Issue BRIEF

April 2005

Utah's Primary Care Network Medicaid Program

On July 1, 2002, then Governor Leavitt of Utah made Medicaid history with the implementation of his "Primary Care Network" program. Under Leavitt's leadership, Utah went down in history with two firsts:

1. Utah became the first state in the nation to provide enrollees with a package of benefits that was so limited that it didn't even cover hospital care or specialty services.
2. Utah also became the first state to reduce benefits to people already enrolled in Medicaid in order to extend bare-bones coverage to another group.

In 2003, Governor Leavitt was on-hand when Health and Human Services (HHS) Secretary Tommy Thompson unveiled the Administration's plan to cap federal Medicaid funding and grant states new latitude to cut benefits and increase cost-sharing for people who rely on Medicaid. At the time, he applauded the proposal. This year, as the new Secretary of HHS, Leavitt unveiled the Administration's latest proposal to restructure Medicaid, which is similar to the Primary Care Network in many respects. The following is a summary of the Primary Care Network program and the impact it has had on Utah's Medicaid program and the people who rely on it for critical health care services.

What is the Primary Care Network?

The Primary Care Network (PCN), which was implemented in July 2002, provides extremely limited benefits to uninsured adults with incomes under 150 percent of the federal poverty level ($14,355 for an individual in 2005). The services that are covered include primary care physician visits, lab and x-ray services, and a maximum of four prescriptions per month. There is no coverage for hospital care, specialty physician care (such as oncologists or cardiologists), mental health coverage, or substance abuse services.[1] In addition, those enrolled in the PCN must pay an annual enrollment fee of $50 and hefty copayments. Individuals are only eligible for the PCN if their employers do not offer them health insurance.

FamiliesUSA
The Voice for Health Care Consumers

What is "Covered at Work"?

"Covered at Work" is an amendment to the PCN that offers assistance in purchasing health insurance to those uninsured adults who do not qualify for the PCN because their employers have offered them health insurance. The Covered at Work program (implemented in August 2003) offers up to $50 per month (or $100 per month for a family) to help offset the employee's share of the cost for employer-sponsored insurance. Once enrolled in his or her employer's plan, the individual is responsible for all cost-sharing and receives no additional benefits from the PCN.

How did Utah finance this change?

Under federal law, Medicaid expansions such as this must be "budget neutral," meaning that the federal government will not have to pay more for Medicaid *after* the expansion is implemented than it would have if the state had never expanded coverage. In order to get federal Medicaid funding for the PCN, the Governor had to cut spending elsewhere in Utah's Medicaid program. He did this by cutting benefits and increasing cost-sharing for parents who already relied on Medicaid.[1] These parents were eligible for Medicaid either because they had incomes low enough to qualify for the state's Temporary Assistance for Needy Families (TANF) program or because they had high medical expenses relative to their incomes. These parents lost coverage for most dental, vision, and transportation services and received limited mental health, occupational therapy, and physical therapy benefits. Furthermore, their copayments were raised to the maximum allowed under federal Medicaid law for many of these services (including physician visits, outpatient hospital visits, and mental health visits).[2, 3]

In addition, in order to keep the cost of the PCN down, Utah set a cap of 25,000 for the number of people who could be covered under the PCN and Covered at Work.

How many people are enrolled in the PCN and Covered at Work?

As of February 2005, just over 19,000 people were covered by the PCN, and a mere 71 people had signed up for Covered at Work.[4] Just as importantly, as of May 2004, more than 50,000 people had been denied coverage in the PCN. Nearly a quarter of these denials were due to non-payment of the enrollment fee.[5] And despite the low demand for the Covered at Work program, the state has closed enrollment for the PCN in order to reserve the additional 6,000 slots for the Covered at Work program.[6] What's more, because there is no waiting list for the PCN, it is impossible to know whether there are more people who would like to sign up for it.

Is the PCN package truly health "insurance"?

As noted earlier, the PCN's benefits package lacks essential health care services, such as hospital care (both inpatient and outpatient) and any physician services beyond basic primary care. *A benefit package that fails to provide these services is not truly health insurance*. Yet the state of Utah, the federal government, and the Census Bureau now consider PCN enrollees to be insured. The reality is that the PCN and Covered at Work give the illusion that the state has expanded coverage, but these programs actually fail to provide newly covered individuals with many vital health care services.

Recognizing the gaps in access to care through the PCN, the Utah Department of Health created a "charity care" outreach program to health people find providers willing to serve them at low or no cost. However, for the entire state, there are only two case managers to staff this effort. In 2002-2003, (the most recent year for which data are publicly available) only 221 of the more than 16,000 people enrolled even contacted the state about charity care, and only about half of them actually got such care.[7] These figures raise concerns about the effectiveness of this program and indicate that people enrolled in the PCN are still very much at risk of going without needed health care—especially for the most serious conditions.

For example, imagine what might happen to someone enrolled in the PCN if she were to develop an illness such as thyroid cancer, which requires care not covered by the PCN. Would she be able to obtain the care that could save her life? Would the state's meager attempt to help her get free care be enough? Without coverage for such basic services as hospital care, she would be at risk for incurring substantial health care debts. Perhaps even more alarming, she might delay care or forgo it altogether in an attempt to avoid having to pay for specialty care or other services that weren't covered. And with the program's hefty cost-sharing requirements, even services that are covered might be difficult for her to obtain. In fact, considering the program's severe coverage limitations, she might not even have found out about her cancer in time to catch it at an early stage.

Who has been hurt by the PCN and Covered at Work?

1. **Those parents who lost Medicaid benefits and who must now pay higher out-of-pocket costs for health services**

   For the parents who lost benefits and faced increased cost-sharing when Utah implemented the PCN, getting health care services has become increasingly difficult. Even small increases in cost-sharing have a profound effect on the ability of Medicaid beneficiaries to obtain care. A November 2004 study found that Utah's higher copayments caused parents to delay or forego health care.[8] This study echoes a broad body of research showing that even small cost-sharing charges pose a barrier to care—especially primary and preventive care—for low-income people.[9] Reduced access to care can lead to higher health care costs in the long run. If, for example, a parent delays seeking care or is unable to afford the cost of purchasing a prescription, she may later require more costly emergency or hospital care.[10]

   Moreover, parents in Utah's Medicaid program have lost access to important services such as vision and dental care. And, despite the fact that the state legislature voted to restore full vision and dental benefits for adults in Utah's Medicaid program this year, these parents will still not have access to critical vision and dental services. This is because the state financed the PCN expansion in part by *cutting* vision and dental services, so it is prohibited from fully restoring those services and maintaining the PCN expansion.

   The parents who've lost access to key health care services because those services are no longer covered by Utah's Medicaid program have few other places to turn to get that care. They cannot afford to purchase those services on their own and thus must rely on whatever charity care they can find—or go without.

2. **People who were enrolled in the Utah Medical Assistance Program (UMAP) before the implementation of the PCN**

   For years, Utah offered care to very sick, very low-income adults through the Utah Medical Assistance Program (UMAP). Before the PCN was implemented, childless adults with chronic conditions who had incomes under 48 percent

of poverty were eligible to receive care through this program. However, on June 30, 2002, when the PCN was implemented, the UMAP was ended. 3,500 UMAP enrollees became eligible for the PCN. As of May 2004, however, only 880 of them were enrolled in the PCN.[11] By February 2005, this number had dropped to 672.[12]

People previously covered by UMAP, many of whom are extremely ill and in need of multiple medications and medical services, were faced with both a cutback in services *and* an increase in cost-sharing when they were shifted into the PCN. The annual enrollment fee and additional out-of-pocket costs have likely prevented the majority of former UMAP enrollees from joining the PCN.

3. **Individuals who pay for health coverage through the PCN and have serious medical needs**

   While people enrolled in the PCN arguably have gained access to important primary care they wouldn't otherwise have, they are still left completely uninsured for any serious health care problem. The lack of coverage for specialty care, hospital inpatient and outpatient services, mental health, and limitations on other services such as prescription drugs leave people with serious medical conditions without meaningful access to care.

Conclusion

The Utah Primary Care Network and Covered at Work programs are not good or appropriate models for the future of Medicaid. These programs provide the illusion of health insurance while leaving thousands of hard-working Utahns at risk of serious illness and even premature death, as well as medical debt. Governor Leavitt's plan was the first of its kind—and it should most certainly be the last.

Endnotes

[1] The parents affected by the cuts included: parents with incomes below 54 percent of poverty, parents eligible for Transitional Medicaid Assistance (TMA), and parents with high medical expenses who "spend-down" to Medicaid eligibility (medically needy parents).

[2] Judi Hilman, *Making Sense of Utah Medicaid* (Salt Lake City: Utah Issues, November 2004) and Kaiser Commission on Medicaid and the Uninsured, *Overview of the Utah Section 1115 Waiver* (Washington: Kaiser Commission on Medicaid and the Uninsured, July 2004).

[3] Just this year, Utah's state legislature voted to restore full dental and vision benefits for parents in Medicaid. But, because of the agreement with the federal government about the PCN, the state is prohibited from providing coverage for any services beyond what was originally cut.

[4] Utah Department of Health, PCN, and Covered at Work Enrollment data, February 19, 2005, on file with Families USA.

[5] Kaiser Commission on Medicaid and the Uninsured, *Overview of the Utah Section 1115 Waiver,* op. cit.

[6] Judi Hilman, *Making Sense of Utah Medicaid,* op. cit.

[7] Utah Department of Health, *Utah Primary Care Network Annual Report: July 2002-June 2003*, available online at http://health.utah.gov/pcn/FY03AnnualReport.pdf.

[8] Leighton Ku, Elaine Deschamps, and Judi Hilman, *The Effects of Copayments on the Use of Medical Services and Prescription Drugs in Utah's Medicaid Program* (Washington: Center on Budget and Policy Priorities, November 2004).

[9] Julie Hudman and Molly O'Malley, *Health Insurance Premiums and Cost-Sharing: Findings from the Research on Low-Income Populations* (Washington: Kaiser Commission on Medicaid and the Uninsured, March 2003).

[10] Ibid.

[11] Julie Hudman and Molly O'Malley, *Health Insurance Premiums and Cost-Sharing: Findings from the Research on Low-Income Populations*, op. cit.

[12] Utah Department of Health, op. cit.

This issue brief was written by:

Kim Jones, Research Associate,
Families USA

and

Rachel Klein, Deputy Director of Health Policy,
Families USA

The following Families USA staff contributed to the preparation of this issue brief:

Peggy Denker, Director of Publications

Ingrid VanTuinen, Writer-Editor

Nancy Magill, Design/Production

Families USA
1201 New York Avenue, Suite 1100
Washington, DC 20005
202-628-3030 ■ Fax: 202-347-2417
www.familiesusa.org