Children's Basic Health Plan

Annual Report
State Fiscal Year 2003

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 Senate and House Health, Environment, Welfare, and Institutions Committees of Colorado General Assembly. The report covers state fiscal year (SFY) 2003, which spans from July 1, 2002 to June 30, 2003, 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 (Department). 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 (CBHP) is a public/private partnership providing subsidized health insurance for children in low-income families who are not eligible for Medicaid. In SFY 2003, the program served an average monthly enrollment of 50,040. This constitutes a 22 percent increase in the average monthly enrollment of 40,960 for SFY 2002.

In SFY 2003, CBHP continued to be administered by the Department of Health Care Policy and Financing through private contractors who provided various services.

In October of 2002, Governor Owens and the General Assembly enacted a program expansion so that pregnant women could receive health care. The program was available to women 19 years old and over who also met the income eligibility guidelines. Benefits include prenatal visits, delivery and two months of postpartum care. The newborn was automatically enrolled in CBHP unless they were Medicaid eligible. Due to budget constraints, enrollment was suspended on May 5, 2003. The program enrolled 593 women.

For SFY 2003, the General Assembly appropriated $65,058,239 to CBHP: $48,590,808 for medical benefits, $6,522,543 for dental benefits, $4,241,949 for the prenatal program, and $5,702,939 for administrative functions.

According to state law, CBHP needed to re-bid its administrative contract in 2003. Two

distinct Requests For Proposal (RFP) were issued. One contract for Administrative Services to manage the State Managed Care Network was awarded to Anthem Blue Cross and Blue Shield on September 23, 2002, effective July 1, 2003. The second contract for Marketing, Eligibility and Enrollment and Member Services was awarded to Affiliated Computer Services (ACS) on July 14, 2003, effective August 1, 2003.

SFY 2003 was marked by rapid enrollment growth in the program. CBHP is not an entitlement program and is required to operate within its State appropriation. Due to unexpected growth, the Department ceased marketing and requested that its community partners also limit marketing activities in January 2003. Enrollment during the second half of the year stabilized, enabling the program to operate within the appropriated budget.

The 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. It also will be continuing its evaluation of care quality over the next year. The appropriated average monthly enrollment for SFY 2003 will not allow for natural program growth. The Department will manage to its legislative appropriation.

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 income 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, 2003, all 50 states, the District of Columbia, and five U.S. Territories had implemented a State Children's Health Insurance Program covering over two million children. Of these states, 19 have created a separate child health program, 19 have expanded Medicaid, and 18 have developed a combination of the two.

Children's Basic Health Plan in Colorado

The State of Colorado elected to develop a separate program that is not a Medicaid expansion. The program was enacted as the Children's Basic Health Plan through C.R.S. 26-19-101, et seq., and is marketed as the Child Health Plan *Plus* (CHP+).

CBHP provides statewide subsidized health insurance coverage for low-income children under 19 years of age who are not eligible for Medicaid. It offers a wide variety of services including:

- Check-ups and shots;
- Other doctor visits;
- Hospitalization and hospital services;
- Prescribed medications;
- Mental health services;
- Hearing aids;
- Eyeglasses; and
- Dental care.

On October 8th, 2002, the program was expanded to provide prenatal services to low-income pregnant women who are not eligible for Medicaid. The expansion was the result of the passage of HB 02-1155 and federal approval of Colorado's first Health Insurance Flexibility and Accountability (HIFA) waiver proposal.

The program was available to women 19 years old and over and included all prenatal visits, delivery, and postpartum care. The newborn was automatically enrolled in CBHP unless they were Medicaid eligible. Due to budget constraints, enrollment was suspended on May 5, 2003. The program enrolled 593 women.

Program Goals

During SFY 2003, CBHP focused on the following three goals:

- Enroll every eligible child in Colorado;
- Improve health status for participants by assuring access to appropriate health care services; and
- Maximize the effectiveness of CBHP as a public/private partnership.

Department of Health Care Policy and Financing

The Department of Health Care Policy and Financing (Department) 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 2003, the Department was appropriated $65,058,239 for implementing CBHP. (Please refer to the report section entitled "The Costs of Covering Children" for more information on appropriated funding.)

By statute, the Department fulfills the following responsibilities:

- Assures compliance with all related federal and state laws and regulations;
- 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; and
- Coordinates with other public and private health care delivery and financing programs.

CBHP Administration

In SFY 2003, the average monthly enrollment was 50,040. In addition, more than 100,287 children have been served since the program began.

The CBHP, by statute and operation, is a non-entitlement, commercial-coverage health plan with largely privatized administration. (See SFY 2003 Administrative Structure Chart below.) Public/private collaboration and co-operation are hallmarks of CBHP.

In SFY 2003, CBHP received 44,298 applications, compared to 36,368 and 30,437 for the previous two years. This represents an increase of 22 percent more applications over SFY 2002 and 46 percent over SFY 2001. Each application averages two children per family.

Although all of these applications were processed, not all of them resulted in CBHP enrollments. CBHP is required by federal law to screen and refer every applicant for Medicaid eligibility. Forty-one percent of CBHP applicants appeared eligible for Medicaid.

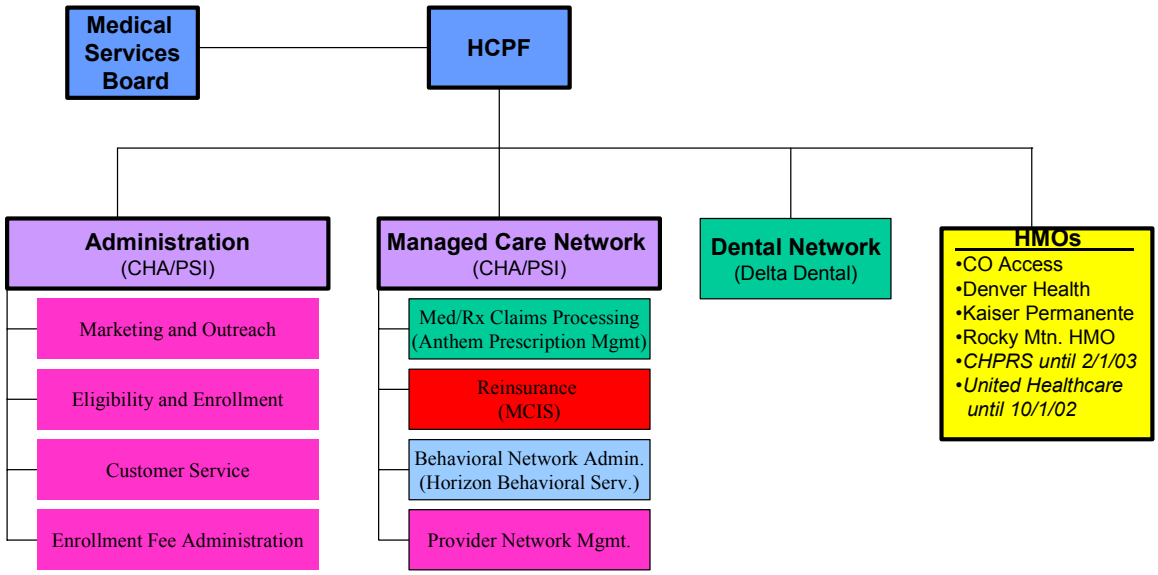
Marketing, Eligibility, and Member Services Contractor

In 2002, state procurement law required the administrative services contract to be re-bid. The award was presented to Affiliated Computer Systems (ACS).

Operations began on August 1, 2003 with no interruption of services to families.

The Marketing, Eligibility, and Member Services Contractor fulfills the following contractual obligations:

SFY 2003 CHP+ ADMIN. STRUCTURE



- Eligibility and enrollment, including processing mail-in applications, outreach, and referring applicants to Medicaid or other resources;
- Statewide customer service including application assistance, information, and problem resolution for CBHP plan members, agencies and providers;
- Information systems management and development, including maintenance and user assistance for the Internet-based eligibility determination and enrollment network; and
- Family enrollment fee administration.

HEALTH CARE SERVICES DELIVERY

Health Maintenance Organizations

The Department currently contracts with four Health Maintenance Organizations, down from the six plans under contract a year ago. Two plans withdrew from the program, Colorado Health Plan of the Rockies which is no longer in business, and United Healthcare. The United Healthcare termination occurred as a result of its voluntary contract termination with Medicaid.

The loss of these plans did not affect access to care. Managed care organizations are available to 84 percent of the eligible population. The remaining health maintenance organizations and the State Managed Care Network absorbed the displaced members.

In 39 Colorado counties, enrollees receive health care services through one or more of the following health maintenance organizations: Colorado Access, Denver Health Medical Plan, Kaiser Permanente, and Rocky Mountain HMO. These managed care organizations are under full risk contracts with the Department.

State Managed Care Network

The Department contracts directly with health care providers in counties where health maintenance organizations have been unable to offer coverage. CBHP enrollees may access benefits and services immediately upon program eligibility determination in every county of the state. 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 a period of up to two months).

The Department contracted directly with over 2,400 providers: 1,500 primary care physicians, 700 specialists, 18 hospitals and a number of ancillary service providers, which include essential community providers, to create the State Managed Care Network.

In SFY 2003, the Department contracted directly with Policy Studies, Inc. doing business as Child Health Advocates to administer the State Managed Care Network. Child Health Advocates is responsible for provider relations, training and contracting support, as well as customer service. Child Health Advocates subcontracted with HMO Colorado, a subsidiary of Anthem Blue Cross and Blue Shield of Colorado, for claims administration, utilization review, pharmacy benefits, and case management. Child Health Advocates subcontracted with Horizon Behavioral Health Services to deliver Network behavioral health benefits.

Dental Services

Dental services were added as a benefit in March 2002. The Dental benefits are administered by Colorado Dental Service, Inc. doing business as Delta Dental Plan of Colorado. The CBHP provides a comprehensive benefit plan, including preventative care, oral surgery, and endodontics. Preventative care services have no co-pay, while other services have co-pays of $5.00 or less.

The CBHP has had a utilization rate of 40 percent since the inception of the program. This is exceptional for a new program. More than 29,000 clients have received dental services since the program began. Delta's statewide network of over 800 dentists (85 percent of all licensed dentists in the state) provides excellent access to dental services for CBHP clients, with over 500 individual dentists having served children.

SFY 2003 ELIGIBILITY AND APPLICATION REQUIREMENTS

Estimated Eligible Population

CBHP has worked to adequately identify the number of eligible children in the State since CHP+ implementation. To arrive at an estimate, CBHP relies on population data from the Census Bureau, which is updated every ten years. CBHP also uses an annual Federal survey called the Current Population Survey (CPS), which measures uninsurance rates on a state and regional level. The SFY 2003 estimate of eligible children in Colorado used updated 2000 population estimates which specifically addressed children's uninsurance rates.

Using the new data, CBHP ran an analysis of children under 186 percent of FPL but not Medicaid eligible. The analysis estimates 86,142 children (including currently enrolled children) are eligible for CBHP. This estimate of eligibles is higher than the Department's previous estimate of 69,157 because of changes to the CPS survey instrument.

Of the 86,142 children eligible for the program, the Colorado General Assembly provided funding to assure services for an average of 50,040 children per month over

the course of the year. This represents 58 percent of the estimated eligible children.

Eligibility Requirements

Children are eligible for CBHP if:

- They do not qualify for Medicaid;
- Are residents of Colorado;
- Have adjusted family incomes below 185 percent of the federal poverty level; and
- Do not have access to State employee health insurance benefits.

Federal law requires that children appearing to be eligible for Medicaid cannot be enrolled in CBHP. Prior to SFY 2003, applications requiring Medicaid determinations were sent to one of the 64 counties. In SFY 2003, CBHP altered its referral patterns for potentially eligible Medicaid children. With passage of HB 01-1161, three Medicaid technicians were co-located at the CBHP offices. Referrals were able to be made directly from CBHP to the State Medicaid Technicians. This change reduced the risk of lost applications, increased the accuracy of reporting the determination of Medicaid enrollment outcomes, and increased the communication between CBHP and Medicaid.

COST SHARING

SFY 2003 Cost-Sharing Structure

Cost-sharing is an important tenet of the CBHP program similar to private insurance

Promoting Preventive Care

There are no fees charged to clients for preventive medical and dental care. This encourages the use of preventive services.

> ***Your program enabled us to have health insurance for our children in 2002. They have had all their vaccination shots to date and are thriving, growing, and happy. Your program assisted us in a time of need and we want to say "Thank You"!***
> ***(CHP+ mother)***

Providing Cost-Sharing Successfully

Families enrolled in CBHP with the lowest incomes under 100 percent of federal poverty level do not pay an enrollment fee or any co-payments for services.

Families below 151 percent of the federal poverty level have a small co-payment for provider visits and dental procedures, but no annual enrollment fee.

Families with incomes between 151 percent and 185 percent of the federal poverty level pay an annual enrollment fee of $25 for one child and $35 for two children or more, along with a co-payment for provider visits and dental procedures.

SFY 2003 ENROLLMENT

Enrollment

In SFY 2003, an average of 50,040 children were enrolled in the program every month. This represents approximately 58 percent of all estimated eligible children. Twenty-two percent more children were enrolled in the program this year than in SFY 2002.

SFY 2003 Enrollment By Region

With the passage of the Health Insurance Portability and Accountability Act of 1997 (HIPAA), CBHP now reports enrollment numbers on a regional basis, as opposed to the county level. This change was made to protect the possibility of identifying individual enrollees from very small counties.

After six years of operation, with the combined effort of the state and its partners, enrollment rates are rising steadily. Of the twelve regions, eight have exceeded the statewide enrollment average of 70%. Some of the recurring themes include community-wide involvement from all agencies serving the eligible population, school-based support, and strong leadership from a core team of community activists.

Almost thirty percent (21,032) of the eligible population lives in the Denver metropolitan area. Denver Metro region currently maintains an enrollment rate of 83%, well above the state average. CBHP will continue to focus enrollment efforts on various regions of the state where enrollment rates need improvement.

Application Submissions

CBHP received 44,298 applications this year. On average each application represents two children. Applications are collected through the following sources: satellite eligibility determination sites, county departments of social services, and by mail directly to the centralized site of the Department's contractor. Satellite eligibility determination sites are community partners who are given the tools to determine eligibility on site, in some cases having on-line capability, and are required as part of their contract to provide CBHP outreach to their community.

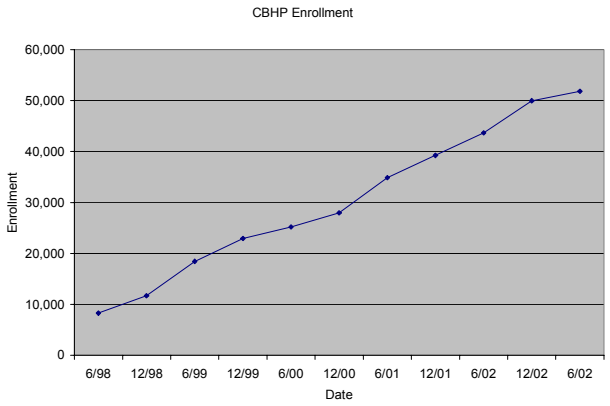
Approximately 59 percent of applications in SFY 2003 were mailed directly to the CBHP processing offices. Families obtain applications from a variety of sources including schools, the CBHP contractor, and county departments of social services.

Colorado CHP+ Enrollment Regions

Regions	*Counties Included*	*Rates*
Boulder	Boulder, Gilpin, Broomfield	29%
Colorado Springs/Pikes Peak	El Paso, Elbert, Fremont, Lincoln, Park, Teller	70%
East	Cheyenne, Kit Carson	87%
Larimer	Larimer	98%
Denver Metro	Adams, Arapahoe, Clear Creek, Denver, Douglas, Jefferson	83%
Mountain	Chaffee, Eagle, Grand, Gunnison, Lake, Pitkin, Summit	36%
Northeast	Logan, Morgan, Phillips. Sedgwick, Washington, Weld, Yuma	80%
Pueblo/Ark. Valley	Baca, Bent, Crowley, Custer, Huerfano, Kiowa, Las Animas, Otero, Prowers, Pueblo	49%
San Luis Valley	Alamosa, Conejos, Costilla, Mineral, Rio Grande, Saguache	82%
Western Slopes/Central	Delta, Mesa, Montrose	61%
Western Slopes/North	Garfield, Jackson, Moffat, Rio Blanco, Routt	84%
Western Slopes/South	Archuleta, Dolores, Hinsdale, LaPlata, Montezuma, Ouray, San Juan, San Miguel	79%

Satellite eligibility determination sites submit approximately 29 percent of applications, while county departments of social services account for approximately fifteen percent of applications submitted.

CBHP TOTAL ENROLLMENT FROM June 1998-June 30, 2003 (GRAPH)



Renewals and Disenrollment

Of the applicants who renew after 12 months, 66 percent of them are determined eligible and are re-enrolled in the program.

Enrollment packets are sent out to existing members 90 days prior to the end date of their enrollment period. This allows time to re-enroll and gives members time to find other insurance if they are not eligible.

Although 100,287 Colorado children have been enrolled in the program since its inception, approximately 50,040 children were enrolled monthly during SFY 2003. This highlights the frequent changes in program membership. Given these facts, member retention continues to be a high priority for CBHP.

Previous data has indicated that the majority of disenrollees left CBHP because they found other health insurance. This indicates that CBHP is serving as a "bridge" for families in need.

PRIVATE SECTOR PARTNERSHIPS

Outreach and Enrollment

A cornerstone of the CBHP outreach strategy is to maintain and build on community partnerships. To reach all eligible families through as many avenues as possible, CBHP works with more than 2500 partners. These include: Covering Kids and Families; Community Voices; Colorado Community Health Network; schools; Head Start programs; family resource centers; community health centers; United Way agencies; public health departments; county departments of social services; Women, Infants, and Children (WIC) nutrition programs; and a myriad of others. This represents an extraordinary commitment statewide to reach uninsured children at the local level. So far, the most effective efforts in enrolling children are through schools, doctors offices, health departments, community health centers, and departments of social services. Also, friends and neighbors are spreading the word. Experience has shown that multiple contacts throughout the community are important to the eventual enrollment of an eligible child.

Managed Care Organizations

Most managed care partners have committed extensive time and effort to reach children through advertisements, partnerships, and events. All of CBHP's managed care partners have participated in various community events throughout the state.

Managed care partners also contributed toward the paid advertising campaign for the program during the first half of the year.

Delta Dental Foundation

In 2003, the Delta Dental Foundation allocated an additional $75,000 in care for children who have or will exceed their benefit maximum of $500 per child per calendar year. In addition, the Delta Dental Foundation was awarded a $50,000 grant from the Horwich Foundation and the Mile High United Way to provide continuing care to those children that have reached their annual benefit maximum.

County Departments of Social Services

County departments of social services provide support to low-income families in communities ranging from food stamps and Women, Infants, and Children programs to child care and Colorado Works. Many CBHP referrals came from these programs. Federal law mandates linkage between CBHP and Medicaid (for example, through a common application). Fifteen percent of CBHP applications were submitted through the Medicaid application process managed by county departments of social services.

Community Based Organizations

As mentioned above, CBHP has a network of 73 community based organization sites statewide, including multiple locations for some sites. These sites comprise community health centers, county nursing services, school-based health centers and other community providers, and have been an essential component of the program's outreach and enrollment activities. As part of their contract with CBHP, they are required to provide outreach to their community for CBHP.

Schools

Schools have been consistently one of the most frequently cited sources of referral by applicants. Clearly, schools are an effective vehicle for getting information out to families with children. A record number of school districts partnered with CBHP this year to assure the children they serve know about the program.

Community Health Centers

The Colorado Community Health Network has made involving its members in CBHP outreach a priority. Community health centers are the largest group of primary care providers throughout the state serving low-income children. Some serve as community based organization sites. Others participate in community coalitions that strive to enroll children in CBHP.

Advertising and Earned Media

Due to state budget constraints and unprecedented program growth, advertising purchases for CBHP ceased in January 2003.

HEALTH CARE SERVICES: QUALITY, UTILIZATION AND EVALUATION

Quality and Utilization

The Department continues to work with a broad-based group of quality improvement experts to consider the most reliable methods to assure quality of care for CBHP children. CBHP is pleased with the continued extent to which children have a medical home throughout the state and that providers are available for all enrolled children.

The Department convened a quality assurance advisory group to provide input on best practices in the field. The group consists of representatives from both private and public sector organizations.

In SFY 03, a workplan was developed which included:

- A physician credentialing plan;
- An approach to assessing quality care for children focusing on selected Health Plan Employer Data and Information Set (HEDIS) measures and performance based contracting.

The Department expects to contract with an external vendor in SFY 04 to implement the workplan.

Researchers outside the Department are conducting longitudinal research on CHP+ enrollees and their experience with the program. The Rose Community Foundation funded a research team headed by Dr. Alison Kempe to study the characteristics of CBHP enrollees compared to private insurance.

The study found the following:

- Preventive health services and chronic health services for children with asthma in CBHP were comparable, and in some cases superior, to those received by children in the other insurance groups.
- CBHP enrolled children were not high utilizers of emergency or hospital services and used primary care services more appropriately than did children with private insurance.

Other research conducted by Dr. Kempe looked at barriers to enrollment for non-Hispanic, Hispanic, and uninsured families. The study found the following:

- The major reasons for not enrolling in both non-Hispanic and Hispanic families were confusion about the application procedures and assuming their household income was too high when it was not.
- Of uninsured families, 60 percent had not heard of the program.

Both of these studies were published in the Journal *Pediatrics.*

Evaluation

During SFY 2003, a number of projects were undertaken to evaluate and improve CBHP:

- The Delta Dental Foundation funded a study at the University of Colorado Health Sciences Center School of Dentistry to better understand the dental utilization of enrollees. The study identified 1661 children who exceeded the maximum dental benefit. Delta Dental Plan of Colorado is currently working to contact families and dentists to determine if additional care would be appropriate. To date the Foundation has spent $27,293 providing additional patient care.
- A marketing effectiveness evaluation was funded by the Rose Community Foundation to determine why the low-income families were not enrolling in health insurance programs.
- An analysis of the comparability of children enrolled in Medicaid and CHP+ was initiated. The analysis used claims and eligibility data to determine comparability of the two groups on the basis of demographics, health care utilization, and health status. The analysis, funded by Health Resources and Services Administration, was done to determine if there are groups in both programs who use care similarly and share other characteristics.

Upcoming reports and evaluation projects include:

- The reports from the Delta Dental utilization evaluation and the Rose Community Foundation marketing study will be available in early SFY 2004.
- The analysis of the Medicaid and CBHP programs found that both populations are similar in their health status, the services they use and the extent of services they use. The Department is undertaking a larger, more comprehensive, analysis to determine if there are opportunities to develop a streamlined program for children and families. This project has broad support from within the foundation community. The Rose Community Foundation, the Colorado Child Health Foundation, the Denver Foundation and the Piton Foundation are funding the project.

THE COSTS OF COVERING CLIENTS

The General Assembly appropriated $65,058,239 total funds to the program from the CBHP trust fund for SFY 2003. Appropriated funding splits for the overall CBHP children program were: cash funds exempt of $22,229,361 and matching federal funds, at 65 percent, of $40,335,580. Below is an accounting of how those funds were used to fund benefits and administrative costs.

Seventeen and a half million dollars from the Tobacco Utilization Settlement cash fund was appropriated to the CBHP trust fund. Later $2,001,125 was withdrawn from the CBHP trust by the Legislature.

Benefit Costs

For SFY 2003, the Department received an appropriation of $48,590,808 million to fund medical benefits and $6,522,543 for dental benefits. This appropriation reflected a projected, per child per month cost of $80.74 for medical benefits and a per child per month cost of $10.95 for dental benefits, for an average monthly enrollment of 50,040 children. The prenatal program was appropriated $4,241,949 and served 593 women.

There are three key variables that may cause expenditures to differ from the projections on which appropriations are based:

- Variation in the total enrollment in the program, especially variability in the prenatal program;
- Distribution of enrollments between managed care organizations and the state self-funded managed-care system, and changes in distribution within the nine age and income rating categories established for the program;
- Utilization of benefits by clients.

The program expended $62,564,941 of its $65,058,239 appropriation. The expended amount does not include enrollment fees, which do not receive a federal match.

Program	**Appropriated Amount**	**Expended Amount**
Children's Medical	$48,590,808	$48,590,088
Children's Dental	$ 6,522,543	$ 5,649,083
Prenatal Care Program	$ 4,241,949	$ 2,958,666
Administration	$ 5,702,939	$ 5,367,104
Total	**$65,058,239**	**$62,564,941**

Administrative Costs

The Department received an appropriation of $5,702,939 to fund administrative functions for CBHP. Administrative functions include marketing, eligibility, enrollment, family premium administration, community outreach, and marketing for half the year. This appropriation also included funds for necessary professional services for auditing, actuarial, and program evaluation services. State law requires CBHP administrative expenditures to be below 10 percent. Since CBHP is required to screen every applicant for Medicaid eligibility, Medicaid pays for a substantial amount of CBHP administrative costs (over $3 million in SFY 03). After this adjustment, CBHP spent under 10 percent of its funds on administrative services.

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.

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.