Testimony of Anita Smith, Chief of the Bureau of Medical Supports,
Iowa Department of Human Services (DHS),
Before the United States Senate Finance Subcommittee
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Good morning. I am Anita Smith from the Iowa Department of Human Services. In my role as Chief of the Bureau of Medical Supports, I am responsible for the administration of Iowa's State Children's Health Insurance Program (SCHIP) and the development of eligibility policy for the Medicaid program.

It is a pleasure to be able to come before you today and share Iowa's SCHIP experience and some thoughts on reauthorization.

Iowa's Success

- Currently, over 30,000 children are enrolled in Iowa's SCHIP program.

- We believe one of the primary factors why Iowa's program has been so successful is that before we designed our program, we asked the public what they wanted. We conducted surveys and held town hall meetings all across the state to find out from the public, medical providers and advocates what elements they would like to see in the design of a state children's health insurance program. The three messages that consistently rose to the top were:
    - We want insurance that looks like everyone else's.
    - We don't want to have to apply at the 'welfare' office; and
    - We would be willing to pay what we can towards the cost.

- Using these principles, Iowa's program was developed as a combination program consisting of both a moderate Medicaid expansion and a stand-alone SCHIP program called 'Healthy and Well Kids in Iowa' (known as ***hawk-i***).

- The ***hawk-i*** program was designed to mimic the commercial insurance market to the greatest extent possible, within the federal guidelines.
    - We contract with commercial health plans to provide coverage, and benefits are delivered in a private market model.
    - As in the private sector, providers are paid at rates they negotiate with the health plans.
    - Children receive an insurance card from the health plan in which they are enrolled.
    - Families with income over 150% of the federal poverty level pay a modest premium, but coverage is free for families below 150%.
    - Since over 95% of the dentists in Iowa participate in at least one of the two participating dental plans, a child enrolled in the ***hawk-i*** program can be assured of being able to access dental care.

- Mail-in and on-line applications are all processed centrally, so there is no need for the family to go into a county DHS office. The centralized customer service center is able to assist callers with the application process and answer questions.

- Although media has proven to be the most effective outreach tool, due to its cost, our modest outreach budget primarily funds local grassroots efforts through Title V agencies. Local outreach coordinators are required to work with the schools, medical providers, businesses and faith-based organizations to tailor effective strategies designed to identify and enroll children from the many diverse populations in their communities.

- To ensure that children receive quality care:
    - We contract only with National Committee on Quality Assurance (NCQA) or Joint Commission on Accreditation of Health Care Organizations (JCAHO) accredited health plans;
    - We conduct a quarterly network analysis to ensure adequate provider access;
    - We measure provider access, client satisfaction and provider access through a Consumer Assessment of Health Plan Study (CAHPS)-like survey; and
    - We report on the four national core performance measures related to 1) well-child visits during the first 15 months of life, 2) well-child visits ages 3 through 6 years, 3) the use of appropriate medications for children with asthma, and 4) children's access to primary care practitioners.

- Because of the public's perception of SCHIP and the long ingrained association of Medicaid with the stigma of 'welfare', families repeatedly ask to be enrolled in the ***hawk-i*** program rather than in Medicaid, despite the fact that Medicaid has a more comprehensive benefit package. However, because of the current 'screen and enroll' requirements of SCHIP, families are not allowed to choose and are forced into Medicaid. As a result, some families choose to go without coverage.

Sustaining Success

- With the help of SCHIP and some 178,000 children enrolled in Iowa Medicaid, along with private health insurance, for many years now, Iowa has consistently ranked in the top five states with the lowest uninsured rates for children. But it is estimated there are still over 40,000 uninsured children under 200% of the federal poverty level not yet enrolled.

- Iowa took a conservative approach in implementing SCHIP and developed our program within the original intent of the legislation. As such, we have focused only on covering uninsured children up to 200% of the federal poverty level. We have not used SCHIP funds to cover parents, childless adults or other populations.

- Even so, this is the third year in a row in which we will outspend our annual allotment.
    - In fiscal year '05, we relied on 2002 redistribution dollars of $4.4 million.
    - In fiscal year '06, we relied on supplemental funding of $6.1 million; and
    - In fiscal year '07, we project that all available dollars will be exhausted at the end of June.

- To date, the redistribution dollars and supplemental funding have allowed us to maintain our program without making any cuts, increasing cost-sharing or decreasing benefits. However, if Iowa's allotment remains at the current level, we will not be able to sustain any program growth and, in fact, will have to cut approximately 15,700 children (70%) from the ***hawk-i*** program.

Funding Challenges

- We believe that the SCHIP funding formula is fundamentally flawed:
    - It provided windfall funding in the early years. Allotments were the same amount, or more, in the first years of the program, as are available today. The clock for spending the funds began ticking before most states, including Iowa, had authorizing state legislation to implement a program or a state appropriation to provide the matching funds. As a result, states could not spend all the available money within the allotted time and eventually, over $1 billion dollars that was intended to provide health care to children was reverted to the U.S. Treasury.
    - Five years into the program, state allotments were decreased significantly (known as the 'SCHIP dip') while at the same time, states were getting up to speed and enrollments were increasing.
    - The formula penalizes states that are successful in reducing the number of uninsured children because it factors in only the number of uninsured children, without recognizing the state's progress in reducing those numbers.
    - It does not include a built-in inflation factor for ever-increasing health care costs; and
    - It unfairly disadvantages states that chose to take advantage of the flexibility afforded in the federal legislation to implement a separate program rather than to merely expand Medicaid. This is because when federal Title XXI funding is exhausted, Medicaid expansion states can revert to Title XIX funding to continue their programs, whereas, states with separate programs must fund any shortfall with state-only dollars.

- Currently, some states are sitting on large amounts of unspent allotments while Iowa and other states are facing funding shortfalls with no clear direction of how, or even if, they will be met.

In closing, if Iowa is to sustain the gains we have made and continue making progress in reducing the number of uninsured children, it is essential:

1. That we have a predictable and stable funding stream that will provide sufficient resources to identify, enroll and retain all eligible children under 200% of the federal poverty level in the program.
2. That we have flexibility to design benefit packages and delivery systems.
3. That we are protected against unfunded mandates, such as PERM (Payment Error Rate Measurement), that use up resources needed to provide coverage to children.

I hope information about Iowa's experience will be helpful to you as you go forward in your work to assure that all children have the health care coverage they need. Thank you.

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