

## Presumptive Eligibility for Participants in Pennsylvania's Adult Basic Insurance Program

### Our Position

The Safety-Net Association of Pennsylvania believes that presumptive eligibility should be added as a feature of Pennsylvania's Adult Basic Insurance Program. Through presumptive eligibility, health care providers would be paid for the care they deliver to qualified, low-income patients. This is the best way to ensure that a program created to provide access to health care services for qualified low-income Pennsylvanians actually pays for such services when they are provided – and that these services are paid by the tax dollars that support the program and the insurers that receive those tax dollars rather than by Pennsylvania's hospitals, which do not have the resources to serve as insurers of last resort for low-income Pennsylvanians and which receive no direct funds from the program.

### Background

Pennsylvania's Tobacco Settlement Act of 2001 (Act 77) created the Adult Basic Insurance Program, which seeks to provide partially subsidized, basic health insurance for approximately 300,000 uninsured adult Pennsylvanians between the ages of 19 and 64 whose incomes fall below 200 percent of the federal poverty line. In this program, which is often referred to as "adultBasic," participants pay a \$30 monthly premium plus co-pays for a range of basic health care services. Coverage is available on a first-come, first-served basis through participating insurance companies.

### The Promise and the Reality of adultBasic

The promise of adultBasic was that low-income Pennsylvanians could purchase this low-cost, state-subsidized insurance to protect themselves against unexpected, financially unmanageable health care expenses. State officials estimated that approximately 60 percent of the money allocated to the program would be spent for hospital care for participating Pennsylvanians, with the rest divided among physicians and the health insurers administering the program and its benefits.

The reality, however, has been quite different. In many cases, qualified individuals enroll in adultBasic only *after* they have experienced a major medical problem for which hospitalization was required. By the time they are deemed eligible, however, their medical crisis has passed and they are basically healthy again. They no longer need care, their hospital bills go unpaid, and their insurer begins to pocket both the state's subsidy and the monthly premiums of their new, now-healthy members.

When this occurs, hospitals, rather than the insurers that receive the state subsidies, end up paying for most of the care that adultBasic enrollees receive. Because insurers pay for services delivered only *after* adultBasic eligibility has been determined, hospitals are never reimbursed for the costs they incurred caring for new adultBasic participants. Retroactive or presumptive eligibility, and compensation to providers for services rendered to those soon-to-be-found-eligible participants, is not part of the program – as it is in Pennsylvania's Medical Assistance program.

When adultBasic program officials are asked about the possibility of employing presumptive eligibility – that is, paying for medical services for adultBasic applicants who meet the program’s eligibility requirements and subsequently are found eligible to participate – they reply that such a practice would not be “actuarially sound.”

What they are saying, in essence, is that the state and premium-receiving insurers cannot afford to pay for this care – but that hospitals can. This is an amazing conclusion in light the financial condition of Pennsylvania’s hospitals. In the spring of 2003, the Pennsylvania Health Care Cost Containment Council released its annual report on the financial condition of the state’s hospital industry and noted that the amount of uncompensated care that Pennsylvania’s hospitals provide rose 12.9 percent in 2002 alone – to just under \$1 billion worth of free care. The report also noted that “The percentage of hospitals that lost money grew to 41 percent during FY02 compared to 34 percent during FY01.”

Among Pennsylvania’s approximately 200 hospitals, a relatively small group of safety-net hospitals bears a disproportionate share of the burden of providing this uncompensated care for which adultBasic currently does not pay. These hospitals typically are located in high-poverty urban areas and rural communities with large numbers of uninsured working people, and they care for a far greater proportion of uninsured people, including those eligible for adultBasic, than the typical Pennsylvania hospital. These hospitals also care for more Medical Assistance patients than other hospitals and are, as a result, far less able, from a financial perspective, to provide additional uncompensated care than other hospitals because they receive only 80 cents on the dollar for care they provide to Medical Assistance recipients; they provide 55 percent of all Medical Assistance inpatient services; they care for three times as many Medical Assistance recipients as other hospitals; and they care for two-thirds more uninsured Pennsylvanians than other hospitals. These characteristics truly distinguish these hospitals as the state’s health care safety net, and among all Pennsylvania hospitals, these safety-net hospitals clearly stand out among their peers as most in need of the relief from this enormous financial burden that presumptive eligibility for adultBasic would bring.

## **Getting More for Taxpayers’ Money: Institute Presumptive Eligibility**

The best way for adultBasic funds to be used to pay for health care is to institute presumptive eligibility. When individuals who receive hospital services apply for adultBasic and are found to be eligible, the entire hospital stay that prompted them to apply should be covered by adultBasic – as it would have been had the applicant been found eligible to enroll in Medical Assistance. This approach would ensure that adultBasic funds are used to pay for health care services for low-income Pennsylvanians. It also would encourage hospitals to work to enroll sick, low-income patients – the very people who need health care, and for whom adultBasic was created.

## **About the Safety-Net Association of Pennsylvania**

The Safety-Net Association of Pennsylvania represents the interests of private, acute-care hospitals that play the leading role in caring for the poor, the disadvantaged, and the uninsured residents of the commonwealth. Safety-net hospitals are the 25 percent of hospitals in Pennsylvania that care for the highest combined proportion of uninsured patients and Medical Assistance and Medicare SSI recipients and that therefore constitute the state’s health care safety net. As a result of the patients they serve, safety-net hospitals face a significant, continuing, disproportionate challenge to their financial health.

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*For further information about the Safety-Net Association of Pennsylvania and the views expressed in this document, please contact Charles DeBrunner, president, at 717-234-6970.*