STATE HEALTH POLICY MONITOR

OCTOBER 2007

A PUBLICATION OF THE NATIONAL ACADEMY FOR STATE HEALTH POLICY

SCHIP Delivery Systems

JOHN MCINERNEY

As part of the National Academy for State Health Policy's ongoing efforts to monitor the State Children's Health Insurance Program (SCHIP), we surveyed states in 1998, 2000, and 2005, collecting information on many dimensions of the program. With increased attention being paid to key aspects of how the program operates, this State Health Policy Monitor provides detailed information on how states have chosen to deliver health care to children enrolled in SCHIP. We find that, in 2005, approximately 70 percent of all children enrolled in SCHIP were in managed care plans and almost 90 percent of SCHIP programs using managed care contracted with one or more plans that primarily serve the commercial market.

NATIONAL ACADEMY *for* STATE HEALTH POLICY

State Health Policy Monitor tracks how health policy issues, policies, and practices are being implemented in states and across the country.

"SCHIP Delivery Systems," State Health Policy Monitor, Vol. 1, Issue 4, (Portland, ME: National Academy for State Health Policy, October 2007), Publication No. 2007-110.

This publication can be downloaded at: www.nashp.org/File/shpmonitor_SCHIPdelivery.pdf.

States Rely Heavily on Managed Care

SCHIP grants states flexibility and discretion in designing their SCHIP programs, starting with a basic choice of program design. States may simply expand Medicaid, create a separate SCHIP program, or operate a combination of both types of programs. State flexibility also extends to designing delivery systems, with more discretion accorded to separate SCHIP programs than Medicaid expansion programs. Federal regulations require separate SCHIP programs to provide enrollees with "appropriate and medically necessary health care." States also must show how they will ensure "the quality and appropriateness" of the care that is provided.[a] Medicaid expansion programs must follow all Medicaid requirements that apply to the delivery of care.

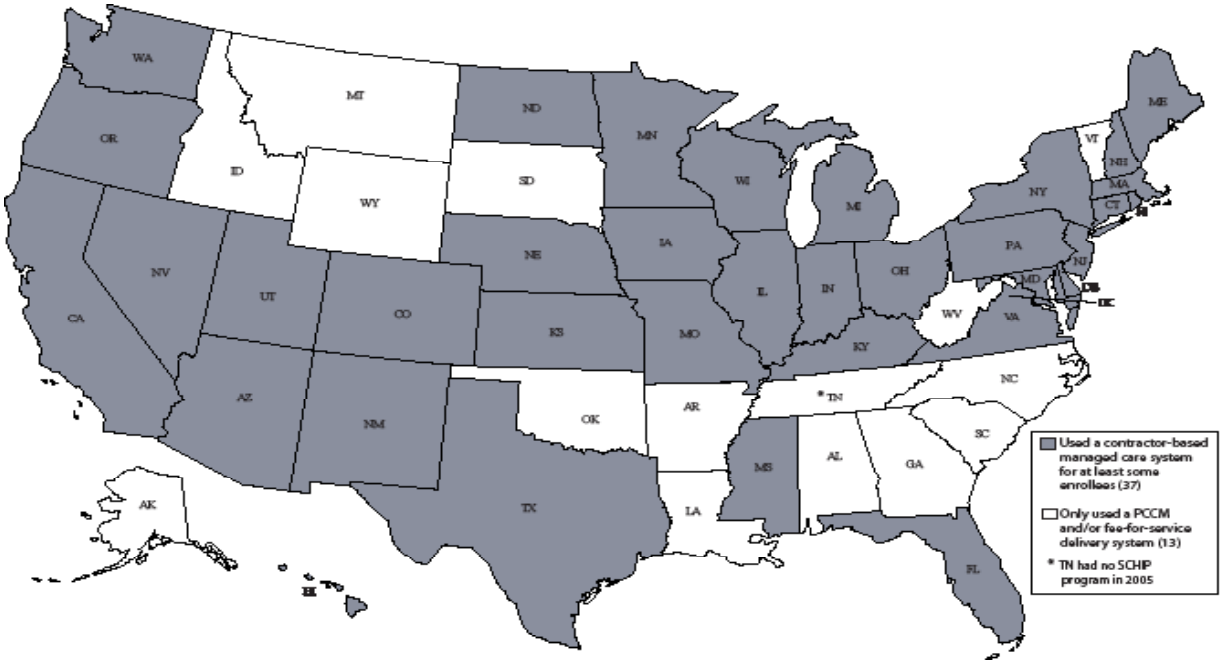
States generally choose among three types of delivery and payment structures for their SCHIP programs:

- contractor-based managed care delivery,
- primary care case management (PCCM), and
- traditional fee-for-service arrangements.

State choices reflect state-specific needs and available insurance systems and networks. A number of states have chosen a combination of systems in order to provide children a comprehensive set of benefits and services that may not be offered through a single delivery model.

The information in this State Health Policy Monitor is derived from survey data reported in Charting SCHIP III: An Analysis of the Third Comprehensive Survey of State Children's Health Insurance Programs. For more information, visit www.chipcentral.org.

FIGURE 1. STATES USING CONTRACTOR-BASED MANAGED CARE SYSTEMS FOR SOME OR ALL SCHIP CHILDREN IN 2005



Source: Charting SCHIP III: An Analysis of the Third Comprehensive Survey of State Children's Health Insurance Programs (Portland, ME: National Academy for State Health Policy, 2006). http://www.chipcentral.org/_catdisp_page.cfm?LID=121

CONTRACTOR-BASED MANAGED CARE SYSTEMS

The majority of states over time have chosen to utilize contractor-based delivery systems, whereby managed care plans deliver all or some benefits for SCHIP children. In these arrangements, states pay a managed care plan a per-person per-month premium, with the plan responsible for providing and administering the agreed-upon set of benefits and services within state and federal program guidelines.

In 2005, 26 out of 36 responding separate SCHIP programs and 25 out of 32 responding Medicaid expansion programs contracted with managed care providers to provide a full set of covered benefits to SCHIP children and other enrollees.[b] In addition, several states provided some benefits such as dental or mental health coverage by contracting with separate managed care plans to deliver these limited benefits.

The vast majority of SCHIP programs using contractor-based managed care include at least one plan that provides coverage to primarily commercial (non-publicly financed) enrollees. Twenty-three out of 26 reporting separate SCHIP programs and 22 of 25 reporting Medicaid expansion programs with managed care delivery systems had at least one commercial plan as part of its offerings for children.[c]

PCCM SYSTEMS

PCCM systems were first developed for Medicaid programs in the mid-1980s as a way to improve access and lower the cost of care.[d] In a PCCM model, enrollees' care is coordinated by a primary care provider. Primary care providers receive a monthly care coordination fee for each enrollee while services are paid for on a fee-for-service basis. In 2005, thirteen separate SCHIP programs and 16 Medicaid expansion programs delivered some services through a PCCM arrangement. Only Vermont, Georgia, Louisiana, and Oklahoma exclusively used a PCCM to provide benefits to SCHIP enrollees.[e]

TRADITIONAL FEE-FOR-SERVICE SYSTEMS

Traditional fee-for-service systems are generally employed for populations for whom managed care may not be considered appropriate or when managed care systems are not available. Only two separate SCHIP programs – North Carolina and West Virginia – and two Medicaid expansion programs – Alaska and New Hampshire[f] – delivered services exclusively through traditional fee-for-service. A total of 15 SCHIP programs and 18 Medicaid expansion programs used traditional fee-for-service arrangements for at least some children and other enrollees.

TABLE 1. SCHIP ENROLLMENT BY DELIVERY SYSTEM, 2005

SCHIP Program Type	Managed Care	Primary Care Case Management	Fee-For-Service	Total
Separate State Program	2,114,928 (79.1%)	253,522 (9.5%)	306,553 (11.4%)	2,675,003
Medicaid Expansion SCHIP Program	487,013 (46.9%)	268,664 (25.9%)	281,948 (27.2%)	1,037,625

Source: *Charting SCHIP III: An Analysis of the Third Comprehensive Survey of State Children's Health Insurance Programs* (Portland, ME: National Academy for State Health Policy, 2006). http://www.chipcentral.org/_catdisp_page.cfm?LID=121

SCHIP Enrollment is Largely in Managed Care Plans

In 2005, NASHP asked states to report enrollment levels in each type of delivery system described above. Approximately 70 percent (2.6 million of 3.7 million) of all SCHIP-covered children were enrolled in managed care plans in 2005.[g] This rate was higher (79 percent) for the 2.7 million children enrolled in separate SCHIP programs and lower (47 percent) for the 1 million children enrolled in Medicaid expansion SCHIP Programs. Approximately 14 percent of children were enrolled in PCCM plans, with 16 percent covered under traditional fee-for-service.

Notes

a 42 CFR 457.490; 42 CFR 457.495

b Because 18 states have combination programs, the 49 states and District of Columbia actually run 36 separate programs and 32 Medicaid expansion programs.

c A primarily commercial plan was defined as a plan with less than half its members being paid for by Medicaid, Medicare, or SCHIP programs. The majority of states have some plans that are primarily commercial and some that are primarily public (with more than half of its plan's members being paid for by Medicare, Medicaid, or SCHIP programs).

d J. Rawlings-Sekunda, N. Kaye, D. Curtis. *Emerging Practices in Medicaid Primary Care Case Management Programs*, National Academy for State Health Policy, June 2001.

e Illinois switched from a fee-for-service system to a PCCM in 2006.

f New Hampshire is primarily a separate SCHIP program. However, they covered approximately 180 infants under a Medicaid expansion fee-for-service plan in 2005.

g Delivery system enrollment numbers are slightly less than total enrollment reported. A few states were unable to calculate the exact number in each delivery system, and were left out of the calculation.

The number of plan options varies by State

Most states with contractor-based managed care delivery systems provide a choice of plans for SCHIP children. The number of choices varies by state, with the largest states generally providing more choices. Some of the choices currently available to SCHIP children are:

- ✔ California's Healthy Families Program, the largest SCHIP program in the country, has the most plans available with 24 contracting with the state. Plan options vary by county. Enrollees in each of California's 58 counties have at least two plans available, with more choice in larger counties. California's SCHIP program has contracted with two of the largest commercial providers operating in the state:Blue Cross/Blue Shield and Kaiser Permanente.[h]
- ✔ Pennsylvania CHIP contracts with nine health plans. As in California, plan options vary by county and there is a choice of plans in every county. Among the commercial insurers participating are Capitol Blue Cross, Aetna, and Highmark Blue Shield.[i]
- ✔ States with smaller populations generally have fewer plans participating. For instance, Rhode Island's RIte Care program offers a choice of three plans, including United Healthcare.[j]

h California Healthy Families website: http://www.healthyfamilies.ca.gov/hfhome.asp

i Pennsylvania CHIP website: http://www.chipcoverspakids.com

j Rhode Island's RIte Care Program website: http://www.dhs.state.ri.dhs/famchild/shcare.htm