



Children's Basic Health Plan

Annual Report
State Fiscal Year 2005

Submitted by
The Medical Services Board

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PREFACE

The Medical Services Board respectfully submits the following annual report to the Joint Budget Committee and the Health and Human Services Committees of the Colorado General Assembly. The report covers state fiscal year (SFY) 2005, which spans from July 1, 2004 to June 30, 2005, and is in accordance with C.R.S. 25.5-1-303 (7). The statute states the following:

...the board shall report annually to the Joint Budget Committee of the General Assembly and the Health, Environment, Children and Families Committee of the Senate and the Health, Environment, Welfare and Institutions Committee of the House of Representatives on the implementation and performance of the Children's Basic Health Plan program, including but not limited to the extent to which private sector strategies and resources are effectively used as part of the program.

In response to this legislative mandate, the Medical Services Board requested the assistance of staff at the State of Colorado Department of Health Care Policy and Financing. Information for this report was

obtained by reviewing all relevant documents and interviewing key individuals involved in the administration of the plan.

EXECUTIVE SUMMARY

The Children's Basic Health Plan was enacted through C.R.S. 26-19-101, et seq., and is marketed as the Child Health Plan *Plus* (CHP+). CHP+ is a public/private partnership providing health insurance for children in low-income families. These families have incomes at or below 185% of the federal poverty level (FPL) and are not eligible for Medicaid. Most CHP+ parents work full time, but have low-wage jobs that don't offer health insurance for their children. These parents are able to insure their children through the CHP+ program.

The program is administered by the Department of Health Care Policy and Financing, which contracts with private vendors for many program services. Contracting with private vendors allows the CHP+ program to combine the best practices of both government and private businesses. In fact, this "public/private partnership" is written into CHP+ law.

SFY 2005 began with the lifting of the enrollment caps on both the children and prenatal CHP+ programs. In order to inform clients and the community that CHP+ was accepting new clients, CHP+ worked with our community partners and the media.

In SFY 2005, the program served an average of 41,101¹ children per month and purchased health care for approximately 6,684¹ member months for pregnant women enrolled in the program. The legislature appropriated \$68,501,227 for program costs

¹ Enrollments are estimated as of August 1, 2005 and include projected retroactive adjustments.

to serve 47,479 children per month and 9,565 member months for pregnant women.

In September 2004, the state implemented the Colorado Benefits Management System (CBMS) which determines eligibility for state assistance programs, thus streamlining the application process for clients. CBMS also enables counties to determine CHP+ eligibility, instead of only the CHP+ enrollment contractor.

During SFY 2005, the department developed a proposal for a unified health care program, called Colorado Family Care, of eligibility expansions, benefit enhancements, and purchasing reforms, for low-income non-disabled children, pregnant women, and families eligible for Medicaid or CHP+ employing a single comprehensive health insurance program. The goal of the streamlined program was to reduce the number of low-income uninsured individuals in the state while building on the successes of CHP+. The concept was submitted to the Health and Human Services Committees as a Health Insurance Flexibility and Accountability (HIFA) waiver. There was great support for the model although the specific waiver proposal did not pass. As a result, it appears a bill will go forward during the next legislative session incorporating much of the Colorado Family Care program design.

The CHP+ program continues to improve on its ability to use the best aspects of both public and private sectors to offer low cost health insurance to working families by contracting for services, partnering with public and private organizations and easing the burden on working families.

“My son is able to continue receiving uninterrupted health services with our trusted family doctor because of your help”. “Your assistance is greatly appreciated.” – CHP+ Mom

A COMMITMENT TO CHILDREN: PROGRAM OVERVIEW

State Children’s Health Insurance Programs Nationwide

Created in 1997 under Title XXI of the Social Security Act, the State Children’s Health Insurance Program was allocated \$48 billion nationally, over ten years, to expand health care coverage to uninsured children. The program enables states to insure children from working families with incomes or resources too high to qualify for Medicaid but too low to afford private health insurance, with some latitude to adjust upper-income limits.

The authorizing federal legislation allows states considerable discretion in designing a program to meet their particular needs. As of July 1, 2004, all 50 states, the District of Columbia, and five U.S. Territories had implemented a State Children’s Health Insurance Program covering nearly four million children. Of these states, 19 have created a stand alone child health insurance program, 17 have expanded Medicaid, and 20 have developed a combination of the two.





Children's Basic Health Plan of Colorado

The State of Colorado has a stand-alone Children's Health Insurance Plan; it is not a Medicaid expansion program. The program was enacted as the Children's Basic Health Plan (CBHP) through C.R.S. 26-19-101, et seq., and is marketed as the Child Health Plan *Plus* (CHP+).

The enabling legislation directed the department to create a program that is a non-Medicaid program with the following principles:

- Provide commercial-like insurance;
- Administer the program privately; and
- Involve public and private sector partners.

In SFY 2005, CHP+ provided statewide-subsidized health insurance coverage for low-income children under 19 years of age and pregnant women who are not eligible for Medicaid and whose families have incomes at or below 185% of the federal poverty level (FPL). For example, a family of four can make up to \$2,906 per month and still qualify for CHP+. The program offers a wide variety of services including:

- Preventive care and immunizations;
- Other doctor visits;
- Specialty care;
- Hospital services;

- Prescriptions;
- Mental health services;
- Hearing aids;
- Eyeglasses; and
- Dental care.

Program Goals

During SFY 2005, CHP+ focused on the following goals:

- Improve health status for participants by assuring access to appropriate health care services;
- Effectively lift the enrollment cap, and increase program enrollment;
- Reinstate coverage for pregnant women with incomes between 133% to 185% of FPL; and
- Maximize the effectiveness of CHP+ as a public/private partnership.

CHP+ ADMINISTRATION

The CHP+ program, by statute and operation, is a non-entitlement, commercial-coverage health plan with largely privatized administration. (See SFY 2005 CHP+ Administrative Structure on page 4.) Public/private collaboration and co-operation continue to be the hallmarks of CHP+.

Department of Health Care Policy and Financing

The Department of Health Care Policy and Financing is the agency responsible for three of Colorado's major, publicly funded health care programs:

- The Children's Basic Health Plan;
- The Colorado Indigent Care Program; and,
- Medicaid.

In SFY 2005, the department was appropriated \$68,501,227 for CHP+ administration and medical and dental

benefit costs for children and pregnant women. (Please refer to the report section entitled “The Costs of Covering Children” for more information on funding.) By statute, the department performs the following functions:

- establishes the schedule of benefits, rules and cost-sharing structures, and submission to the Medical Services Board for approval;
- manages administrative and health-related service contractors;
- conducts program evaluation and development;
- coordinates with other public and private health care delivery and financing programs; and,
- assures compliance with all related federal and state laws and regulations.

Eligibility and Member Services

The department contracts with Affiliated Computer Services (ACS) to provide eligibility, enrollment, and member services. ACS fulfills the following contractual obligations:

- eligibility and enrollment, including processing mail-in applications, and outreach;
- statewide customer service, including application assistance, information, and problem resolution for CHP+ plan members and agencies; and
- family enrollment fee administration.

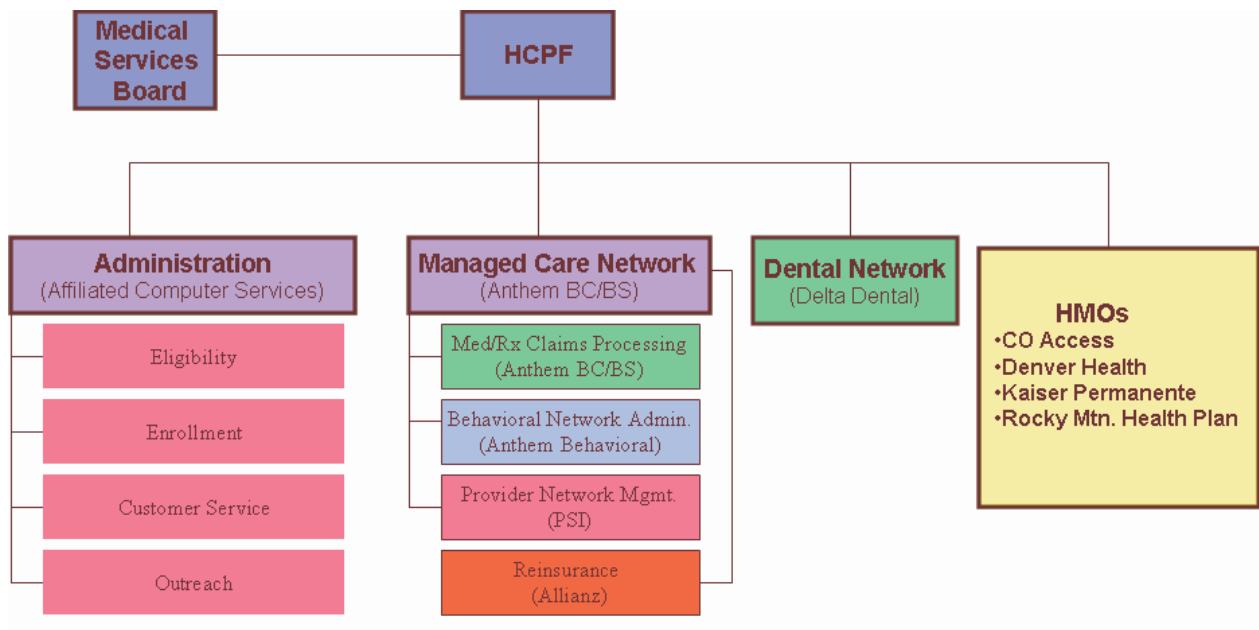
The department will re-implement marketing for CHP+ in SFY 2006 with a private vendor using funding from HB05 – 1262.

HEALTH CARE SERVICES DELIVERY

Health Maintenance Organizations

The department currently contracts with four health maintenance organizations (HMOs). In 39 Colorado counties, enrollees receive health care services through one or more of the following HMOs: Colorado Access, Denver Health Medical Plan, Kaiser Permanente, and Rocky Mountain Health Plan. These health maintenance organizations are under full risk contracts with the department.

SFY 2005 CHP+ ADMINISTRATIVE STRUCTURE



State Managed Care Network

The department contracts directly with health care providers in counties where health maintenance organizations are unable to offer coverage. This network of providers is the state managed care network. The network is comprised of over 3,129 providers including:

- 1,502 primary care physicians;
- 1,123 specialists;
- 23 hospital contracts representing 43 service locations; and
- 32 ancillary contracts representing 70 service locations, which include essential community providers.

The department contracts with Anthem Blue Cross and Blue Shield for administrative services to manage the state managed care network. Anthem Blue Cross and Blue Shield is responsible for claims administration, utilization review, pharmacy benefits, case management, and behavioral health benefits. Anthem Blue Cross and Blue Shield subcontracts with Policy Studies Incorporated for provider relations, training and contracting support, as well as provider customer service.

CHP+ enrollees may access benefits and services immediately upon program eligibility determination in every county of the state through the state managed care network. This “pre-HMO enrollment period” is important because it enables children to access services as soon as they are enrolled. These initial services are delivered statewide through the state managed care network until enrollment in the family’s choice of health maintenance organization is operationally possible, usually for one or two months.

Dental Services

CHP+ dental benefits are administered by Colorado Dental Service, Inc. doing business as Delta Dental Plan of Colorado. CHP+ provides comprehensive dental benefits, including preventive care, oral surgery, and endodontics, with a \$500 per child per year limit. Preventive care services have no co-insurance payment, while other services have a co-insurance payment of \$5.00 or less.

Delta provides CHP+ members a statewide network of over 1,047 dentists (85% of all licensed dentists in the state). In SFY 2005, Delta served an average of 2,221 clients per month.



SFY 2005 ELIGIBILITY REQUIREMENTS

Estimated Eligible Population

CHP+ estimates that 93,435 children were eligible for the program in SFY 2005, including already enrolled children. This estimate of eligible but uninsured children is derived from the Federal Current Population Survey of the Census Bureau, and included Colorado children at or below 185% of the federal poverty level but not Medicaid eligible. The current CHP+ enrollment rate represents 44% of the estimated eligible children.

Eligibility Requirements

Children and pregnant women are eligible for CHP+ for 12 months if they:

- are residents of Colorado; and
- have adjusted family incomes at or below 185% of the federal poverty level.

Per federal statute and regulation for Title XXI programs, children and pregnant women are not eligible for CHP+ if they:

- qualify for Medicaid;
- have other insurance; or
- have access to state employee health insurance benefits.



COST SHARING

CHP+ requires enrollment fees and co-pays from some of its clients based on their income and family size. (See chart below). Families do not pay for preventive services.

CHP+ COST SHARING

| Family Income (% FPL) | Annual Enrollment Fee | | Co-pay per Office Visit |
|-----------------------|-----------------------|--------------------|-------------------------|
| | One Child | 2 or More Children | |
| 0-100% | No Fee | No Fee | \$0 |
| 101-150% | No Fee | No Fee | \$2 |
| 151-185% | \$25 | \$35 | \$5 |

SFY 2005 ENROLLMENT

SFY 2005 Enrollment

In SFY 2005, the Colorado General Assembly provided funding to assure services for an average of 47,479 children

per month. The average monthly enrollment (AME) of children in CHP+ for SFY 2005 was 41,101². A total of 6,884² member months of health care were purchased for pregnant women. (See CHP+ total enrollment graph.)

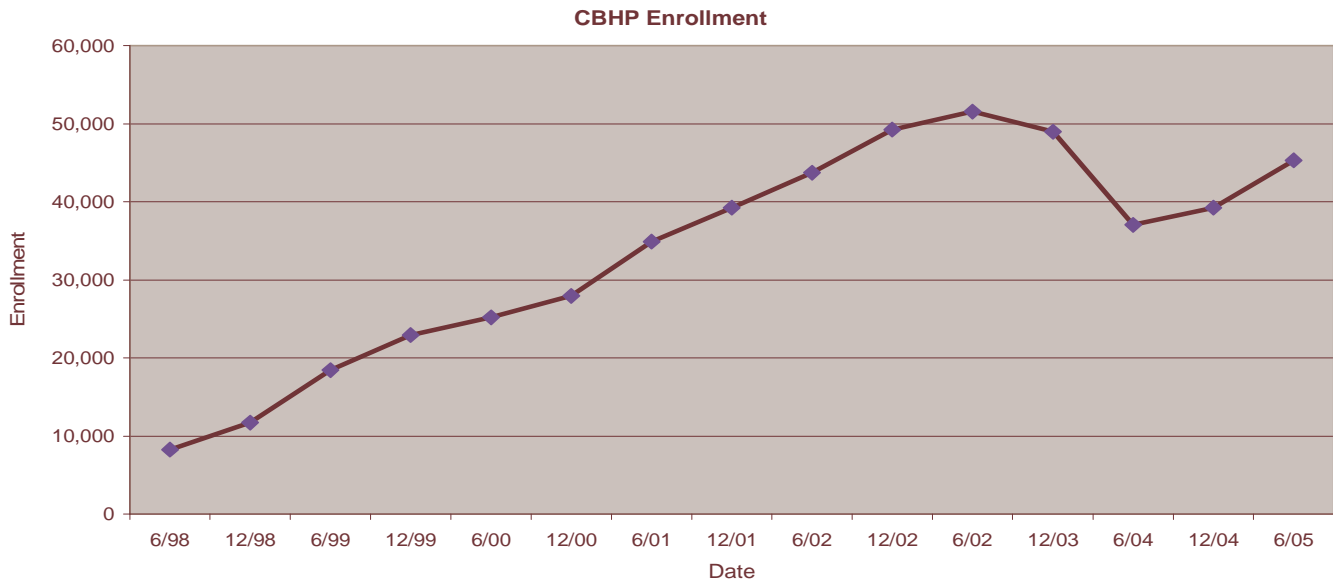
There were some major events that effected enrollment in SFY 2005. First, the enrollment cap that was imposed on November 1, 2003 due to budget constraints was lifted on July 1, 2004. CHP+ worked closely with community based organizations and the media to inform clients that the program was open to new enrollments of children and pregnant women.

The second event effecting enrollment was the implementation of the Colorado Benefits Management System (CBMS). This computerized eligibility system enables clients to apply for all state assistance programs they may be eligible for with one application at one time. This also shortens the process of applying and enrolling for government health care programs, since Medicaid and CHP+ eligibility are determined simultaneously.

In the past, applications for these programs were processed through different computer systems in different physical locations. This resulted in delays when clients were eligible for a different program than they one applied for. Under the new CBMS system, clients can be determined eligible for either program regardless of which program they applied for or where they applied for services.

² Enrollments are estimated as of August 1, 2005 and include projected retroactive adjustments.

CHP+ TOTAL ENROLLMENT FROM JUNE 1998 – JUNE 2005



How clients enroll

An application must be filled out to determine CHP+ eligibility. Clients may fill out a specific health care application used for both Medicaid and CHP+, or the general CBMS application used for most state programs, including Medicaid and CHP+.

Applications are available from many sources, including ACS (the enrollment contractor), community health centers, schools, and county departments of social services. Most applications are mailed to the enrollment contractor, but some applications are processed by Denver Health and Hospitals or county departments of social services, who primarily determine eligibility for Medicaid and other social services programs.

CHP+ eligibility is redetermined annually. All CHP+ renewals are the responsibility of the enrollment contractor. Renewal applications are sent to clients in ample time for them to renew. The applications are pre-printed with client specific information to

speed up the renewal process for both clients and eligibility staff and prevent any lapses in coverage. Seventy-five percent of clients who re-apply for the program are found eligible.

“CHP+ helped our children during a great time of need. CHP+ allowed my children to have health insurance. They received all their check-ups, vaccinations and are growing and happy.” – CHP+ Mom

HEALTH CARE SERVICES: QUALITY, UTILIZATION AND EVALUATION

Program Development

The department continues to assess how, through more prudent purchasing, to take advantage of additional federal flexibility in providing services to Colorado’s Medicaid and CHP+ populations, without increasing general fund expenditures or decreasing available benefits. The department conducted several analyses to determine if there are opportunities to develop a

streamlined program for children and families enrolled in Medicaid and CHP+. Funding for this research was provided by the Federal Health Resources and Services Administration and Rose Community Foundation.

The research supports the department's basic premise that children served in the current Medicaid and CHP+ programs have similar health care needs and many children "bounce" between both programs. It is administratively inefficient and costly to move these children between programs just because there is a moderate fluctuation in the family income. By combining the programs, the state can leverage its purchasing power, creating efficiencies for members and providers. The department submitted the Colorado Family Care: HIFA Waiver Report to the Health and Human Services Committees in July 2005. There was great support for the concept although the specific waiver proposal did not pass. For more complete research results, please visit www.coloradofamilycare.net.

In SFY 2006, the department continues to assess the feasibility of streamlining the children and families Medicaid and CHP+ programs, completing existing grant funded requirements. Work continues to focus on:

- developing a partnership between employer-sponsored insurance and publicly funded insurance;
- updating actuarially sound rates for the combined populations of children and families and expansion populations with current data; and
- ongoing development of a delivery system that can provide services to the maximum number of eligible children and families.



Quality Evaluation

The department contracted with Health Services Advisory Group, Inc. as an external quality review organization. The contractor assists the department's quality assurance activities by:

- providing recommendations for performance based contracting;
- credentialing of providers; and,
- collecting Health Employer Data Information Set (HEDIS) measures calculations. HEDIS is a standardized measure of health care outcomes.

The department's 2005 quality measures were calculated by Health Services Advisory Group, Inc. using 2004 data. The final report will be available in October 2005. The measures that were calculated were:

- well-child visits in the first 15 months of life;
- well-child visits in the third, fourth, fifth, and sixth years of life, and adolescent well-care visits;
- use of appropriate medications for people with asthma;

- children’s and adolescents’ access to primary care practitioners;
- appropriate treatment for children with upper respiratory infection; and
- appropriate testing for children with pharyngitis.

THE COSTS OF COVERING CLIENTS

The General Assembly appropriated and directed monies in SFY 2005 to the CHP+ trust fund through several bills: HB 04-1422, HB 04-1421, HB 04-1447, SB 05-209, SB 05-249, and HB 05-1086. The total appropriation for the program costs was \$68,501,227 of which \$44,042,130 was Federal Funds and \$24,459,097 was Cash Funds Exempt from the CHP+ trust fund. The Tobacco Utilization Settlement Cash Fund appropriated \$20,629,548 to the CHP+ trust fund. Under Title XXI, CHP+ receives an enhanced federal matching rate of 65%.

Benefit Costs

For SFY 2005, the department received an appropriation of \$64,175,842 to fund the cost and delivery of medical and dental benefits covered under CHP+. This appropriation reflects a projected per member per month cost of \$90.92 for medical care costs, and \$11.31 per member per month to fund dental care costs for an average monthly enrollment of 47,479 children. The appropriation also reflects a projected per member per month cost of \$345.30 and 9,565 member months for pregnant women. Additionally, the appropriation assumes 874 births reimbursed at \$3,965 per birth.

Administrative Costs

The department received an appropriation of \$4,325,385 to fund contracted administrative functions for CHP+. Administrative functions include eligibility, enrollment, member services, family premium

administration, and community outreach. This appropriation also included funds for necessary professional services for auditing, actuarial, and program evaluation services.

State law requires CHP+ administrative expenditures to be below 10% of total program costs. Since CHP+ is required to screen every applicant for Medicaid eligibility, Medicaid pays for a substantial amount of CHP+ administrative costs. After this adjustment, CHP+ spent under 10% of its funds on administrative services.

SFY2005 CHP+ FUNDS EXPENDED

| | Funds expended |
|----------------|----------------|
| Medical | \$52,000,289 |
| Dental | \$ 5,084,701 |
| Administration | \$ 4,229,706 |

“Thank you CHP+! By having my children enrolled in CHP+ I have one less thing to worry about since they can get the medical care they need. Thank you.”
 – CHP+ Mom

SFY 2005 CHP+ FINAL REMARKS

SFY 2005 was a year of change for CHP+. Starting July 1, 2005, funding provided through HB 05-1262 allowed CHP+ to expand coverage to children up to 200% of the federal poverty limit and reimplement CHP+ marketing. With the enrollment cap lifted and the upcoming marketing efforts returning, CHP+ enrollment will increase over time ensuring that more eligible children will benefit from the program. Administering CHP+ eligibility through CBMS at county social services offices and two medical assistance sites has increased the options for CHP+ clients to apply for coverage.

In SFY 2005, the department continued its research on the Medicaid and CHP+ streamlining initiative. The department will continue to work toward improving the care and delivery system for income-eligible Medicaid and CHP+ members by building on the state's public/private partnership that has proven successful for the CHP+ program and incorporating key elements of the Medicaid program. Children, pregnant women, and families should be able to move back and forth seamlessly between Medicaid

and CHP+ as their eligibility changes while still remaining within the same care delivery system. Consolidating the service delivery for these clients into Colorado Family Care, a single managed care program, will enable the department to purchase health services more effectively. By so doing, Colorado will be able to sustain its current Medicaid and CHP+ programs while also creating a strong infrastructure to cover more children and families.



GLOSSARY

Appropriation

A legislative spending authority for a specific purpose, as contained in the Long Bill and special bills.

Cash Funds Exempt

Revenues that are exempt from the 'Taxpayers' Bill of Rights (TABOR) limitation such as: donations, collections from a previous year or revenues transferred from another agency.

Colorado Benefits Management System

Comprehensive computer system used to collect data and determine eligibility for multiple public assistance programs in Colorado.

Colorado Revised Statute

Legal code for the State of Colorado

Federal Funds

Matching revenues from the federal government based on a percentage of state expenditures.

General Fund

State revenues collected through taxation that are legislatively appropriated to various financial priorities statewide.

Health Insurance Flexibility and Accountability (HIFA) waiver

Federal Section 1115 waiver that allows states to apply for authority to authorize experimental, pilot, or demonstration project(s) in effort to assist in promoting the objectives of the Medicaid statute.

State Fiscal Year 2005 (SFY 2005)

State of Colorado fiscal year from July 31, 2004 thru June 30, 2005.

Title XXI

Federal authorizing legislation for the State Children's Health Insurance Program (S-CHIP).