

AdultBasic – Affordable Health Insurance

Facts on the Crisis in PA's Subsidized Health Insurance Program for Low-Income Adults

What is adultBasic?

- During the administration of Governor Tom Ridge, Pennsylvania began subsidizing a private health insurance plan for adults with incomes below 200 percent of the federal poverty level.
- This has made health insurance affordable (\$33.50 per month) for individuals who otherwise could not afford it, including single adults with annual incomes below \$21,660.
- As funding for adultBasic, Pennsylvania has used tobacco settlement funds and money contributed in lieu of taxes by the Blues health insurance companies. During the current year, the total in state funds spent for adultBasic is \$171 million. The cost of coverage is around \$300 per enrollee per month, or \$3,600 annually.

Why is adultBasic in crisis?

- Pennsylvania is the only state with a program such as this funded entirely with state money. All other states with such programs combine their state funds with federal funds.
- With only state money, adultBasic has remained very small. Currently, only 43,615 people are insured.
- Meanwhile, as unemployment increases and more employers drop their health plans, more people are trying to enroll. Currently the waiting list includes 235,000 people.
- Governor Rendell proposed a \$58 million cut in state spending for adultBasic during 2009-10. He also proposed making this up with federal funds so enrollment would grow to 94,000 by June 2010.
- Currently, adultBasic does not qualify for federal funds because it does not include a prescription drug benefit or behavioral health coverage. These are often less expensive services than physician care and hospitalization. Because adultBasic does not cover these cost-effective services, the federal government will not permit its funds to be used in adultBasic.

What is the solution?

- House Bill 1, which will be introduced in the House of Representatives in late May by House Majority Leader Todd Eachus, will propose expanding adultBasic to 130,000 adults by June of 2010.
- To fund the increased enrollment, \$160 million in federal dollars would be used in 2009-10. No new state funding would be needed until the 2010-11 budget year.
- House Bill 1 would update adultBasic by adding prescription drug and behavioral health coverage. This would make the program more cost-effective in managing illness and disease. It also would ensure that the program qualifies for federal funding.
- The federal funds used in this expansion would come from savings achieved in other parts of the Medical Assistance Program. One possible source is the prescription drug benefit. By moving all administrative responsibility for prescription drugs to the Pennsylvania Department of Public Welfare, spending on that service would be reduced by around \$140 million annually.
- No expansion in adultBasic enrollment would begin until the federal funding is certain.

The Pennsylvania Health Access Network (PHAN) is a coalition of groups working to improve access to quality health care through the expansion of health insurance coverage. PHAN organizes health care consumers, works to raise public awareness of the need for health system reform, and supports public policy proposals that adhere to the following principles:

- Access to quality health care for all Pennsylvanians;
- Access to affordable, quality health insurance for all Pennsylvanians;
- Effective controls to keep health care and health insurance premiums reasonably priced;
- Shared responsibility for health system costs among individuals, employers and the public.