

# Ideas in Action

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## **Idaho's Challenge: Is Something Always Better Than Nothing When it Comes to Health Care?**

Since Idaho Governor Batt used the CHIP funds to expand Medicaid for children up to 150 percent of poverty by executive order in 1997, Idaho Republicans have been looking for ways to gut the state's already lean Medicaid program. They have attempted to implement expensive co-payments and reduce services, and called for privatization of the program. Each of these efforts has faced vocal opposition from Medicaid recipients and failed to win the support of the overwhelmingly Republican Idaho legislature. In 2003, a key Republican legislator hit on a clever idea to implement his goal of privatization, reduced services, and more "personal responsibility." By crafting an expansion program that promises to provide some health insurance to those who currently have none, Senator Dean Cameron managed to effectively silence opposition to reduced benefits and increased cost-sharing. His program, the Access Card, uses federal CHIP matching dollars to subsidize the cost of purchasing health insurance on the private market.

### **Overview of proposal**

The 2003 Idaho legislature adopted a premium assistance program, called Access Card, for children in families earning too much to qualify for Medicaid but less than 185 percent of the federal poverty line. Beginning July 1, 2004, approximately 7,500 children will receive \$100 per month to purchase private insurance. A year later, the program will open up to 1,000 adults.

About 80 percent of the Access Card program will be paid for with federal CHIP matching dollars. In order to draw down federal matching funds for this program, CMS has told Idaho that it must expand its CHIP program from 150 percent of the federal poverty level to 185 percent. Children participating in the CHIP expansion will receive a pared-down level of benefits compared to children in regular CHIP who receive Medicaid benefits. All non-mandatory Medicaid children will be given the choice of using the Access



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card or enrolling in CHIP. This “informed choice” is required by CMS in order for Idaho to use federal CHIP dollars to pay for the program. Due to this “informed choice,” CMS has promised to waive the benchmark level of benefits and it will not apply the CHIP limit on cost-sharing to the Access Card plans.

## Funding the plan

Idaho intends to generate the state match required to draw down the federal funds by capturing insurance premium taxes in excess of \$55 million. The state Department of Health and Welfare will not know if there are available funds until June of next year, although they are optimistic. The program would not be funded if insurance premiums drop. Every state dollar spent on this program will be matched by four federal dollars.

## Supporters/Opponents

***Idaho State Planning Grant Organization:*** The Access Card is the brainchild of this organization, which was established with funds through a Health Resources and Services Administration grant to study the problem of the uninsured in Idaho. The steering committee, made up primarily of business interests, made several recommendations to Governor Kempthorne after releasing a study on the uninsured provided by the Boise State University. In addition to the Access Card, the group recommended that CHIP no longer function as an expansion of Medicaid and that its benefits be significantly slimmed down. They also recommended a program similar to New Mexico’s to use public funds to subsidize employer-provided insurance premiums.

***Political supporters:*** Senator Dean Cameron, the main sponsor of the legislation, is a fiscally conservative insurance salesman who championed the idea of the Access Card at the legislature and within the Idaho State Planning Grant Steering Committee. As the chair of the powerful finance committee, he was able to move the bill forward quickly. He highlighted the issue of the uninsured, saying that he meets people every day struggling to pay their health insurance premiums. He responded to arguments from ICAN members that his program would cost them more than CHIP by saying that “it was a misunderstanding.” Other conservative legislators attacked the Access Card as “socialized medicine.”

***Low-income advocacy groups:*** Is something better than nothing? The Idaho Community Action Network grappled with this question when it learned of the Access Card plan. Initially, the organization opposed the plan because it offered a watered-down benefits package and it moved away from a public insurance model and toward private insurance without guaranteed benefits or limits on cost-sharing. They rallied behind expanding CHIP in its current form and

held a “trick or treat” action to urge legislators to reject the Access Card proposal. “They’re actually trying to trick us into thinking we’re going to do better when in the bottom line we’re going to pay more and get less,” an ICAN member told a local TV station. But, it became politically more difficult to oppose a program that offered insurance, even weak and expensive insurance, to those who have none, especially when some of the group’s members would benefit. The group struggled to position itself in relation to the bill and became increasingly isolated in its position as liberal legislators began to support the program.

**Hospitals:** Arguing that this bill will help ease the burden of charity care and bad debt, hospitals vocally supported the legislation. The president of the St. Alphonsus Medical Center told a committee that the increasing numbers of uninsured are causing “increased inefficiencies in funding their health care.” The other key regional hospital also vocally supported the plan.

**Business interests:** The Idaho Chamber of Commerce supported the bill and was part of the steering committee that drafted it. They have long been opposed to using the CHIP funds to expand Medicaid.

## Key messages

Several of the primary supporters of the legislation are insurance agents as well as legislators. They spoke frequently of the increase in premiums and the difficulties families faced in paying for their own insurance. They said that people want to pay for their health care, but that it was becoming too expensive. “A lot of the people want to be insured, who want to pay their own premiums, are being forced out of the marketplace,” said Rep. Gary Collins, an insurance agent.

Supporters frequently called the Access Card a “market solution” to the uninsured problem and emphasized that it did not create a government-run, entitlement program. Supporters argued that the Access Card would not only help the uninsured but “build on private industry” and support the state’s small businesses by helping them provide employer-sponsored health insurance.

Personal responsibility was also emphasized, since the Access Card will not be subject to cost-sharing limits. Also, people will choose an insurance plan available on the market and be responsible for finding one that they can afford.

## Current status of the plan

The governor has not yet appointed the eight members of an advisory board that will determine the minimum benefits for the program and other details. Two of these eight members must be

parents of children eligible to participate in the program. They will be responsible for developing an “informed choice” plan that meets the requirements of CMS.

While the Planning Grant steering committee has had several conversations with CMS, CMS has not yet formally approved the plan to use federal CHIP money to pay for the Access Card. The federal money equals more than 80 percent of the total funds needed to pay for the Access Card, therefore without approval the plan will not move forward. CMS has already told the steering committee that it cannot offer the Access Card to those on Medicaid, but many on the steering committee want to push CMS to allow those on Medicaid to choose the Access Card.

## How the proposal measures up

● Good (Medicaid or better)      ▲ Okay, but needs improvement      ○ Poor, unacceptable

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**Comprehensive benefits**      ○ The CHIP benchmark benefits requirement will not apply to the Access Card.

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**Equal benefits**      ○ Those participating in the Access Card program will have different benefits than those on Medicaid and “regular” CHIP and those benefits will be different from those participating in the CHIP expansion.

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**Affordability**      ○ The CHIP 5 percent limit on cost-sharing will not apply to the Access Card program.

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**Continuous**      ○ Benefit levels will change as a family’s income level changes.

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**Scalability**      ● If CMS allows federal matching funds to be used for the Access Card, the program could easily be expanded to cover all uninsured children and their parents.

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**Winability**      ● The Access Card program puts money directly into the pockets of powerful insurance interests. It appeals to conservatives who like market-based approaches.

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**Universal**      ○ No. Only children up to 185 percent of the federal poverty line will be offered coverage and only 1,000 adults.