

FACTS AND FREQUENTLY ASKED QUESTIONS MINNESOTA CHILDREN'S HEALTH SECURITY ACT (SF 20-Prettner Solon; HF 132-Thissen)

BACKGROUND

What is the Minnesota Children's Health Security Act?

The Minnesota Children's Health Security Act is legislation that has been introduced in the Minnesota House (HF#132) and Senate (SF#20). The Act would ensure universal health care coverage in a two-phase approach by 2010 for all children living in Minnesota. All children through age 18 as well as young adults under age 25 who are students and still dependents would be eligible for the program. The first phase of the Act would place all children whose family income is below 300% of the Federal Poverty Guidelines (FPG), approximately \$56,000 for a family of four, into one purchasing pool by 2008. Phase I would cover all children currently covered by public programs as well as some children covered by private insurance. The second phase would open the program to all Minnesota children in 2010. Coverage through the children's health pool would be voluntary.

Why is the Minnesota Children's Health Security Act important?

Ensuring the health of our state's children is an investment in the well-being of families and children as well as a strong future workforce and economy. The fragmented, complicated health care system creates real barriers to health care coverage. The number of uninsured children in Minnesota has increased to 68,000 – twice the total of the population of Mankato. Not only has this number risen in recent years, but the number of children without insurance in the developmentally critical ages of 0-5 increased by 11,000 between 2001 and 2004.

The Minnesota Children's Health Security Act proposes systemic change that would have broad reaching benefits. Creating a children's health care pool would move the state in the direction of a simplified, affordable health care system and send the message that our children's health is a top priority.

This legislation would benefit children, their families, and employers, while containing health care costs.

Children & Families

Linking children's health care coverage to parents' employment creates inconsistent, arbitrary and in many cases unaffordable health care coverage. All children deserve access to quality, affordable health care. Creating a universal coverage program would provide consistent, continuous care for children, promote preventive care and remove high premiums and out-of-pocket costs that limit coverage and access.

Employers

The responsibility of ensuring that children have health care coverage will no longer be placed on employers. Removing the cost of providing coverage for employees' children will relieve some of the financial burden for employers as health care costs skyrocket.

Health Care System

Creating one purchasing pool for children would increase efficiency and eliminate administrative complexity, which would ultimately lower costs and eliminate confusion. In addition, universal coverage will reduce uncompensated care, which totaled \$74 million for children alone in 2004.

FREQUENTLY ASKED QUESTIONS

1. **How will the Minnesota Children's Health Security Act be funded?**

Phase I would be funded through a cigarette tax increase and/or other excise taxes. Phase II funding has not yet been determined, but will be broad-based and sustainable.

Current Spending Structure

Approximately \$3 billion is spent annually on children's health care by the state, parents and employers. According to 2004 data from the Minnesota Department of Health, parents pay over \$1 billion in premiums and out-of-pocket health care costs; employers pay \$884 million in premiums for dependent children; and the state spends approximately \$845 million for children covered by MinnesotaCare and Medical Assistance (MA), Minnesota's Medicaid program.

Proposed Minnesota Children's Health Security Act Spending Structure

Phase I will replace employer and parent spending for all children under 300% of poverty with cigarette and/or excise tax increases. This new revenue would be combined with the existing public spending on our health care programs to create the initial pool. Phase I will cover all children in Minnesota under 300% of poverty, including children who are currently covered by MinnesotaCare or MA and the large number of uninsured children under 300% of poverty. The two-phase approach would allow Minnesota to pursue federal matching funds that would maximize federal funding and reduce state costs during the first phase.

Phase II will open the program to all children in Minnesota and would be funded through a broad-based tax. This tax would replace the current employer/employee premiums for children receiving employer-based coverage.

2. **Why only children?**

We need to move toward universal coverage for all Minnesotans, but it is difficult to achieve universal coverage all at once. Universal coverage for children is attainable. The Minnesota Citizens Forum on Health Care Costs, Chaired by former U.S. Senator David Durenberger, recommended universal coverage as a key solution to addressing health care costs, "with a priority of covering all children." Children are less costly to cover (about 60-70% the cost of adult coverage) making children a feasible starting point for universal coverage. In addition, public support for universal children's coverage has also been very strong and consistent. Over 80% of the public supports universal coverage for all children in Minnesota.

IMPORTANT FACTS

- ✓ Phase I of the Act would bring Minnesota to near universal coverage for children by ensuring coverage for children under 300% of FPG.
- ✓ The Children's Health Security Act would provide access to affordable, quality coverage for the 68,000 uninsured children in Minnesota.
- ✓ Overall, the legislation would ensure coverage for approximately 620,000 Minnesota children in Phase I (this includes the 320,000 currently covered under MinnesotaCare and MA).
- ✓ Creating a single pool for children will increase efficiency and ultimately reduce total spending on children's health care.
- ✓ Continuity of care and access to preventive care for children will produce millions of dollars in savings due to better health outcomes.
- ✓ The bill is voluntary and would offer a comprehensive benefit set and provider choice.