CHILDREN CURRENTLY ENROLLED IN CHIP WILL FACE HIGHER COSTS IF MOVED INTO EXCHANGE

First Focus

In an effort to determine how children may fare in Congressional health reform proposals that eliminate the Children's Health Insurance Program (CHIP) and move kids into exchange plans, **First Focus**, a bipartisan children's advocacy organization, commissioned a study by **Watson Wyatt Worldwide** to compare the actuarial value of CHIP to exchange plans. The study finds that depending on family income, children enrolled in CHIP are only exposed to 0-2% of medical expenses. Comparable exchange plans in the House and Senate bills would expose children to anywhere from 5-35% of costs, greatly increasing their financial burden and leaving low-income children worse off as a result of health reform.

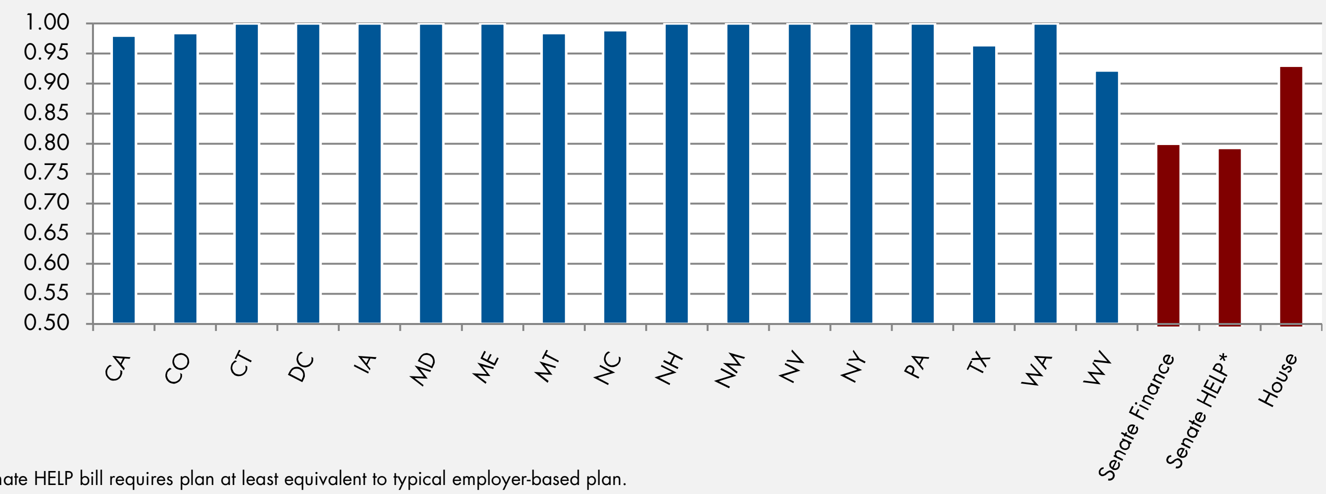
Specifically, Watson Wyatt Worldwide finds that the actuarial value of the median CHIP plan is 100% at 175% of the federal poverty level (FPL). The actuarial value of the median CHIP plan at 225% FPL is 98%. "Actuarial value" refers to the percentage of total allowed medical charges paid by a health plan. The actuarial value is expressed as a share of all medical expenses, i.e. an actuarial value of 75% means that the health plan would pay 75% of covered medical expenses for a standard population. Actuarial values only consider benefits payments and do not include premiums. In the Senate Finance bill, there are 4 different plan benefit levels in the Exchange with actuarial values ranging from 65-90%. In the Senate HELP bill, there are 3 different plan benefit levels ranging from 76-93%. In the House Tri-Committee bill, there are 3 different plan benefit levels ranging from 70-95%.

The study also examines the difference in premiums imposed by CHIP versus exchange plans, finding that on average, premiums would be significantly higher in the exchange. If children are moved into exchange plans without mitigating these costs, the combination of higher premiums and higher out-of-pocket costs would leave millions of kids worse off.

The study uses data from CHIP programs in 17 states, which account for 54% of the total CHIP population. The maximum family income for CHIP eligibility ranges from 200% to 400% in these states. Families with incomes of 225% FPL are ineligible for CHIP in 5 of the states surveyed. 9 of the surveyed states have no premium contribution or enrollment fee at 175% FPL and 4 of the states have no premium contribution or enrollment fee at 225% FPL. CHIP offers strong protections against out-of-pocket costs – most CHIP plans pay 100% of charges for hospital, surgical, and diagnostic services.

FIGURE 1:

Actuarial Values for Children in 17 State CHIP Programs and 3 Benchmark Plans, 2010 (175% FPL)



*Senate HELP bill requires plan at least equivalent to typical employer-based plan.

CA: 0.980, CO: 0.984, CT: 1.000, DC: 1.000, IA: 1.000, MD: 1.000, ME: 1.000, MT: 0.984, NC: 0.989, NH: 1.000, NM: 1.000, NV: 1.000, NY: 1.000, PA: 1.000, TX: 0.964, WA: 1.000, WV: 0.922

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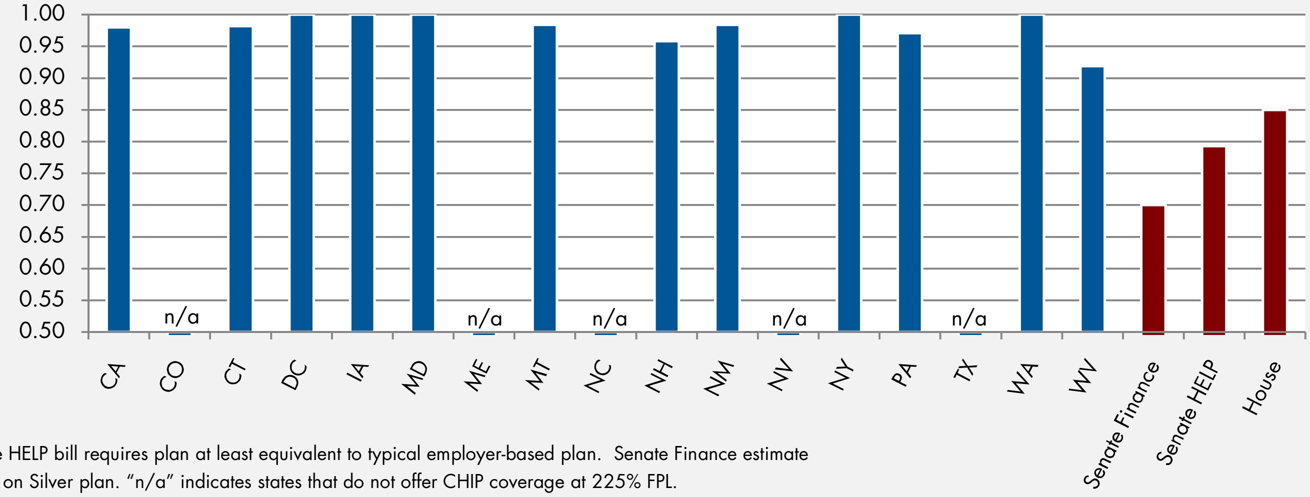
FIGURE 2:

Actuarial Values for Children in 17 State CHIP Programs and 3 Benchmark Plans, 2010 (225% FPL)



Senate HELP bill requires plan at least equivalent to typical employer-based plan. Senate Finance estimate based on Silver plan. "n/a" indicates states that do not offer CHIP coverage at 225% FPL.

CA: 0.980, CO: n/a, CT: 0.982, DC: 1.000, IA: 1.000, MD: 1.000, ME: n/a, MT: 0.984, NC: n/a, NH: 0.958, NM: 0.984, NV: n/a, NY: 1.000, PA: 0.971, TX: n/a, WA: 1.000, WV: 0.919

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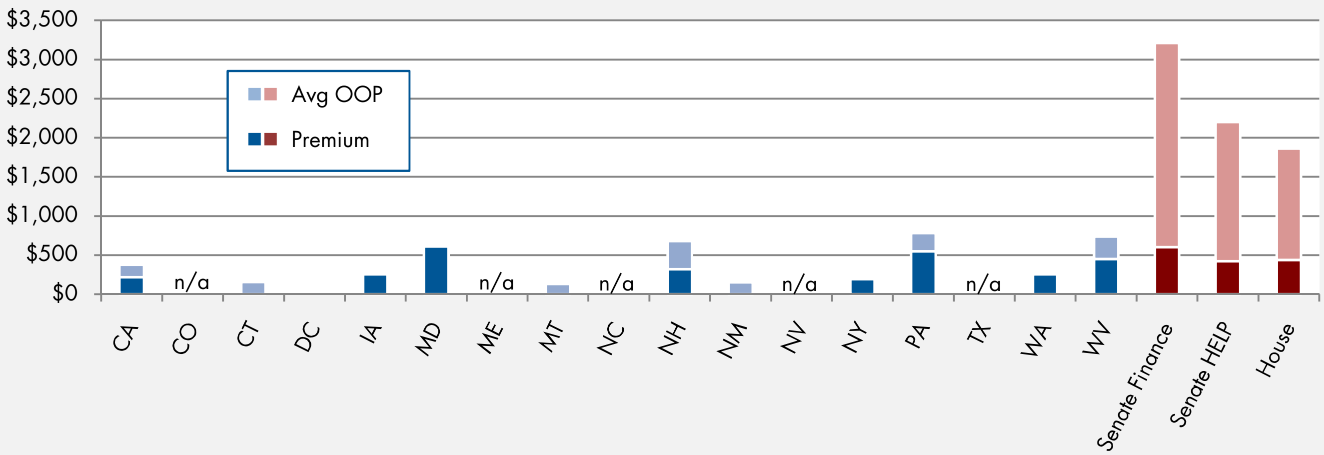
FIGURE 3:

FAMILY'S TOTAL EXPENSE TO COVER ONE CHILD IN TOP 10% OF USERS, 2010 (225% FPL)



Senate Finance estimate based on Silver plan.
"n/a" indicates states that do not offer CHIP coverage at 225% FPL.

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ABOUT FIRST FOCUS

First Focus is a bipartisan advocacy organization that is committed to making children and families a priority in federal policy and budget decisions. Children's health, education, family economics, child welfare, and child safety are the core issue areas around which First Focus is working to promote bipartisan policy solutions.

www.firstfocus.net

FOR MORE INFORMATION

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