



## State of Utah

JON M. HUNTSMAN, JR.  
*Governor*

GARY R. HERBERT  
*Lieutenant Governor*

## Utah Department of Health

David N. Sundwall, M.D.  
*Executive Director*

A. Richard Melton, Dr. P.H.  
*Deputy Director*

Allen Korhonen  
*Deputy Director*

### Health Care Financing

Michael T. Hales  
*Division Director*

### Bureau of Access

Nathan Checketts  
*Bureau Director*

November 16, 2006

## The CHIP Program From the States' Perspective

Nathan Checketts  
Director, Bureau of Access  
Utah Department of Health  
288 North 1460 West  
Salt Lake City, Utah 84114

Members of the Subcommittee on Health Care:

CHIP has been a tremendous success in Utah.

### *How Does CHIP Impact Utah's Children?*

- Since 1999, 111,601 children in Utah have been served by CHIP.
- Currently we have 35,803 children enrolled.
- Out of 788,452 children in the state last year, CHIP served 5.9 percent.

### *Why has CHIP been successful in Utah?*

- CHIP is not a mandate. Expansions in enrollment levels have been funded at the State's discretion. The State feels more of a gun to its head regarding Medicaid growth because Medicaid is an entitlement.
- CHIP does not feel like a welfare program. CHIP has been able to sell itself with TV and radio marketing. Reduced eligibility requirements allow less bureaucratic application forms and streamlined eligibility determination procedures. The ability to file applications online has reduced contacts with traditional eligibility offices. In many cases, applicants can complete the entire eligibility process without setting foot in an eligibility office. Benefits are structured like private benefits – premiums, copays, provider panels, and market rate reimbursement for providers. Better reimbursement rates translate into more physicians and dentists accepting CHIP children. Because of the public's perception of CHIP, eligibility

- staff repeatedly get requests from families to enroll children on CHIP rather than Medicaid despite the fact that Medicaid has a greater range of benefits.
- CHIP provides great coverage. The benefits are the same as those of the Governor's and legislators' children. CHIP scores well against private plans and Medicaid in HEDIS and CAHPS reviews.
  - CHIP has strong support from Utah's advocates for children. CHIP also ties into a broader national campaign to cover children. National back-to-school events and advertising help get the word out in Utah also.

#### *Mission Accomplished? Not Yet*

Despite great strides in enrollment, the number of uninsured children in Utah continues to grow and the need for CHIP today is as great as it has ever been. In 2001, 11.9 percent of Utah children under 200% FPL were uninsured. By 2005, this percentage increased to 16.8 percent, or 52,400 children. If the State enrolled all uninsured children thought to be eligible for CHIP (24,600 children), the percentage of children under 200% FPL who are uninsured would drop to 8.9 percent. Yet, this increase in enrollment would require \$8.3 million in state funds and an additional \$30.8 million in federal funds on an ongoing basis.

The federal portion of Utah's current annual CHIP spending (\$40.0 million) is approximately equal to its annual allocation. Although Utah has unspent CHIP allocation from prior years, Governor Huntsman is looking to insure additional children in the State. CHIP will likely be one of the vehicles to increase coverage. If this effort receives full funding, Utah will quickly spend down its prior allocations and also require additional funding above its current CHIP allocation level in the following years.

Many states are facing expenditures that exceed their CHIP allocations. However, despite the need in other states, the needs created by the number of children and the number of uninsured children in Utah have not lessened. Utah has developed its program within the original intent of CHIP. All funds to date have been expended on children under 200% FPL – no funding has gone to adults. Although the State's methodical expansion of CHIP has left some unspent allocations up to this point, the State still faces the needs of many uninsured children.

#### *How Could CHIP Be Improved for Utah?*

States can use additional flexibility to create a more rational CHIP program. In Utah, we cover children up to 200% FPL. These children receive very good health insurance with limited cost sharing as dictated by federal requirements. Discussions of options for families at higher income levels are stymied because the entire host of CHIP requirements follows an expansion of eligibility.

Because the core of CHIP is children at 200% FPL and under, most restrictions should stay in place at that level. However, for children over 200% FPL, states should be given additional flexibility – especially in benefit design and cost sharing.

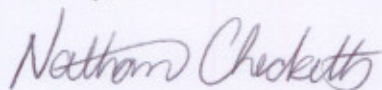
Last month, CMS approved a premium assistance option for CHIP in Utah. Our new program is called Utah's Premium Partnership for Health Insurance (UPP). We are excited to have the opportunity to serve our clients through their employer's health plan. Through UPP, we hope to allow families to receive services through a single source and to reach people who had been hesitant to enroll in a government managed plan.

However, enrollment in this option will be limited because we are required to allow children elect direct CHIP coverage at any time. Most families will chose direct CHIP coverage because of the good coverage and its low copays and premiums. If the election requirement were lifted for children over 200% FPL, additional options could be considered – including only offering a premium assistance option for those above 200% FPL. This option combined with benefits and cost sharing flexibility could be used to create a tiered reduction of benefits as income increased, rather than the cliff families currently face in Utah at 200% FPL. Although this tiered option could currently be developed with state-only funding, the loss of an approximately 80 percent federal match makes it unlikely.

Another concern for Utah is how the Payment Error Rate Measurement (PERM) program is being implemented for CHIP. We support reviews of claims and eligibility in order to help ensure that CHIP funds are only being used for appropriate service for eligible children. However, PERM has imposed a uniform sample size (500 approved/200 denied) across all states regardless of the number of children covered. We have been told that the cost will be approximately \$500,000 for each state and that the cost will count against the 10 percent administrative cap for CHIP. For smaller states like Utah, this PERM expenditure will have a proportionally large impact on the dollars we are currently using to run the program, including eligibility determinations. We ask that PERM sample size and administrative cost requirements be reconsidered so that CHIP in small states is not harmed by this effort to improve accuracy.

Thank you for this opportunity to discuss Utah's CHIP program with you. CHIP has been a great partnership between the State and the federal government. We look forward to many more years working together to provide health care options for children.

Sincerely,



Nathan Checketts  
Director, Bureau of Access  
Utah Department of Health