



For Immediate Release

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Blues' Surpluses Grow, as Providers Refuse to Continue Contributions to adultBasic

Thousands of Pennsylvanians will lose health coverage, new report finds

HARRISBURG, PA (July 28, 2010) – Nearly 46,000 Pennsylvanians enrolled in adultBasic could lose their health coverage next year if an agreement with the state's Blue Cross/Blue Shield providers is not renewed, according to a new report from the Pennsylvania Budget and Policy Center (PBPC) and the Pennsylvania Health Access Network (PHAN).

Amid concerns about their fund surpluses, the Blues agreed in 2005 to help fund adultBasic, which provides basic health care to uninsured adults earning up to 200% of the poverty level. That agreement expires in December.

AdultBasic is one of the only affordable options for people with pre-existing health conditions. Under the federal health reform law, insurers are banned from denying health coverage due to pre-existing conditions, but that does not go into effect for adults until 2014. Until then, adultBasic can help fill the gap – if it is funded.

The Blues have refused to renegotiate the agreement, while sitting on surpluses that are more than \$1 billion larger now than when that agreement was signed five years ago, the report found. These surpluses have grown two-and-a-half times faster than Pennsylvania wages since 2002, despite the impact of the recession and the Blues' contributions to fund adultBasic.

“The Blues were established by law as nonprofit organizations with a public responsibility,” said PBPC Director Sharon Ward. “Preventing 46,000 Pennsylvanians from losing their health insurance is necessary for the Blues to fulfill their social mission.”

The report calls on the General Assembly to enact legislation that would establish in law the Community Health Reinvestment (CHR) Agreement, under which the Blues have been contributing to adultBasic. The report also asks the Blues to agree to making adultBasic contributions through the CHR agreement until 2014 when health insurance exchanges will begin operation in Pennsylvania. Finally, it asks the Pennsylvania Insurance Department to revisit its standards for evaluating the Blues' surpluses, as they allow the Blues to hold surpluses that far exceed industry standards.

“People in cities, suburbs and rural towns across Pennsylvania rely on adultBasic for health care,” Ward said. “In the coming years, adultBasic is needed as a bridge to health reform.”

Blues' Surpluses Grow Over Time

The adultBasic program was launched in 2001 under Governor Tom Ridge, funded initially by Pennsylvania's share of a multi-state settlement with tobacco companies.

Around the same time, questions about the Blues' surpluses prompted government officials to investigate. The Blues ultimately signed the CHR Agreement in February 2005, agreeing to make annual contributions to adultBasic between July 2005 and December 2010. This allowed the state to enroll additional individuals in adultBasic.

Over time, the CHR dollars provided the bulk of the funding for adultBasic, while tobacco settlement dollars were directed to other initiatives, including providing medical care for people with disabilities, allowing the Commonwealth to draw down additional federal funds.

Despite the CHR contributions, the Blues have remained profitable and their surpluses have continued to grow:

- From 2003 to 2009, the four companies' cumulative surpluses went from \$3 billion to \$5.6 billion, an increase of 61.4%.
- 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 found Highmark's surplus was so large that it 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.

“If the Blues could afford to support adultBasic in 2005, they certainly can afford it now with surpluses approaching \$6 billion,” said Antoinette Kraus, an organizer with the Pennsylvania Health Access Network.

Who Receives adultBasic?

Nearly 46,000 Pennsylvanians were enrolled in adultBasic as of June, while 397,671 people remain on the program's waiting list – which has grown by more than 300% since the recession began in December 2007.

“AdultBasic was a lifesaver for me,” said Freddi Carlip, a Lewisburg small business owner and publisher of the *Runner's Gazette* magazine. “I guess I could say eye-saver since it allowed me to undergo cataract surgery. I'm on Medicare now. AdultBasic is so needed for so many! I have friends on the waiting list.”

People in every county in Pennsylvania rely on adultBasic for affordable health coverage. While more than half of all adultBasic recipients hail from the South East and South West regions, data show that adultBasic usage as a share of the population is slightly higher in rural Pennsylvania than in urban centers. Waiting list statistics are similar.

The report also found that:

- About 85% of adultBasic enrollees earn \$30,000 or less per year, while 91% on the waiting list earn that much.
- Women comprise 63% of adultBasic enrollees, compared to 37% who are men. While the majority of people on the waiting list are women, the gender spread is smaller overall.
- By age, 33% of adultBasic enrollees are between 46 and 55, while 27% are between age 36 and 45. On the waiting list, only 18% are between the ages of 46 and 55, while there is a large build-up of people on the list between ages 19 and 45.
- Almost 50% of adultBasic enrollees retain their coverage for more than four years, leaving little room for people on the waiting list to be offered subsidized coverage.
- Nearly 70% of adultBasic enrollees are white.

The Pennsylvania Budget and Policy Center is a non-partisan policy research project that provides independent, credible analysis on state tax, budget and related policy matters, with attention to the impact of current or proposed policies on working families. To learn more, go to www.pennbpc.org. The Pennsylvania Health Access Network (PHAN) is a coalition of 50 groups from across the Commonwealth working to improve access to quality health care through the expansion of health insurance coverage. To learn more, go to www.pahealthaccess.org.