VOICES FOR ILLINOIS CHILDREN
Issue Brief
Budget & Tax Policy Initiative

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ALL KIDS HEALTH INSURANCE
PROGRESS AND CHALLENGES

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In July 2006, Illinois began implementing of its "All Kids" health insurance program, which offers coverage for uninsured children regardless of family income, health status, or immigration status. The All Kids benefit package is nearly identical to the services covered by Medicaid and the State Children's Health Insurance Program (SCHIP).[1] The basic structure of All Kids is an extension of SCHIP; families are responsible for monthly premiums and co-payments on a sliding scale based on household income. For example, for a family of four with an income between 200 and 300 percent of the federal poverty level ($21,200 in 2008), monthly premiums are $40 per child, with a maximum of $80, while the maximum annual co-payment is $500 per child. At the higher end, a family of four with income at or above 800 percent of poverty pays $300 per child per month with no cap on premiums or co-payments (see Exhibit 1).

Exhibit 1: Major Components of All Kids Health Insurance

	Income eligibility as pct. of poverty level	Monthly premium	Maximum monthly premium	Maximum annual co-payments
All Kids Assist	< 133%	None	-----	No co-payments
All Kids Share	134%-150%	None	-----	$100 per family
All Kids Premium				
Level 1	151%-200%	$15-40*	$40	$100 per family
Level 2	201%-300%	$40 per child	$80	$500 per child
Level 3	301%-400%	$70 per child	$140	$750 per child
Level 4	401%-500%	$100 per child	$200	$1,000 per child
Levels 5-7	501%-800%	$150-250 per child	No cap	$5,000 per child
Level 8	> 800%	$300 per child	No cap	No cap

* $15 for one child, $25 for two children, $5 for each additional child.

Source: Illinois Department of Healthcare and Family Services

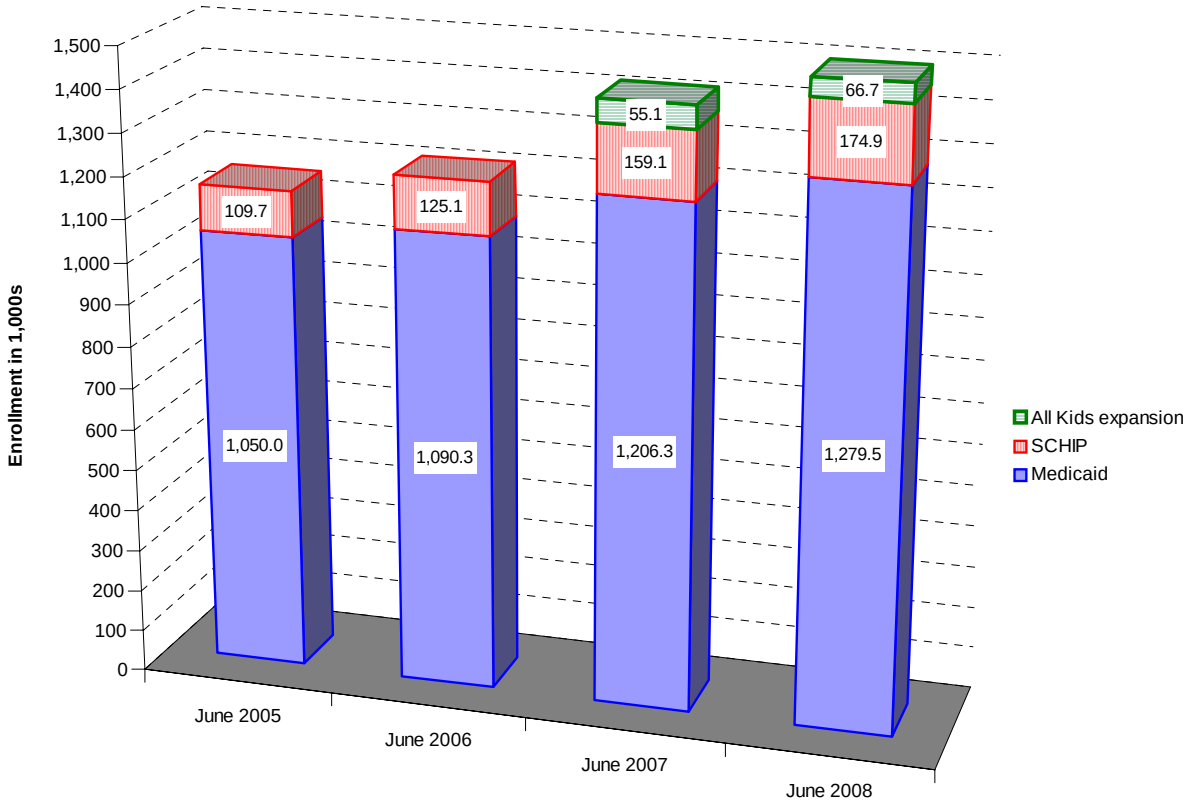
[1] Under federal law, the Medicaid income eligibility limit is 133% of poverty for children under age 6 and 100% of poverty for older children (through age 18). In Illinois, the income eligibility limit for SCHIP is 200 percent of poverty. The federal government reimburses the state for 50 percent of Medicaid costs and 65 percent of SCHIP spending, while All Kids expansion is financed entirely with state revenue. Prior to All Kids, Illinois Medicaid and SCHIP coverage for children was called "KidCare."

In most instances, children who enroll in All Kids expansion (i.e., children not eligible for Medicaid or SCHIP) must have been uninsured for at least 12 months. Some groups are exempt from the waiting period: children with a parent who has lost employment that offered health insurance coverage for dependents, newborn children whose responsible relative does not have access to affordable private or employer-sponsored health insurance, and children who have lost Medicaid or SCHIP coverage within the previous year.

Enrollment in Medicaid, SCHIP, and All Kids Expansion

In June 2008, over 65,000 children were enrolled in All Kids expansion. In addition, there is evidence that All Kids outreach efforts and a unified application process have had positive spillover effects on enrollment in Medicaid and SCHIP — just as SCHIP has facilitated Medicaid enrollment. Between June 2006 and June 2008, participation of Illinois children in Medicaid increased by almost 190,000, while SCHIP enrollment rose by about 50,000. Since the implementation of All Kids, the total number of children covered under state programs has increased from 1.2 million to 1.5 million, with more than 95 percent in Medicaid or SCHIP (see Exhibit 2).

Exhibit 2: Enrollment of Illinois Children in Medicaid, SCHIP, and All Kids Expansion



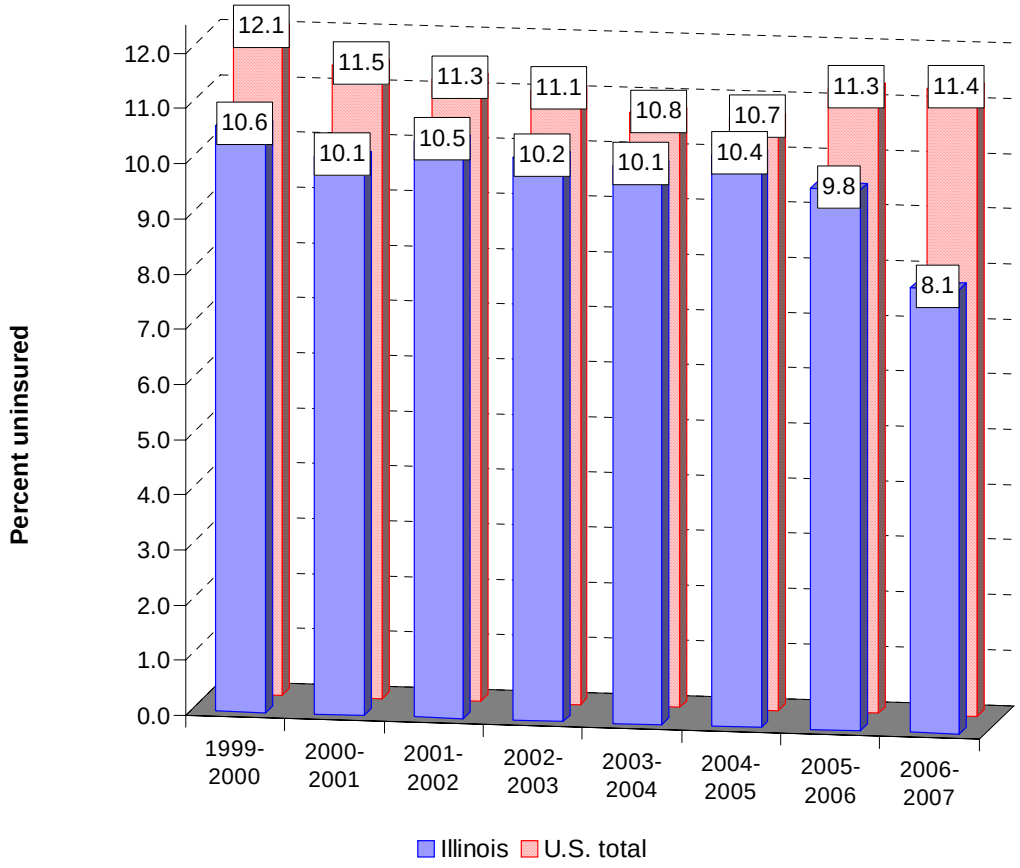
Source: Illinois Department of Healthcare and Family Services

Trends in Health Insurance Coverage

The impact of All Kids is reflected in the latest data from the U.S. Census Bureau, which show marked improvement in health insurance coverage for Illinois children. In 2004-2005, the proportion of uninsured children in Illinois was 10.4 percent — about the same as the national average. In 2006-2007, the state's uninsured rate dropped to 8.1 percent, which was more than three percentage points below the U.S. as a whole (see Exhibit 3). Despite this progress, Illinois still has one of the highest uninsured rates for children in the Midwest. In 2006-2007, only Missouri had a larger proportion of children without health insurance (almost 10%), while uninsured rates in Iowa, Michigan, and Wisconsin were under 6 percent (see Exhibit 4).

Differences in uninsured rates across states reflect the extent of both public and private coverage. The erosion of employment-based health insurance has been a nationwide trend, but the proportion of Illinois children with employment-based coverage was lowest among midwestern states in 1999-2000 and second lowest in 2006-2007 (see Exhibit 4).

Exhibit 3: Percentage of Children without Health Insurance, Illinois and U.S. (Two-Year Moving Averages)



Source: U.S. Census Bureau

Exhibit 4: Health Insurance Coverage for Children, Midwestern States, 1990-2000 and 2006-2007 (Two-Year Averages)

	Pct. without health insurance		Pct. with employment-based coverage	
	1999-2000	2006-2007	1999-2000	2006-2007
Illinois	10.6	8.1	70.7	66.1
Indiana	9.3	6.5	76.0	67.6
Iowa	6.1	5.6	78.7	68.8
Michigan	6.8	5.5	74.2	66.7
Minnesota	6.0	7.4	78.1	71.5
Missouri	5.2	9.8	71.2	59.6
Ohio	9.0	7.2	73.8	66.3
Wisconsin	6.5	5.4	77.1	70.0
U.S. total	12.1	11.4	65.6	59.6

Source: U.S. Census Bureau

Another important factor in Illinois is the racial and ethnic diversity of the state's child population. Latinos comprise 20 percent of Illinois children, which is by far the highest proportion in the Midwest (see Exhibit 5). For a variety of reasons — including language barriers, citizenship and immigration status, and access to employee health care benefits — Latinos are much less likely than other ethnic groups to have health insurance coverage. In 2006-2007, 21 percent of Latino children nationwide were uninsured, compared with 7 percent of Whites, 13 percent of Blacks, and 12 percent of Asians.

Exhibit 5: Child Population by Race/Ethnicity, Midwestern States, 2007

	White	Black	Latino	Asian
Illinois	56%	18%	21%	4%
Indiana	78%	11%	7%	1%
Iowa	85%	4%	7%	2%
Michigan	71%	17%	6%	2%
Minnesota	78%	6%	6%	2%
Missouri	77%	14%	5%	1%
Ohio	77%	15%	4%	2%
Wisconsin	77%	9%	8%	3%
U.S. total	57%	15%	21%	4%

Source: Annie E. Casey Foundation, Kids Count Data Center, based on data from U.S. Census Bureau <www.kidscount.org/datacenter>.

Challenges Ahead

The All Kids program has made impressive strides in its first two years, but Illinois still faces challenges in expanding access to health care for children. State policymakers should evaluate the effectiveness of current outreach efforts and consider additional ways to facilitate All Kids

enrollment. For example, the Department of Healthcare and Family Services should assess the impact of the 12-month waiting period for All Kids expansion and should consider shortening the waiting period to six months, as permitted under the authorizing statute. As of January 2008, SCHIP programs in more than 30 states were using waiting periods as a strategy for reducing "crowd-out" of private health insurance. Most of these states had waiting periods of 3-6 months; only two states had a 12-month waiting period.[2] Among states that have recently established programs similar to All Kids, Tennessee and Wisconsin use a three-month waiting period, while Pennsylvania has a six-month waiting period for children who are age 2 or older.

The success of All Kids also depends on participation by primary care providers in the Illinois Maternal and Child Health Program and in "Illinois Health Connect," the new primary care case management program. In January 2006, the state substantially increased Medicaid reimbursement rates for targeted primary care services in order to expand the availability of physicians and other providers. The enhanced reimbursement rates were part of the consent decree in *Memisovski v. Maram*, a federal class action lawsuit on behalf of children on Medicaid in Cook County.[3] At the same time, the state's payment rates for pediatric sub-specialities remain well below Medicare levels. Assuring adequate and timely payments to service providers is essential if we want enrollment in All Kids to improve actual access to health care for children.[4]

Sustaining the progress of All Kids will not be easy. The state's ongoing fiscal problems have led to growing concern among policymakers about the budgetary impact of health care spending.[5] The cost of All Kids expansion is relatively small; in state fiscal year 2007, spending for All Kids expansion was $22.8 million, compared to more than $6.9 billion in total medical assistance spending from the General Revenue Fund.[6] Nonetheless, All Kids does not have federal entitlement status or federal matching funds, making it potentially vulnerable to enrollment caps and similar budget-cutting measures. In perilous economic times, as more families lose employment-based health insurance and state government faces an acute fiscal crisis, Illinois's commitment to All Kids will be severely tested.

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[2] Center on Budget and Policy Priorities, "Start Healthy, Stay Healthy" <www.cbpp.org/shsh/waiting.pdf>. In July 2002, Illinois eliminated its 3-month waiting period for SCHIP eligibility.

[3] See John Bouman et al., "Litigation to Improve Access to Health Care for Children: Lessons from *Memisovski v. Maram*," *Clearinghouse Review*, May-June 2007, pp. 15-29 <www.povertylaw.org>.

[4] Mark Rosenberg and Frederick Cohen, "Medicaid and Physician Reimbursement," *Pediatrics*, August 2006, pp. 808-809; American Academy of Pediatrics, "Medicaid Reimbursement Survey, 2007/08: Illinois" <www.aap.org/research/medreimpdf0708/il.pdf>.

[5] Illinois Senate Republican Caucus, "Medicaid Reform Package" (March 2008) <watson.senategop.org>; Illinois State Comptroller, "Fiscal State of the State" (February 2008) <www.ioc.state.il.us/library/cr.cfm>.

[6] State of Illinois, Office of the Governor, "Governor Blagojevich Announces Major Cost Savings from More Efficient Care Management in Medicaid Program" (Press release, April 29, 2008) <www.illinois.gov>; Illinois State Comptroller, "Medical Assistance Spending," *Fiscal Focus*, July 2008 <www.ioc.state.il.us>.

About Voices for Illinois Children

Voices for Illinois Children works across issue areas to improve the lives of children of all ages throughout our state so they grow up healthy, nurtured, safe, and well-educated. For 20 years, Voices has been helping opinion leaders and policymakers understand the issues facing children and families. The Voices network weaves through the state, engaging community leaders and people who care passionately about children. Jerry Stermer is president of Voices for Illinois Children, and Craig Culbertson is chair of the Board of Directors.

About the Budget & Tax Policy Initiative

The Budget & Tax Policy Initiative (BTPI) provides information and analysis to advocates and policymakers on a wide range of spending and revenue topics that have direct impact on the lives of children and families in Illinois. BTPI is part of the State Fiscal Analysis Initiative, a network of organizations coordinated by the Center on Budget and Policy Priorities in Washington, D.C.

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