surpass the national average and has grown from 13.3 percent in 1989 to 13.5 percent in 1999.<sup>2</sup> One in every five children in Idaho lives in poverty, which means their families have inadequate income to meet their basic needs.<sup>3</sup>

- **Idaho still has many uninsured children.** Nearly 29 percent of Idaho's poor are children.<sup>4</sup> With nearly one in five children uninsured (over 75,000 children), Idaho has the ninth highest percentage of uninsured children in the U.S.<sup>5</sup> The average uninsured rate for children for the entire country is 14 percent.

- **Idaho's economy is declining.**  
Idaho's urban economy has been growing at a slower pace over the past two years. The rural areas of Idaho, which represent almost 90 percent of the state's geography, have seen only modest economic growth and in some cases declining economies. The downturn in Idaho's economy will put added pressure on the Medicaid program as many families lose job-based health coverage and the financial means to continue coverage through COBRA or private coverage.

**As health care costs rise,  
CHIP became the target  
of budget cuts.**

Legislators fear that children applying for the CHIP and those children who

were determined eligible for Medicaid rather than CHIP are causing much of the problem. However, Medicaid costs are rising in Idaho because all health care costs are rising. Employer-based insurance premiums have also seen cost increases, rising 11 percent this year, the fifth straight year of rising premiums and the highest since 1993. Projections from the Congressional Budget Office forecast that federal Medicaid expenditures will rise at an annual rate of 8 percent to 9 percent over the next several years. The Medicaid budget in Idaho is projected to grow to \$1 billion by 2006; approximately \$300 million will come from state funds.<sup>6</sup>

In 2000, the state's joint budget committee spent much of the year attempting to cut \$27 million from the 2001 Medicaid program. The fiscal year 2001 Medicaid budget ultimately fell short by \$33 million, but the 2000 legislature provided the full supplemental needed.<sup>7</sup> Idaho Legislators continued their budget cuts in 2001 for the 2002 Medicaid budget, despite the continued need by low-income families.

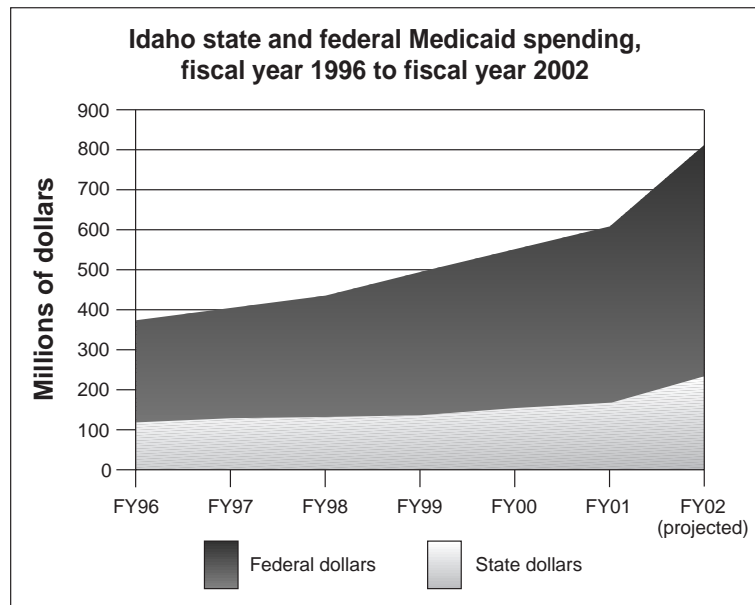
*"My husband and I both work, but I only earn around \$200 a month and my husband's income varies since he is a logger. My husband could obtain health insurance through his employer for our three children, but the employer's health insurance costs too much. The cost of the insurance would come out of my husband's paycheck and that is money that we need to live on. So that is why we got Medicaid for our children so that they could have general health insurance. Before they were on Medicaid, I would only take them to the doctor when they got sick because of the cost of the health care. Medicaid has helped us out a lot because we have a daughter who has athletic asthma and the medication for that is really expensive. If our children's Medicaid benefits were to be cut, it would hurt us really bad because of the medication for our daughter and also just for their general health."*

Rhonda — Kamiah, Idaho

## Legislators attempted to contain costs by cutting spending on CHIP.

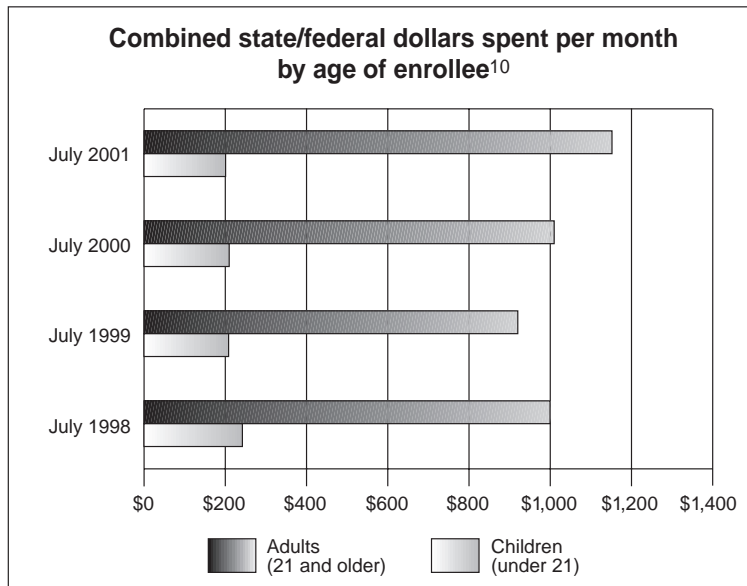
Senate Bill 1274 was introduced before the Idaho State Senate on March 29, 2001 and signed into law by the governor on April 9, 2001. This bill was apparently introduced to curb escalating costs of implementing the Medicaid program in Idaho, however the main goal of SB 1274 was to take some immediate steps to limit the expansion and services provided by the Medicaid program, especially in the CHIP program.

- **Outreach efforts halted.** In March 2001, the federal government approved a waiver submitted by Idaho's Department of Health and Welfare for CHIP to increase enrollment by 4,000 and expand outreach.<sup>8</sup> Just weeks later, the Legislature introduced this legislation to cap CHIP enrollment and end almost all outreach practices. Despite the great benefits of offering insurance coverage to children, this new law severely limits outreach to the additional eligible uninsured children and terminates state funding for low-income children once the CHIP match has been exhausted.
- **Capping coverage for children.** Of the many provisions of SB 1274,



among the most controversial was Section 5, aimed at capping coverage for children. The Idaho Legislature capped spending of Title XXI CHIP money at \$4.6 million for fiscal year 2001. Under this provision of SB 1274, once the \$4.6 million has been used, the state would no longer provide insurance to low-income children, even if federal money is still available.

- **Exploring Cost-Sharing.** Currently, Idaho imposes few cost-sharing requirements for most individuals enrolled in Medicaid. Imposing cost-sharing for families with already limited incomes will mean that fewer families will enroll in the program due to cost barriers. Ultimately, fewer low-income families will get the health care they need.



dren's enrollment in the Medicaid program, very little attention was paid to the actual cost of covering these children. Children are the least expensive group to cover, costing Idaho's general fund only \$300 a year for those on CHIP and \$450 for those on Medicaid.

### Other sources of cost increases in Medicaid have received little attention.

### Limiting access to the CHIP program doesn't address the real cost-drivers of Medicaid.

While legislators were publicly focusing on CHIP as being responsible for driving up program costs by increasing chil-

The largest cost-drivers in the Medicaid program — long-term care spending, hospital services, and prescription drugs — were not part of the public debate on what was driving Medicaid costs.

- **Long-term care spending.**

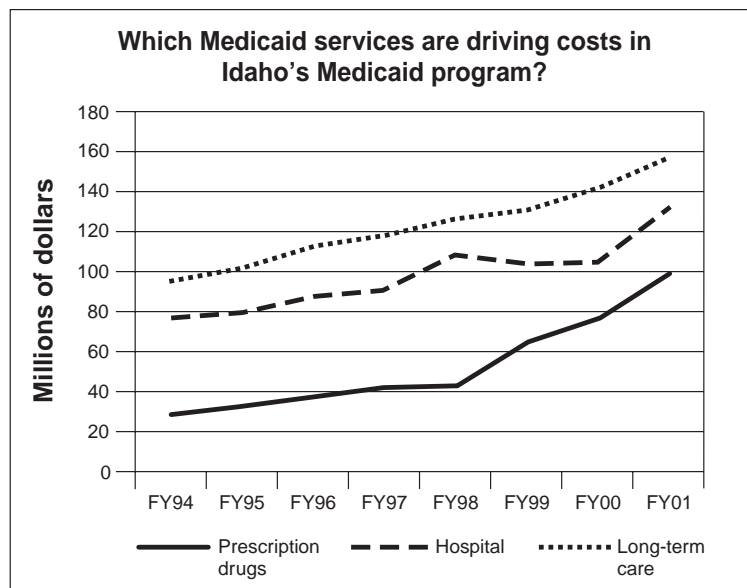
Medicaid spending on long-term care has increased by 25 percent between fiscal year 1997 and fiscal year 2001.

- **Hospital spending.**

Idaho's Medicaid spending on hospital services has increased 32 percent in the past five years.

- **Prescription drugs.**

Medicaid spending on prescription drugs has increased by an astonishing 43 percent during the last five years.





## **Rather than capping CHIP, Idaho's legislature can negotiate lower drug prices to save money.**

The Idaho Legislature, like every state, is concerned with the rising costs of prescription drug prices. The growth rate for prices is twice the rate of inflation and the pharmaceutical industry remains the most profitable industry in the country. The great expense of prescription drugs hurts the state's ability to control Medicaid program costs.

The legislature made a limited attempt to address the rising cost of prescription drugs in the Medicaid program, and most of the changes are focused on controlling what type of drug an individual beneficiary may receive or what type of cost-sharing a beneficiary will endure.

In order to control prescription drug costs, states are investigating and forming purchasing pools to negotiate prescription drug savings with manufacturers. As savings typically depend on the volume of drugs purchased, coalitions use market power to lower prescription drug costs. In the Pacific Northwest, Idaho — along with Washington — has passed a resolution urging joint action with Oregon, Montana, and other northwestern states.

Controlling costs for the Medicaid and CHIP programs should include strategies that address the root of escalating

*"When our five children were not receiving Medicaid benefits, we put off taking them to the doctor until things got bad. Now that our children have Medicaid, we are able to take our children to the doctor on a more regular basis. Their health has improved because of Medicaid. Plus, we can now afford the medication, counseling, and anger management classes for our son with ADHD. Without Medicaid helping us with our children's medical care, we would go into the poor house. Because of Medicaid, our children are healthier and happier now because they know that they will get the health care that they need. We are very grateful for Medicaid being there to help our children."*

Sugar — Grangeville, Idaho

costs. Unfortunately, controlling prescription drug prices seems to get less attention from the Legislature than the successful CHIP program, which has enrolled 10,000 new children.

### **Endnotes**

- 1 Facts, Figures & Trends, 2000–2001, Idaho Department of Health and Welfare, pg. 25. Available at: [http://www2.state.id.us/dhw/facts\\_figures/Facts2001/index.htm](http://www2.state.id.us/dhw/facts_figures/Facts2001/index.htm)
- 2 U.S. Census Bureau, "Poverty 1999," [www.census.gov/hhes/poverty/poverty99/pv99state.html](http://www.census.gov/hhes/poverty/poverty99/pv99state.html).
- 3 Mountain State Group, "Idaho Kids Count Data Book," 1998.
- 4 U.S. Census Bureau, U.S. Census Bureau, Census 2000 Summary File 1, Idaho.
- 5 Laura Benko, "Chipping Away at SCHIP, With Costs Mounting, Idaho Cuts Outreach for Children's Health Program," *Modern Healthcare*, April 16, 2001, p. 20.
- 6 Idaho Fiscal Facts: A Legislator's Handbook of Facts, Figures and Trends, September 2000, Idaho Legislative Services, p. 6.
- 7 Idaho Legislative Budget Book, Office of the Governor, Division of Financial Management, 2001, p. 2-34.
- 8 "HHS Approves Idaho CHIP Program Expansion," *Kaiser Daily Health Report*, [www.Kaisernetwork.org](http://www.Kaisernetwork.org), March 07, 2001.
- 9 Idaho Department of Health and Welfare, September 2001, Executive Management Report, p. 20.