



KidsCare Fees

Cracks in the Arizona Health Care System



CHILDREN'S ACTION ALLIANCE

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Children's health coverage: A building block for healthy kids, a prosperous state

Arizona's future depends on a commitment to the health of our children. Children's health is integral to their development and school progress, creating a foundation for them to contribute to our state's social and economic progress, affecting us all.

Children's health insurance coverage is essential to making sure kids have access to care and grow up healthy. Without health coverage, children are less likely to receive regular check ups and early, cost-effective care.

Arizona's KidsCare program – the health insurance that provides more than 57,000 children in working families with access to care, has gone a long way towards providing kids with the access to the health care they need. However, over 250,000 Arizona children—3,500 school busloads of kids— still have no health coverage. An estimated half of these kids qualify for KidsCare, or its companion program, AHCCCS.

Arizona should be building on the success of KidsCare by working to ensure that all qualified children have health coverage. KidsCare helps children receive regular check ups and treatment in the early, less costly stages of illness. However, fees added in July 2004 are cutting children out of the health care system, undermining their healthy development and our state's economic stability.

Burdensome fees are creating more cracks in our healthcare system

Beginning in July 2004, Arizona began charging monthly fees to the lowest income families enrolled in KidsCare health insurance (families earning between 100-150 of the Federal Poverty Level or between \$20,000 - \$30,000 a year for a family of four). The requirement was added by the Arizona Legislature, in an attempt to defray costs during a budget shortfall. Currently, Arizona is one of only ten states that charges monthly fees to families at this income level.

According to a new study conducted by the Urban Institute on behalf of Children's Action Alliance, these fees are eroding enrollment in KidsCare. While families continue to sign up for KidsCare, many soon realize they can't afford the monthly fees. As a result, the premiums that began in July 2004 have caused an average of 1,155 fewer children to have KidsCare coverage at any given time.¹

The study concludes that this enrollment decline does not appear to be explained by other factors such as

changes in the economy. It also finds that while the effect of the new monthly fees was greatest when they were first implemented, kids continued to lose coverage throughout the period studied.

Loss of coverage driving up health care costs

Besides causing children to lose health coverage, the KidsCare fees introduced in July 2004 are also having the unintended effect of driving up overall health care costs for all Arizonans.

National studies suggest that most of the children who have lost KidsCare coverage due to the new fees have become uninsured. This research shows that families at this income level are very unlikely to have access to employer sponsored health insurance. The families are also unlikely to be able to afford private health insurance on their own.² This is why KidsCare is so important and has been so effective at ensuring healthy futures for thousands of Arizonans.

When job-based insurance is unavailable or unaffordable, children are left out of the health system and only receive care when it becomes urgent (and more costly). Another recent study of Arizona children enrolled in KidsCare confirms that when children are dropped from the coverage, they are less likely to visit a doctor's office, and more likely to visit an emergency room or be admitted to a hospital.³ Specifically, the study found that KidsCare children who become uninsured are:

- Half as likely to visit a doctor's office
- Four times more likely to visit an emergency room
- Eight times more likely to be admitted to a hospital

The result is that children are less likely to receive the care they need when it is most effective, and more likely to receive care when it is urgent and most costly. Ultimately, this results in increased cost pressures on the overall health system. Researchers project that every child who loses KidsCare coverage ends up costing the health care system an additional \$464 per year more than the cost of healthcare if they were still covered under KidsCare. These costs are ultimately passed on to people who do have health coverage in the form of higher insurance premiums.

Fees increasing State's administrative costs

The KidsCare premiums that went into effect in July 2004 appear also to be driving up the state's costs of

administering KidsCare. The new premiums required AHCCCS to begin collecting monthly fees for an additional 22,000 children. (Fees had previously existed for families earning between 150 – 200 percent of the Federal Poverty Level). This new requirement has resulted in an increased workload for AHCCCS. Evidence from other states suggests that the costs of collecting the fees may exceed the state revenue from the fees collected.

- In Virginia, policy makers discontinued charging fees to FAMIS families (Virginia’s equivalent of KidsCare) after it was documented that the administrative costs borne by the state exceeded the amount of premiums collected, with the state general fund paying \$1.39 for every \$1 collected from families.⁴

It is likely that it is also costing AHCCCS more to collect the new premiums than it receives from fees. During FY 2005, AHCCCS collected only \$1.5 million in premiums from KidsCare families earning between 100-150 percent of the Federal Poverty Level.⁵ Since 77 cents of every dollar collected is required to be returned to the federal government, the State was left with \$344,603 in revenue for the General Fund – barely a “drop in the bucket” when the administrative cost of collecting monthly fees from thousands of families is considered.

Families struggle to pay monthly fees

Families with low incomes often struggle to pay monthly fees for health coverage. Monthly fees charged to these families may mean the difference between a child being covered by health insurance – or not.

“My child was on KidsCare for a year. But then I got sick, and was put in intensive care. We went on AHCCCS. I am now better and back to work, but can’t afford to pay the monthly fees to get my child back on KidsCare because of the money we owe from when I was sick.”

Sondra Willis
Tucson, Mother of a One Year Old

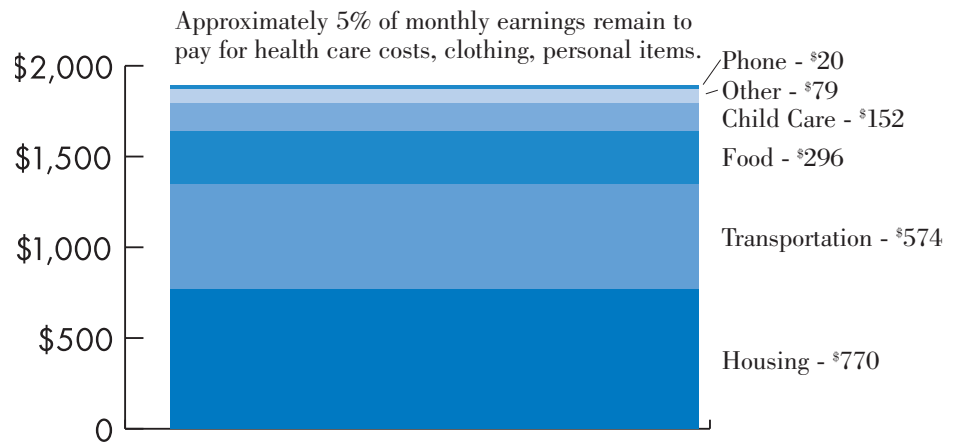
“My children were on KidsCare for two months. Then we dropped coverage. My husband and I could not afford to pay the premiums. My kids are now without health insurance. The premiums did not seem like a lot to pay, but with all of our bills, it gets hard paying.”

Elizabeth Spears
Tucson, Mother of Two and Five Year Old Children

Small fees have a big impact on low income families

Monthly fees for health coverage put a big strain on families that have little money left over after paying monthly household bills. A recent Children’s Action Alliance analysis of monthly expenses for working Arizona families found that a family of four with both parents working full time earning the minimum wage (107% of the Federal Poverty Level) typically have only \$79 left each month after housing, child care, food and transportation costs are paid. This meager amount cannot stretch far enough to cover other expenses such as clothing, telephone, school supplies, and health coverage for children.

Two working parents earning minimum wage with two children, age 3 and 7



1. March 21, 2006 memo from Genevieve Kenney of the Urban Institute to Children’s Action Alliance.

2 Long, Sharon K. and Graves, John A. “What Happens When Public Health Coverage is No Longer Available?” Kaiser Commission on Medicaid and the Uninsured.” January 2006.

3. Johnson, Tricia J., Rimsza, Mary, and Johnson, WG. “The Effects of Cost-Shifting in the State Children’s Health Insurance Program.” American Journal of Public Health. 709-715, April 2006.

4. Virginia Department of Medical Assistance Services memo, May 15, 2002.

5. AHCCCS, March 2006.



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Children's Action Alliance is a non-profit, non-partisan organization dedicated to promoting the well-being of all of Arizona's children and their families through research, policy development, media campaigns and advocacy. For more information, please visit the CAA website at www.azchildren.org.

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