

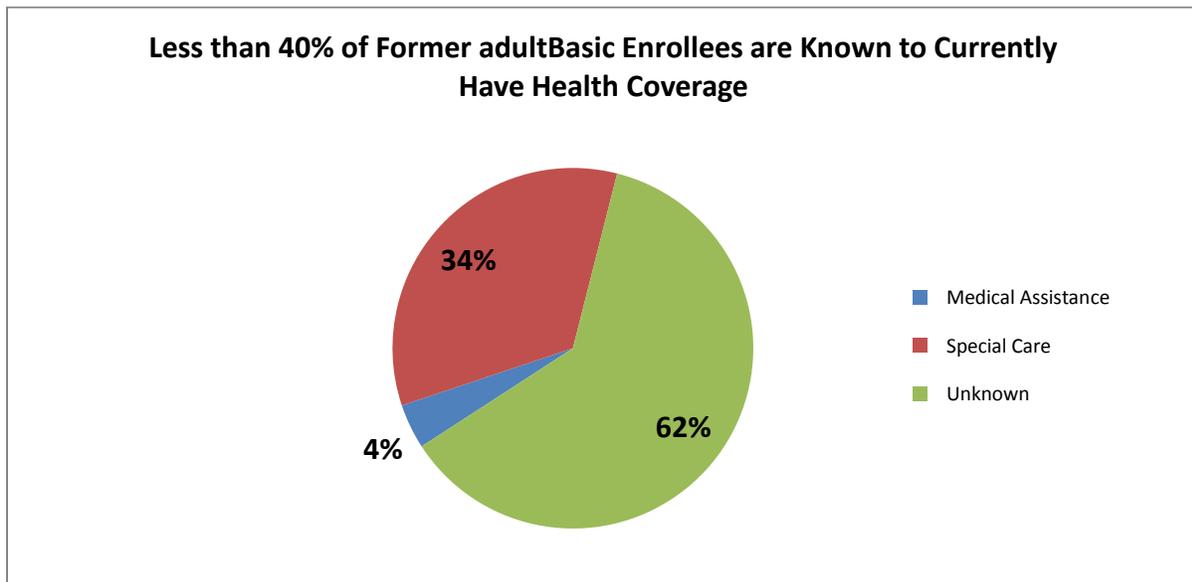
# Falling Through the Cracks:

Six months after the end of adultBasic

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## Where Are They Now?

Six months after the end of the state's adultBasic program, few former enrollees have been able to access the options offered them when the program ended. Fewer than 40% of the 37,588 individuals who lost their insurance at the end of February have enrolled in Medical Assistance or Special Care, a low-cost, limited benefit product offered by Pennsylvania's Blue Cross/Blue Shield plans.<sup>1</sup> While some of the remaining 23,261 individuals may have found another option, many of them have simply fallen through the cracks and likely remain uninsured.



Source. Data requested by the Office of Senator Mike Stack from Pennsylvania Departments of Public Welfare and Insurance (Aug 2011 data).

**As of August 24, 2011, only 12,814 former adultBasic participants had enrolled in Special Care — about 34% of those enrolled in adultBasic when the program closed in 2011.**<sup>2</sup> While offered as a viable option for adultBasic enrollees, Special Care carried a monthly premium three to four times that of

<sup>1</sup> Data provided by Blue Cross and Blue Shield Insurers to Senator Mike Stack, August 24, 2011. Blue Cross of Northeastern Pennsylvania (NE PA) stopped tracking the status of former adultBasic enrollees in its Special Care on July 1, 2011, due to the expiration of the pre-existing condition waiver. The last figures reported by Blue Cross NE PA showed 2,334 former adultBasic enrollees in its Special Care plan. This figure was carried forward for the August calculation. The other three plans reported very modest increases (less than 2%) in their enrollment figures from July to August, so the figures presented here may slightly understate actual Special Care enrollment. As Blue Cross NE PA had only 12% of adultBasic enrollees, this understatement is highly unlikely to be material.

<sup>2</sup> Ibid.

adultBasic, with limits on medical coverage, including a four-doctor-visits-per-year cap that may have kept it out of reach for most adultBasic enrollees.

**Only 1,513 qualified for health coverage under Medical Assistance — 4% of those enrolled in adultBasic in February 2011.**<sup>3</sup> AdultBasic was designed to provide health coverage to working adults who didn't qualify for Medical Assistance but weren't provided job-based health coverage. Still, many adultBasic enrollees might have qualified due to special circumstances: pregnancy, a diagnosis of breast or cervical cancer, or a disability. Despite a thorough review of cases by the Department of Public Welfare, fewer than expected adultBasic recipients are enrolled.

After six months, 62% of adultBasic enrollees, 23,261 individuals, are not enrolled in the two main alternative programs offered by the Pennsylvania Department of Insurance when the program closed.

## Background

AdultBasic was created in 2001 under Governor Tom Ridge to provide low-cost, no-frills health insurance coverage to low-income Pennsylvanians. To qualify for the low-cost coverage, enrollees had to be between the ages of 19 and 65 and could not have income of more than 200% of the Federal Poverty Level (\$21,660 for an individual in 2010).<sup>4</sup> Enrollees also could not qualify for Medicare or Medical Assistance (Pennsylvania's Medicaid program) and had to be uninsured for at least 90 days prior to enrollment.

Premiums were kept at a reasonable rate. Monthly premiums were \$36 (as compared to monthly premiums for Special Care which range in cost for a single adult from \$138 to \$192, depending on the plan<sup>5</sup>), and adultBasic did not limit coverage for pre-existing conditions.

## Enrollment

From 2002 to 2005, the adultBasic program had approximately 36,000 enrollees. Interest in the program increased and a waiting list began in 2003. By 2005, this waiting list had grown to 127,000. In 2005, new funding was identified, and enrollment peaked at 57,500 individuals in July 2006. Enrollment in adultBasic hovered around 50,000 until September 2008, then experienced a gradual decline until it ended in February 2011. The waiting list grew from 2005 on, reaching 463,868 individuals in November 2010.<sup>6</sup>

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<sup>3</sup> Email exchange between Senator Mike Stack's office and the Director of Legislative Affairs of the Department of Public Welfare, August 17, 2011.

<sup>4</sup> Pennsylvania Insurance Department, "adultBasic Eligibility," accessed August 30, 2011, [http://www.portal.state.pa.us/portal/server.pt/community/health\\_insurance/9189/adultbasic\\_eligibility/595491](http://www.portal.state.pa.us/portal/server.pt/community/health_insurance/9189/adultbasic_eligibility/595491).

<sup>5</sup> Special Care plan premiums vary by provider. A review of plans on the internet finds that monthly premiums for a single adult range from \$138 with Highmark Blue Shield to \$192 with Capital Blue Cross (costs for Independence Blue Cross and Highmark in the western part of the state were in between). Premiums for Blue Cross of Northeastern Pennsylvania were not listed on the company's website.

<sup>6</sup> Pennsylvania Insurance Department, *Annual Report to Legislature on adultBasic* (various years).

## Paying for adultBasic

Initial funding for adultBasic came exclusively from the Tobacco Settlement Fund (TSF) under Act 77 of 2001.<sup>7</sup> Act 77 allocated 30% of the state’s share of the Master Settlement Agreement to adult health insurance. Since 2006, tobacco settlement funding for adult health care was split between Medicaid for Workers with Disabilities (MAWD), a subsidized insurance plan for workers with disabilities, and adultBasic. The use of TSF dollars allocated to MAWD was used to draw down federal matching funds, while adultBasic remained solely a state funded program. By 2008-09, MAWD covered 13,500 individuals and drew down \$56 million in federal Medicaid funds.<sup>8</sup>

In 2005, Governor Ed Rendell and Pennsylvania’s four Blue Cross/Blue Shield plans (the Blues) negotiated the Community Health Reinvestment (CHR) Agreement — a five-year commitment by the Blues to contribute to adultBasic, in keeping with their nonprofit charitable mission.

### **AdultBasic Funding by Source, 2002-03 to 2010-11 (in millions)**

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11 <sup>9</sup>
<b>Tobacco Settlement Fund</b>	\$97.5	\$112.1	\$103.1	\$74.3	\$61.6	\$49.9	\$38.8	\$36.6	\$21.8
<b>Community Health Reinvestment</b>	\$0	\$0	\$0	\$59.2	\$95.0	\$109.0	\$126.3	\$106.3	\$114.0
<b>Total adultBasic Funding</b>	\$97.5	\$112.1	\$103.1	\$133.5	\$156.6	\$158.9	\$165.1	\$142.9	\$135.8

Source. Governor’s Executive Budgets, 2004-05 to 2011-12.

Facing expiration of the CHR, an agreement was negotiated in the summer of 2010 to continue the adultBasic program through June 2011. A reallocation of TSF funding by the General Assembly, a slight bump in enrollment in July 2010, and reduced payments by the Blues left the program with insufficient funds to continue operations past February 2011. Governor Tom Corbett elected not to renegotiate the CHR agreements and decided to close the program. On February 28, 2011, 37,588 individuals were left on the program and subsequently lost their health insurance coverage.<sup>10</sup>

<sup>7</sup> <http://www.legis.state.pa.us/cfdocs/billinfo/billinfo.cfm?year=2001&sind=0&body=H&type=B&bn=0002>.

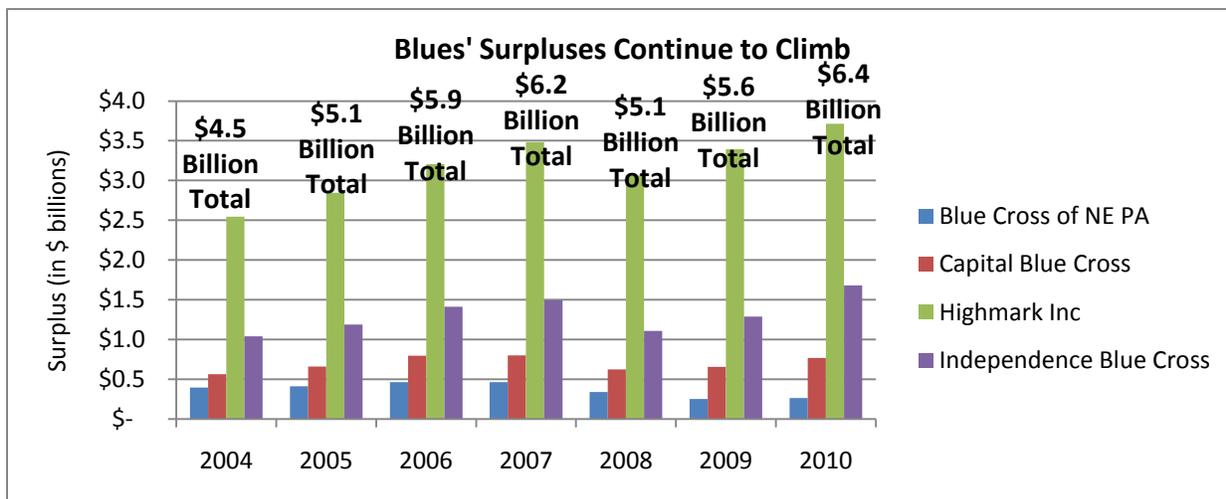
<sup>8</sup> Commonwealth of Pennsylvania, *2010-11 Governor’s Executive Budget*, February 2010.

<sup>9</sup> Governor’s Budget projections for 2010-11 reflect the termination of adultBasic as of February 28, 2011. These projections were taken from the *2011-12 Governor’s Executive Budget*.

<sup>10</sup> As it became clear that the Corbett Administration was not going to pursue a renewal of adultBasic, enrollees began to look for other options. This resulted in decreases in enrollment in the program in the last few months. At the beginning of February 2011, there were over 41,000 people in the program. The 37,588 figure reflects enrollment in the program on February 28, 2011.

## Blues Continue to Thrive

The Community Health Reinvestment Agreements were negotiated at a time when the Blues were under heavy scrutiny by the Pennsylvania Insurance Department and the public for holding very large surpluses. Even after the CHR payments, the Blues continued to add to those surpluses. Between 2005 and 2010, a period that included the Great Recession, the collective surpluses increased from \$5.1 billion to \$6.4 billion.<sup>11</sup>



Source. National Association of Insurance Commissioners (NAICS)

## Expanding Their Reach

During discussions to continue adultBasic, the Blues elected not to continue their Community Health Reinvestment contributions, arguing that they had no money to do so. Since the adultBasic program ended, it appears that the largest of the state’s Blues undertook large and expensive acquisitions.

Highmark, the state’s largest Blue plan, is attempting to acquire the West Penn Allegheny Health System<sup>12</sup> and Blue Cross/Blue Shield of Delaware. Government officials in Delaware have been cautious about the sale and are requiring that a portion of the BC/BS plan’s \$175 million surplus be set aside in a foundation to benefit the people of Delaware.<sup>13</sup>

Independence Blue Cross recently entered a joint venture with Blue Cross/Blue Shield of Michigan to provide Medicaid managed care services to over 4 million people across 11 states.<sup>14</sup>

<sup>11</sup> Review of annual company filings with the National Association of Insurance Commissioners (NAIC).

<sup>12</sup> Bill Toland, “Nation casts its eyes on Highmark acquisition,” *Pittsburgh Post-Gazette*, July 17, 2011, <http://www.post-gazette.com/pg/11198/1161036-28-0.stm?cmpid=MOSTEMAILED>.

<sup>13</sup> Alex Nixon, “Highmark’s merger with Blue Cross clears hurdle in Delaware,” *Pittsburgh Tribune-Review*, July 19, 2011, [http://www.pittsburghlive.com/x/pittsburghtrib/business/s\\_747311.html](http://www.pittsburghlive.com/x/pittsburghtrib/business/s_747311.html).

<sup>14</sup> Ashok Selvam, “Independence Blue Cross buying stake in AmeriHealth,” *ModernHealthcare.com*, August 9, 2011, <http://www.modernhealthcare.com/article/20110809/NEWS/308099961#>.

It is not clear what impact these acquisitions will have on the citizens of Pennsylvania, whom the Blues were given nonprofit status to serve.

## Options for Former adultBasic Enrollees

In announcing the end of adultBasic, the Pennsylvania Insurance Department (PID) sent letters directing enrollees to other options, primarily Medical Assistance and Special Care.<sup>15</sup> Around the same time, Pennsylvania started the PA Fair Care Program – a temporary, state-run insurance program for adults as part of the Affordable Care Act, the federal health care reform law.

The options for adultBasic enrollees included:

Special Care: This is a line of limited benefit, lower-cost health insurance for low-income individual subscribers offered by each of the state’s Blues. Special Care was thought to be the primary option for most adultBasic enrollees to maintain coverage. While the various Special Care plans shared coverage characteristics (such as limiting coverage to four doctor visits per year), other aspects varied — most noticeably coverage area and premium costs. The Blues subsidize a portion of premium costs for Special Care as part of their charitable mission. However, costs to consumers are still roughly 400% of adultBasic’s \$36 per month premium.

The number of former adultBasic enrollees who were signing up for Special Care slowed significantly after June 30, 2011 with only 226 additional enrollments. Former enrollees were permitted to join Special Care without having treatment for pre-existing conditions excluded from their policies if they enrolled by May 2, 2011.<sup>16</sup> This was an agreement made between the Blues and the Insurance Department to make the Special Care program a more attractive option. It may be the case that once this pre-existing conditions waiver expired, further enrollment slowed.

### Sampling of Special Care plan coverage/restrictions

	Blue Cross of NE PA	Capital Blue Cross	Highmark – Central PA	Highmark – Western PA	Independence Blue Cross
Monthly premium (single adult)	Not known	\$192.44	\$137.80	\$162.00	\$148.70
Coverage area	13 Counties covered by Blue Cross of NE PA	21 counties in Central PA	21 counties in Central PA	29 counties in Western PA	5 counties in SE PA, with coverage at participating hospitals in four others
Income limits	\$20,036	\$21,780	\$21,780	\$21,780	\$21,780

<sup>15</sup> A list of the options available for former adultBasic enrollees can be found here: [http://www.portal.state.pa.us/portal/server.pt/community/health\\_insurance/9189/adultbasic\\_phase-out\\_health\\_options/822230](http://www.portal.state.pa.us/portal/server.pt/community/health_insurance/9189/adultbasic_phase-out_health_options/822230).

	Blue Cross of NE PA	Capital Blue Cross	Highmark – Central PA	Highmark – Western PA	Independence Blue Cross
Limits on pre-existing conditions	Normal Limits Waived through 5/22/11 for former adultBasic subscribers	Normal Limits Waived through 5/22/11 for former adultBasic subscribers	Normal Limits Waived through 5/22/11 for former adultBasic subscribers	Normal Limits Waived through 5/22/11 for former adultBasic subscribers	Normal Limits Waived through 5/22/11 for former adultBasic subscribers
Limits to Doctor Visits	Four per year	Four per year	Four per year	Four per year	Four per year
Co-pays for doctor visits	\$15 for Primary Care Physician/\$25 specialist	\$10 per office visit (those to non-participating doctors are not covered)	\$15 for Primary Care Physician/\$25 specialist	\$15 for Primary Care Physician/\$25 specialist	\$15 for Primary Care Physician/\$25 specialist
Inpatient Hospital Services (participating)	21 days per calendar year	21 days per year; 21 additional days after 90 hospital fee days	21 days per year; 21 additional days after 90 hospital fee days	21 days per year; 21 additional days after 90 hospital fee days	21 days per year; 21 additional days after 90 hospital fee days
Consultations from specialists in hospital	One visit per consultant per day	One visit per consultant per day	One visit per consultant per day	One visit per consultant per day	One visit per consultant per day
Outpatient physical therapy	Not covered	Not covered	Not covered	Not covered	Not covered
Ambulance services	Between hospitals only	Emergency use only	Between hospitals only	Between hospitals only	Between hospitals only

**Medical Assistance (MA):** This is the state’s Medicaid program, which provides health coverage for very low-income Pennsylvanians. At the end of adultBasic, the Insurance Department encouraged enrollees to apply for Medical Assistance but initially did not offer pre-termination assessments to enable people to maintain health coverage. Community Legal Services of Philadelphia negotiated an agreement with the Insurance Department and the Department of Public Welfare to review adultBasic enrollees for Medical Assistance eligibility. The Insurance Department sent a letter to individuals who reviews indicated might be eligible for Medical Assistance explaining that an application had been started at the County Assistance Office for them, and urging them to complete the application and to secure the appropriate paperwork.

**Medical Assistance for Workers with Disabilities (MAWD):** This program, funded in part with funds from the tobacco settlement, provides health insurance coverage for workers who have disabilities. Income

is limited to 250% of the Federal Poverty Level (FPL) and individuals must work and receive wages in order to qualify. The cost for workers is set at 5% of monthly earnings.<sup>17</sup>

SelectPlan for Women: This program provides free, limited health care services for low-income women ranging in age from 16 to 44. Services covered include routine check-ups, pap smears, breast exams, STD testing and treatment, and limited family planning services. Income is limited to \$20,147 for a single person.<sup>18</sup>

PA Fair Care: This is Pennsylvania’s temporary high-risk pool funded by the federal government as part of the Patient Protection and Affordable Care Act (the federal health care reform law). The plan provides coverage to individuals with pre-existing conditions. To qualify for coverage under PA Fair Care, individuals must have one or more pre-existing conditions and must not have had insurance for the previous six months.

As the state terminated adultBasic, the Pennsylvania Insurance Department applied to the U.S. Department of Health and Human Services (HHS) to waive the six-month “go bare” requirement on the high-risk pool plan to make the option available to adultBasic enrollees, but as the requirement is stipulated in the law, the waiver was denied.

Beginning in September, adultBasic enrollees who have not secured other insurance may be eligible for PA Fair Care.

The \$283 monthly premium for PA Fair Care<sup>19</sup> is significantly higher than costs for adultBasic or Special Care. At roughly eight times the cost of adultBasic, it is likely to be unaffordable for many former adultBasic enrollees. However, it offers more comprehensive coverage than Special Care and may prove to be an acceptable alternative for some with significant health needs.

Employer coverage: Workers were encouraged to re-examine whether their employer provided health coverage at a price that was affordable.

## Real People, Real Stories

Governor Tom Corbett claimed that adultBasic was a “nice to have” but not a necessary program. Former enrollees tell a story of hardship and insecurity in the wake of the program’s demise.

One such person is **Cindy** from Lawrence County. Cindy is a 55-year-old breast cancer survivor who works several part-time jobs to make ends meet. Under adultBasic, Cindy’s treatments were covered at a rate she could afford. Now she’s enrolled in Special Care through Highmark, which limits her to four

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<sup>17</sup> Disability Rights Network, *Working and Keeping Your Medical Assistance (Medicaid) Benefits: A Fact Sheet for Social Security Beneficiaries*, January 2011, <http://www.drnpa.org/File/publications/working-and-keeping-your-medical-assistance-benefits--updated-january-2011-.pdf>.

<sup>18</sup> Pennsylvania Department of Public Welfare, “SelectPlan for Women, Who Qualifies?” accessed August 31, 2011, <http://www.selectplanforwomen.com/who-qualifies/>.

<sup>19</sup> Pennsylvania Insurance Department, “PA Fair Care Costs & How to Apply,” accessed August 31, 2011, [http://www.portal.state.pa.us/portal/server.pt/community/health\\_insurance/9189/pa\\_fair\\_care\\_cost\\_apply/736074](http://www.portal.state.pa.us/portal/server.pt/community/health_insurance/9189/pa_fair_care_cost_apply/736074).

doctors' visits per year. She uses two of these to check in with her oncologist, just to make sure her cancer hasn't returned.

Highmark is now seeking to increase its Special Care premiums, leaving Cindy and others in a no-win situation — either pay more of her very limited income in premiums for little coverage or forego health coverage altogether.<sup>20</sup>

**Kathy** is a self-employed house cleaner who lives in Sellersville. She is also raising children on her own, so she needs to stay healthy. The problem is Kathy has Lyme disease and fibromyalgia. She is also being treated for a pre-cancerous condition of the cervix — which likely would have turned into a killer had it not been for care she received under adultBasic. Kathy looked into Special Care, but at \$200 per month, it was too expensive — and the coverage couldn't meet her needs. She now depends on charitable care from a local hospital and considerable assistance from her physician to keep up her care.

The story from **Karen and Gary** in Erie is a familiar one with adultBasic. This married couple runs a commercial cleaning company and makes too much to qualify for Medicaid. However, they both have pre-existing conditions that make private insurance unaffordable. In many cases, they were turned down for coverage. They had been enrolled in adultBasic since 2002.

Once they lost coverage, Karen and Gary didn't know what to do. They could afford Special Care premiums for one person —so they opted not to get coverage. Now Karen faces treating her high blood pressure on her own and has put off surgery needed to repair a torn tendon in her foot. Gary has ongoing heart problems, but has been putting off stress tests needed to monitor his situation, because he would be paying for them out of pocket.

"We don't have a big house or a fancy care, but what we have, we worked hard for. Without adultBasic, we can't afford to get sick," Karen said.

"It makes me sick that people have to decide between eating and taking their medicine. It's just not right. Something needs to be done so all people can afford health coverage."

## Conclusion

When ending the adultBasic program, the Pennsylvania Insurance Department attempted to offer adultBasic recipients an alternative insurance option, but it appears that many have fallen through the cracks. The evidence suggests that few enrollees were able to take advantage of the available options.

It is likely that many of these uninsured individuals sought and received medical care during this time. Anecdotal information from health clinics suggests that some have sought treatment at those clinics or have used emergency rooms as their primary care option.

Leaving people uninsured brings with it significant costs: to the individuals, and to the public who pays for their medical treatment at hospitals, and when the uninsured become the unemployed, for additional social services.

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<sup>20</sup> Pennsylvania Health Access Network (PHAN), "Measuring the Impact on former adultBasic, now Special Care Subscribers: Cindy's Story."

Under the Affordable Care Act, many former adultBasic enrollees will have access to insurance that they can afford. But January 2014 is a long time to wait for those who have fallen through the cracks.

## **Recommendations**

(A) The Pennsylvania Insurance Department should undertake an aggressive outreach campaign to inform former adultBasic enrollees of their eligibility for the PA Fair Care program.

(B) The Pennsylvania Insurance Department should conduct a survey of former adultBasic enrollees to determine the share that have found other coverage and the share that remain uninsured.