

March 18, 2008

The Honorable Jack Hatch,  
Iowa House of Representatives,  
C/O Ed Conlow  
State Capitol, Room G01  
Des Moines, Iowa 50319

Dear Sirs:

At your request, we have developed estimates of the cost and coverage impacts of HF 2539.305, which is House bill HF 2539 as amended by the Senate on March 18, 2008.

#### Estimates of Uninsured Children

We estimate that there will be 52,825 children in Iowa who do not have insurance in 2009. This differs from our estimate of 54,759 uninsured children used in our earlier analysis dated March 4, 2008 (*Figure 1*). The March 4 estimate was based upon Bureau of the Census survey data for 2005 through 2007, which undercounts enrollment in the Iowa Medicaid and Hawk-I programs.

**Figure 1**  
**Children under Age 19 by Income as a Percent of the Federal Poverty Level (FPL)**

	Total Children in 2009	Estimated number of Uninsured Children	
		Census data for 2007	Corrected data for 2009
<b>Below 150% FPL</b>	203,181	20,435	17,623
<b>150-199% FPL</b>	74,550	6,360	7,639
<b>200-299% FPL</b>	78,210	4,500	4,252
<b>250-299% FPL</b>	70,007	4,810	4,546
<b>300-399% FPL</b>	108,770	6,349	7,633
<b>400% FPL &amp; over +</b>	240,225	12,305	11,132
<b>Total</b>	774,943	54,759	52,825

We have since corrected these data for the Medicaid/Hawk-I under-count, and have projected our estimates of the number of uninsured children to 2009 along with changes in income. This yields the lower estimate of 52,825 uninsured children. These estimates are final and are not expected to change.

HF 2539.305 would require all children in Iowa to have health insurance. Uninsured children would be enrolled automatically through school, at tax filing time or through other income-tested family assistance programs such as Food Stamps. We assume that unpaid premiums would be collected as a tax system.

The program also requires that children be uninsured for a period of at least 6 months prior to enrollment. This "waiting period" rule is designed to discourage workers and employers from discontinuing employer health insurance by effectively requiring worker families to go bare of coverage for 6 months before they qualify.<sup>1</sup>

The bill would also expand eligibility under Hawk-1 to include children living between 250 percent and 300 percent of the Federal Poverty Level (FPL). Children would be covered under the Hawk-1 benefits package. For these newly eligible children, the family premium would be equal to \$20 per child up to a maximum of \$40 per family.

As shown in *Figure 2*, we estimate that of the 52,825 children who do not have coverage in Iowa, about 47,985 children would become covered. These include: 26,021 children already eligible but not enrolled in Medicaid or Hawk-1; 3,835 newly eligible uninsured children with incomes between 250 percent and 300 percent of the FPL; and about 18,129 uninsured children living above 300 percent of the FPL who would obtain private coverage to comply with the mandate.

In addition, we estimate that about 1,066 children with incomes between 250 percent and 300 percent of the FPL who are currently covered under private health insurance would move to the program to take advantage of the subsidized coverage. We estimate that without the 6-month waiting period rule, up to 12,000 children would move from private insurance to Hawk-1 to take advantage of the subsidized premium.

Total public program costs under the bill would be \$63.6 million net of premiums, of which \$12.9 million would be for the expansion group. The remainder (\$50.7 million) would be due to added enrollment to Medicaid and Hawk-1 for currently eligible but not enrolled children.

The bill would implement the expansion in Hawk-1 only if federal matching funds are approved. The state share of program costs would be \$24.3 million with the federal government paying the remaining \$32.9 million.

## Questions

We are available to examine other variations on these policies. Please call me if you have questions. I can be reached at (703) 269-5610 or, (703) 531-9728.

<sup>1</sup> Exceptions are made for children with parents experiencing changes in employment or family status such as divorce.

John Sheils  
Senior Vice President



Sincerely:

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Figure 1  
Enrollment and Costs under HF 2539.305

	Public Program Enrollment	Uninsured Children who Become Covered	Monthly Cost <sup>a/</sup>	Total Benefits and Administrative Costs (1,000s)	Family Premiums (1,000s)	Net Program Costs (1,000s)	State Share (1,000s)	Federal Share (61.7%: thousands)
Below 150% FPL	14,740	14,740	\$175	\$30,954	\$0	\$30,954	\$11,855	\$19,099
150-199% FPL	7,347	7,347	\$152	\$13,401	\$620	\$12,781	\$4,895	\$7,886
200-249% FPL	3,934	3,934	\$152	\$7,176	\$252	\$6,923	\$2,651	\$4,272
250-299% FPL	4,901	3,835	\$233	\$13,703	\$801	\$12,902	\$4,942	\$7,960
300-399% FPL	NA	7,566	NA	NA	NA	NA	NA	NA
400% FPL & over	NA	10,563	NA	NA	NA	NA	NA	NA
<b>Total</b>	<b>30,922</b>	<b>47,985</b>	<b>NA</b>	<b>\$65,234</b>	<b>\$1,673</b>	<b>\$63,560</b>	<b>\$24,343</b>	<b>\$39,217</b>

a / Assumes average costs per-person per-month (PMPM) of \$233 in Medicaid and \$203 in Hawk-1. We assume that costs in the expansions group would be more similar to Medicaid because they will include newborns not covered under the existing Medicaid program. We assume that costs for eligible but not enrolled children would be about 25 percent less than for those who are enrolled.  
Source: Lewin Group Estimates.