



# ADULTBASIC SINGS THE BLUES

## Report Summary

412 North 3<sup>rd</sup> Street, Harrisburg, PA 17101 • [www.pennbpc.org](http://www.pennbpc.org) • [www.pahealthaccess.org](http://www.pahealthaccess.org) • July 28, 2010

To access the report, go to: <http://www.pennbpc.org/adultbasic-sings-blues>

For the last nine years, the Commonwealth of Pennsylvania's adultBasic program has been providing affordable, no-frills health insurance coverage to thousands of Pennsylvanians.

Since 2005, Pennsylvania's four Blue Cross/Blue Shield plans (the Blues) have provided most of the funding for adultBasic under the Community Health Reinvestment (CHR) Agreement, in order to satisfy the charitable obligation they have in return for their tax-exempt status. That agreement expires December 31, 2010. Without a new agreement, the primary funding source for adultBasic will be lost and more than 45,000 people will lose their low-cost health insurance coverage.

This crisis comes amid continued growth in the ranks of Pennsylvania's uninsured and renewed scrutiny of the large and growing surpluses held by the nation's and the Commonwealth's non-profit Blue Cross/Blue Shield plans.

The Blues (Highmark, Independence Blue Cross, Blue Cross of Northeastern Pennsylvania, and Capital Blue Cross) could voluntarily agree to extend their funding of adultBasic through 2013, serving as a temporary bridge until federal healthcare reforms go into effect in January 2014.

If the Blues do not agree to extend funding, the Pennsylvania General Assembly should take action this fall to continue the program. Legislation sponsored by House Majority Leader Todd Eachus (HB 2455) would continue the CHR agreement until December 2013, providing continuing coverage for 45,000 enrollees.

## **Blues' Surpluses Continue to Grow**

While CHR funds are currently used to support adultBasic (providing \$125 million in funding for the program in 2009-10), they were negotiated to resolve a different problem: public outcry over explosive growth in surpluses accumulated by the state's four Blue Cross/Blue Shield plans.

*Without action to continue the Community Health Reinvestment agreement through 2013, more than 45,000 Pennsylvanians will lose health coverage through adultBasic.*

### **Recommendations:**

- *Pennsylvania's Blue Cross/Blue Shield plans should agree to extend the Community Health Reinvestment (CHR) Agreement through December 2013.*
- *The Pennsylvania General Assembly should enact HB 2455, which would establish the CHR in statute.*
- *The Pennsylvania Insurance Department should revisit its standards for evaluating the Blues' surpluses.*

The report found that despite making CHR contributions, the Blues' surpluses have continued to grow:

- From 2002 to 2009, the four companies' cumulative surpluses went from **\$3.5 billion to \$5.6 billion**, an increase of 61.4%. **These surpluses grew two-and-a-half times faster than Pennsylvania wages.**
- Even with their combined contributions of more than \$500 million to the Commonwealth to support adultBasic, the Blues have reported \$821 million in profit since 2005.
- In 2009, the Pennsylvania Insurance Department evaluated the size of the Blues' surpluses:
  - Highmark's surplus was found to be so large that the company is not allowed to add a percentage to its premium rates specifically to add to its surplus.
  - The other three plans all had efficient surpluses – large enough to absorb routine changes in rates of investment returns and underwriting losses.
  - All four companies were found to be substantially above minimum standards set by the Blue Cross and Blue Shield Association and state regulators.

ConsumersUnion looked at Blue Cross/Blue Shield plans across the country and found that the plans had surpluses that were many times the minimum standards. Included in the study was Blue Cross of Northeastern Pennsylvania, whose surplus was more than double the required level. To prevent the Blues from building excessive surpluses and to help keep premium rates in check, the Pennsylvania Insurance Department should revisit its surplus rating system.

## Who Uses AdultBasic?

AdultBasic provides Pennsylvanians who are not eligible for Medicaid or Medicare and are between the ages of 19 and 64 with health insurance for \$36 per month. To qualify, a person's income cannot exceed 200% of the Federal Poverty Level. For a single person, this works out to a maximum income of \$21,660, and for an enrollee in a family of four, the limit is \$44,100.

People in every county in Pennsylvania rely on adultBasic for affordable health coverage, with usage slightly higher in rural counties. The report also found that:

- There were 45,927 Pennsylvania enrolled in adultBasic as of June, with another 397,671 on the waiting list. The waiting list has grown by more than 300,000 people since the start of the recession in December 2007.
- More than 85% of adultBasic enrollees have incomes below \$30,000.
- Nearly 70% of enrollees are white and 63% are women.
- One-third of enrollees are between 46 and 55 years of age, while 27% are between age 36 and 45. On the waiting list, there is a large build-up of people between ages 19 and 45.
- Almost 50% of adultBasic enrollees retain their coverage for more than four years.

## Conclusion

When enacted, the Community Health Reinvestment Agreement was hailed as a model for the nation, and it continues to serve as a standard to establish appropriate community benefit contributions for other non-profit Blue Cross/Blue Shield plans. Extending these agreements supports the Blues' charitable obligations and maintains access to affordable insurance for low-income working Pennsylvanians.

*"This program (adultBasic) saved us not once, but many times... Before applying for adultBasic, I had to look for other options. The cheapest insurance I could find was \$500/month (which is unaffordable for us) and it would not cover my pre-existing conditions. I had even been hung up on by insurance agents after mentioning to them my pre-existing conditions."*  
-Mary H.