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Testimony Submitted to PA Auditor General Jack Wagner (Scranton, PA)

Submitted by:

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I want to thank the Auditor General and his staff for shining a light on the redirection of Tobacco Settlement funds, and its implication for public health care programs in the Commonwealth. My name is Sharon Ward and I am the Director of the Pennsylvania Budget and Policy Center, one of the 50 organizations statewide that participate in the Pennsylvania Health Access Network (PHAN). PHAN works to improve access to affordable, quality health care through expanded health coverage and represents almost 1 million health care consumers in the Commonwealth.

I am here today to express our support for efforts to maintain the Tobacco Settlement Fund as a separate account that remains faithful to the intent of both the Master Settlement Agreement and the Tobacco Settlement Act: to reduce tobacco related illnesses and deaths and improve the health of Pennsylvanians. I'm also here today to speak on behalf of the 42,000 working Pennsylvanians who saw their adultBasic health insurance coverage end on February 28th of this year.

We are opposed to Governor Corbett's plan to swallow Tobacco Settlement revenue into the General Fund, and in particular, his plan to use the balance of the Health Endowment Account for the new Liberty Loan fund. This is a misappropriation of dedicated dollars. The Tobacco Settlement is not a slush fund for new programs unrelated to health care, it is a critical source of funding for initiatives that protect the public health.

When Pennsylvania, along with 46 other states, won a class action lawsuit against five major tobacco companies to recover state health care costs for those with tobacco-related illnesses, there was a great deal of discussion about the appropriate use of funds. To his credit, Gov. Ridge proposed using all of Pennsylvania's share (\$11.2 billion over 25 years) to improve the health of Pennsylvania residents and future generations. The Governor was proud of that decision, saying:

"Pennsylvania has positioned itself as a national leader by proposing that the use of the tobacco settlement proceeds be limited to initiatives designed to improve the health status of its citizens."

A bipartisan majority in the General Assembly agreed with Gov. and passed the Tobacco Settlement Act (Act 77) in 2001. That law, which is still in effect until modified or repealed, requires that a portion of our state's share of the Tobacco Settlement payment go toward adult health programs (that 30% had been shared between adultBasic and Medical Assistance for Workers with Disabilities). It also requires 18%

for health-related research, 12 % for tobacco cessation programs, and 13% for home and community based care for elderly Pennsylvanians.

Soon after the Tobacco Settlement Act was passed, the nation plunged into a recession, and states saw a precipitous decline in tax revenue for almost three years. Many states took that opportunity to reprogram MSA dollars for other purposes, but Pennsylvania held fast to its commitment to health-related funding.

The need for dedicated health care funding for a low cost health insurance option is greater now than it was in 2001. At the time about 8% of Pennsylvanians were uninsured, by 2009 that number had grown to almost 11%.

During adultBasic's first three years of operation (2002-2005), funding came solely from Tobacco Settlement dollars; during that period, funding ranged from \$98 million to \$112 million and enabled coverage for between 34,000 and 43,000 enrollees. In 2005, Governor Rendell successfully negotiated a five-year funding agreement with the state's non-profit Blue Cross-Blue Shield Insurers (the "Blues") which allowed Pennsylvania to increase total funding for and enrollment in adultBasic; it also allowed the Blues to meet their legal, charitable obligations as tax-exempt, non-profit organizations. The Community Health Reinvestment (CHR) Agreement brought in between \$59 million in 2005 and \$125 million in 2010, and was used to supplement existing funding for adultBasic which allowed for the program to expand coverage to 54,100 Pennsylvanians in 2007. The CHR Agreement expired in December 2010, despite public pressure and calls for its extension.

There has been a great deal of finger pointing around the end of adultBasic funding and the reallocation of Tobacco Settlement Funds. I would say that all parties bear some responsibility. After the CHR agreements were signed, the Rendell administration began redirecting adultBasic funding to the MAWD program and to Long-term Living. Both of these programs draw down matching federal funds which enabled additional individuals to be served. Rendell, to his credit proposed a major expansion of adultBasic in 2007, which would have provided additional state funding with federal funds to match, which could have increased enrollment from 50,000 to 250,000 people, but that plan, after passing the House, died in the Senate. Had that law been enacted we would not be here today.

Up until 2009 all of the reallocation of TSF dollars was within health care related programs. In 2009 and 2010, \$270 million in Tobacco endowment funds went to fill the state budget gap. Those transfers were, presumably, short term decisions to allow the state to manage through the budget crisis. While I don't condone those actions, they maintained the framework of the TSA and left the possibility that funding would revert back to the original distribution.

Governor Corbett's proposal, in contrast, sweeps away the entire act as though it never existed. \$140 million of the Tobacco Fund's remaining \$360 million balance will be diverted to the General Fund, and \$220 million worth of investments in the Health Endowment Account for Long-Term Hope would be transferred to start up the Liberty Loan Fund, a new \$2 billion state-subsidized lending program for private businesses.

Pennsylvania already has six business loan programs, Governor Tom Corbett took funds that could have maintained adultBasic to create a seventh.

AdultBasic made sure that working people didn't have to fall through the cracks of our broken health care system. It allowed working people the peace of mind to know they were not one illness away from bankruptcy. We cannot afford to abandon these working Pennsylvanians, especially when a dedicated revenue stream exists to fund a solution. Here are some of their stories:

Meet Natalie Ross: a 31 year old Nanny who relied on adultBasic from March 2006 until it's cancellation. Her pre-existing condition, debilitating migraines, made all other coverage unaffordable. Even though her migraines were mild and treatable, insurance companies would either deny coverage or offer it at an astronomical cost. Without adultBasic, she wouldn't have been able to see her to doctor for preventive medication or get the necessary blood test that goes along with it. If her migraines are to return, she will no longer be able to work. Natalie relied on her health insurance when she had sinus infections, several serious respiratory illnesses and a torn cornea. Most importantly, adultBasic was there for her when she suddenly developed a rapid heart rate and endured over six months of different cardiac tests as experts searched for a diagnosis.

She wrote to us last month:

"I still don't have insurance. I went to my doctor the day after we got back from the conference and it cost me \$125 for the office visit and another \$90 for medication (AdultBasic didn't have prescription coverage, but it had prescription discounts). During my exam by the doctor, she discovered a murmur in my abdomen. This past Monday I had to have an ultrasound at a vascular surgeon's office and currently negotiations are going on with them about the \$510 bill...hopefully I will be able to get a discount from them because of hardship, but they can't promise anything more than a monthly payment plan.

It took Natalie only two doctor's visits to incur more than \$700 in debt, while at the same time Highmark was reporting record profits and our Governor decided that it was more important to take dedicated funding for health care and move it into the Liberty Loan Fund.

Meet the Reverend Michael Trenga. Rev. Trenga and his wife are from Pittsburgh, and they both lost their adultBasic coverage on Feb. 28th. Rev. Trenga served our country by enlisting in the Army during Vietnam. Both he and his wife have serious heart problems that they were able to have treated thanks to adultBasic, and his wife is also a breast cancer survivor. Rev. Trenga told us that without adultBasic, they would have to decide whether to buy food or buy insurance. Without adultBasic, there's no way the Rev. and his wife will be able to afford the medical care they so badly need.

Meet Linda Nahgrang, who owns Charmingly Linda's Quality Consignments in Frazer, Chester County. Her and her husband both relied on the program.

"As a small business owner, I have the ability, as the economy improves, to add jobs. I should say 'HAD' the ability. I am actively making plans to either close, or sell my business in order to get a job with benefits. This after being in business for 12 years. This isn't a decision I make lightly. As soon as I knew I was losing my health care benefits I went to my doctor and had a mammogram, PAP test, physical, etc. I have always been a very healthy person but I don't know when I will ever be able to have these tests again. THIS time the doctor found "something." Just weeks before I lose my health care, I now find I have a growth on my thyroid. I don't have time to get any necessary treatment before my healthcare ends. And, even if I COULD start treatment, I now have a pre-existing condition. The state's recommendation: Special Care ,IBX plans costing more than 5 times what we now pay.

So where are Linda and her husband now? Linda has enrolled in Special Care but unfortunately they are not able to afford Special Care for her husband who also relied on adultBasic for care. He will also hope that he does not get sick.

For every one of these stories, there are another 100 more just like them. Rosanne Davis of Perkasié, Bucks County, a mother of two, has been on adultBasic for six years. She suffers from Crohn's disease and ulceris colitis. She had intestinal fistulas, but thanks to adultBasic coverage, they are gone as long as she can continue Remicade treatment, which costs roughly \$19,000 once every 8 weeks. She told us "Losing adultBasic is a death sentence for me." On the same day adultBasic ended Rosanne went for surgery. She wanted to fit it in before her insurance expired. Luckily Rosanne found out from the health care navigator at the Philadelphia Unemployment Project that she was eligible for Medical Assistance for Worker's with Disabilities. However, in a month or two Rosanne may qualify for Social Security and then her income may be too high to qualify and she will have to start the search for health insurance again.

These are the folks whose lives and livelihoods are now on the line.

To date, no viable solution for offering comparable coverage has been enacted. Governor Corbett has urged former adultBasic enrollees to sign up for Special Care, but few have taken his up on the offer. To their credit, the administration has been working with Community Legal Services to identify AB enrollees who may be eligible for Medical Assistance, but that leaves thousands more without a viable alternative.

Governor Corbett has consistently maintained that there is no money for adultBasic. But that claim appears disingenuous at best in light of the Governor's proposal to take \$220 from the Health Endowment Account for Long-Term Hope to start a new state-subsidized loan program for businesses as I mentioned previously. Those same funds could just as easily be used to continue funding adultBasic or a successor program with more adequate benefits than Special Care for the next 2 years.

At a time when 1.2 million Pennsylvania residents are uninsured, the Governor's proposal to take away dedicated funding for adult health programs that are needed now more than ever is unconscionable. The Legislature should work to ensure adequate funding for adult health programs, especially for working people who earn too much to qualify for Medicaid and too little to afford coverage on the individual market. They can do this by electing to allocate the Tobacco Settlement Funds as originally intended—with 30% going to adult health programs, shared between adultBasic and MAWD. The public, and particularly the 42,000 adultBasic enrollees who lost their coverage, deserve to be heard on this critical issue and legislators need to listen and do the right thing during the budget process.

Thank you for allowing me to come before you today and for your hugely important work to educate the public on how these funds have been misspent. It is our hope that these hearings will add new life to the continuing fight to bring adultBasic or an adequate successor program back for the 42,000 Pennsylvanians who lost their coverage—and the nearly 500,000 languishing uninsured on the waiting list. I look forward to taking any questions you may have.