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PeachCare for Kids: Consequences of Disenrollment and Alternatives

Georgia Health Policy Center

IssueBrief

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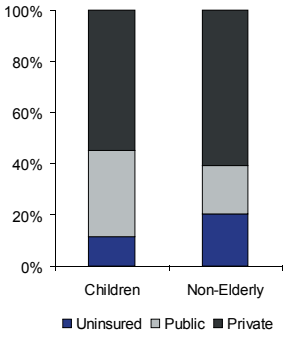
Consequences of Disenrollment and Alternatives

Georgia's PeachCare program faces an immediate funding shortfall and long-term uncertainty, which could result in currently enrolled children losing coverage either temporarily or permanently within the next two months.

This brief provides background on PeachCare and its funding problems, and it highlights the consequences of temporary disenrollment from PeachCare coverage and alternatives Georgia might pursue.

Sources of Coverage: Georgia 2005



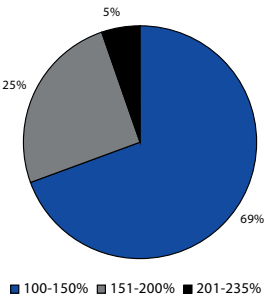
PeachCare in Georgia

The State Children's Health Insurance Program (S-CHIP) was created in 1997 to expand health insurance to uninsured low-income children.

S-CHIP has been successful in reducing the number of uninsured children nationwide. In Georgia, more than 10 percent of all children are enrolled in PeachCare at any given time. While more than 22 percent of Georgia's non-elderly adults are uninsured, the uninsured rate among Georgia's children is less than 12 percent.

As of 2005, approximately 300,000 Georgia children remain uninsured. An estimated two-thirds of these children would qualify for public insurance programs, while an estimated one-third would not qualify, based on family income.

PeachCare Population by FPL 2006



Who is enrolled in PeachCare?

The majority of children enrolled in the program live in families with incomes that are substantially lower than the upper limit of 235 percent of the Federal Poverty level (FPL). In fact, almost 70 percent of children are from families earning below 150 percent of FPL or below $30,000 for a family of four.

PeachCare Funding

Allocated federal dollars for the S-CHIP program are authorized for a 10-year cycle, and must be reauthorized in 2007 to continue the program. Funds are capped in total, and states are formula-funded, based upon the number of low-income children and other economic indicators.

In the past, states that spent beyond their allotment have had flexibility to receive funds designated for, but not spent by, other states. Georgia faces two potential limitations to its federal S-CHIP funding:

- As the end of the 10-year authorization approaches, Congress has not reauthorized state S-CHIP funding. While general consensus suggests funds will be made available to continue S-CHIP, the exact pattern of funding across states and the extent to which it will be capped is uncertain.

- The federal allotment has not matched program spending in Georgia. In the early years of S-CHIP, states were awarded large allotments, which decreased over time. Until recently, Georgia was able to carry forward funds from the early allotments as the program grew, and it could use redistributed funds from under-spending states. Careful program management combined with these additional funds enabled Georgia to keep pace with PeachCare's growth. Unfortunately, this is no longer the case. This is true in part because the federal government has not yet authorized the redistribution of currently available, unspent funds.

What Happens: When Coverage is Not Continuous?

The movement of children on and off public insurance rolls highlights the difficulty Georgia would face re-enrolling any number of children who lose PeachCare coverage.

At a minimum, families must requalify for public insurance on an annual basis. When the Georgia Health Policy Center studied children at a time when most are due to requalify, many lost coverage. Even though children whose family income remains stable are likely to continue to qualify for public insurance, only 13 to 25 percent of these children re-enroll within the next two years.

Fewer than half of PeachCare children live in families with a worker eligible for employer-sponsored health insurance.

What Happens: When Children Disenroll from S-CHIP?

The Center evaluated the effect of Georgia's 2004 policy change (since rescinded) to disenroll children from PeachCare for three months if the monthly premium was received late. Of those parents whose children experienced the three-month waiting period:

- Almost 90 percent reported no coverage during the three-month waiting period,
- Almost half reported their children needed health care services, and
- Almost 20 percent of children needed care and did not receive it.

At the end of the three-month waiting period, 16 percent of children were eligible to re-enroll in PeachCare yet remained uninsured.

These findings highlight the difficulty in reenrolling children who fall off public insurance rolls.

What Happens: When Children are Uninsured?

Children who lack health insurance are five to six times more likely than Medicaid enrollees to:

- Report no usual source of care,
- Delay care because of the cost, or
- Have an unmet health care need.[1]

Disenrollment of large numbers of children from the S-CHIP program will result in more uncompensated care in the already overburdened emergency room system throughout the state.[2]

In addition, a 2002 Center study of coverage in Georgia finds children who are uninsured miss twice as many days of school as children with coverage.

Alternative Sources of Coverage

Given the modest incomes of enrollees, alternatives to PeachCare are unaffordable for most families.

If the funding shortfall forces children off PeachCare, some believe families will find alternative sources of coverage for their children. However, significantly more parents of PeachCare children work at smaller firms than do employees in the general population, and these small firms are less likely to offer health insurance than are large firms. Therefore, consistent with findings from other states, fewer than half of PeachCare children live in families with a worker eligible for employer-sponsored health insurance.

Even among those with such eligibility, many would be unable to afford monthly premiums for family coverage. The Center's analysis of employer coverage in Georgia during the past three years shows employee contributions for family coverage are increasing rapidly. Depending upon firm size, annual employee contributions for family coverage range from $2,000 to more than $4,000.

What are the Alternatives?

- Georgia could wait for the federal government to reallocate unspent funds from other states or appropriate additional funds to cover part or all of the budget shortfalls projected for PeachCare. However, it is uncertain whether Congressional action will be taken before Georgia program officials are forced to suspend health coverage for some or all of the 270,000 children currently enrolled in PeachCare.

- The General Assembly could amend the current PeachCare statute to allow PeachCare to function temporarily without federal matching funds and appropriate up to $131 million additional state funds needed to continue the program until federal action is taken.

- The General Assembly could amend the current PeachCare statute to allow some or all PeachCare enrollees to transition to Medicaid. This alternative would require programmatic changes, which could be accomplished through a state plan amendment submitted to the federal government. It would also require additional state funding, as the State pays a larger percentage of Medicaid costs.

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In its endeavor to inform policy recommendations to reduce the number of uninsured Georgians, the Center welcomes the support and interest of public officials and philanthropic benefactors, and invites inquiries from policymakers, communities, and organizations working to promote better health.

[1] The Kaiser Commission on Medicaid and the Uninsured
[2] Cunningham, PJ. (2006) Medicaid/S-CHIP Cuts and Hospital Emergency Department Use. Health Affairs. 25(1): 237-247.