REPORT OF THE
SPECIAL ADVISORY COMMISSION
ON MANDATED HEALTH INSURANCE BENEFITS ON

THE MANDATED OFFER OF COVERAGE FOR CHILD HEALTH SUPERVISION SERVICES PURSUANT TO SECTION 38.2-3411.1 OF THE CODE OF VIRGINIA

TO THE GOVERNOR AND
THE GENERAL ASSEMBLY OF VIRGINIA

SENATE DOCUMENT NO. 23

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SENATE OF VIRGINIA

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To: The Honorable L. Douglas Wilder
Governor of Virginia
and
The General Assembly of Virginia

The report contained herein has been prepared pursuant to Sections 9-298 and 9-299 of the Code of Virginia.

This report documents a study conducted by the Special Advisory Commission on Mandated Health Insurance Benefits to assess the social and financial impact and the medical efficacy of the mandated offer of coverage for child health supervision services pursuant to § 38.2-3411.1 of the Code of Virginia.

Respectfully submitted,

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Special Advisory Commission on
Mandated Health Insurance Benefits

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TABLE OF CONTENTS

INTRODUCTION

Section 38.2-3411.1 of the Code of Virginia requires insurers to make available to individual and group policyholders, as an option, coverage for child health supervision services. "Child health supervision services" is defined as the periodic review of a child's physical and emotional status including a history, complete physical examination, developmental assessment, anticipatory guidance, appropriate immunizations, and laboratory tests. Coverage must include such services rendered at birth and ages two, four, six, nine, twelve, and eighteen months and two, three, four, five, and six years. Child health supervision services cannot be subject to any copayment, coinsurance, deductible, or other dollar limit provision.

The statute further requires insurers to take into consideration the expected cost of coverage, potential costs savings as a result of such coverage, a reasonable profit, and any other relevant information or data deemed appropriate by the State Corporation Commission in developing the premium rate charged for this coverage. Finally, any insurer or health services plan having fewer than 1,000 covered individuals in Virginia or less than $500,000 in premiums in Virginia is not required to offer and make available child health supervision services coverage. This mandated option was enacted in 1990.

The Special Advisory Commission on Mandated Health Insurance Benefits (Advisory Commission) reviewed the child health supervision services mandated offer of coverage as part of its review of Virginia's existing mandated benefit and provider requirements pursuant to §§ 9-298 and 9-299 of the Code of Virginia. The Advisory Commission held a public hearing on September 13, 1993 to receive comments on the issue. Two speakers offered oral comments at the hearing and three organizations submitted written comments.

FINANCIAL IMPACT

In 1992, the State Corporation Commission (SCC) issued its first annual report on the financial impact of mandated benefits and mandated providers pursuant to § 38.2-3419.1 of the Code of Virginia (1993 House Document No. 9). Insurers were only required to submit data for the fourth quarter of 1991 for this initial report. Therefore, the results reported in the SCC's report may not be truly representative of insurer experience. Subsequent reports, however, will cover full calendar years. The results printed in the SCC's initial report are as follows:

Portion of Premium Attributable to Child Health Supervision Services Coverage

FAMILY	
Individual	*Group*
0.59%	*1.13%*

The SCC also reported that the optional child health supervision services coverage was responsible for 0.12% of individual claims and for 0.21% of group claims for the reporting period.

A 1991 Actuarial Research Corporation (ARC) study entitled "Premium for Preventive Pediatric Care Recommended by the American Academy of Pediatrics" was submitted to the Advisory Commission by the Virginia Chapter, American Academy of Pediatrics and the Virginia Pediatric Society (VCAAP & VPS). The ARC study includes the following breakdown of costs associated with preventive services recommended by the American Academy of Pediatrics:

Age	Charges for Physician Visits Per Child	Charges for Immunizations Per Child	Charges for Other Tests Per Child	Total Charges Per Child
0	$248	$213	$28	$489
1	141	125	15	281
2	47		35	82
3	60			60
4	47		18	65
5	53	56	18	127
6	53			53
Average	$93	$56	$16	$165

These cost estimates reported by ARC reflect 1991 charges taken from a national sample.

The American Academy of Pediatrics also reports that the incidence of measles, mumps, and pertussis among unvaccinated pre-school-aged children has increased significantly over the last ten years.

LEGISLATION IN OTHER STATES

According to the National Association of Insurance Commissioners (NAIC) and the Health Benefits Letter 16 states including Virginia have laws mandating coverage for well-child care. Five of those states, including Virginia, only require that the coverage be offered and made available to policyholders.

ESSENTIAL HEALTH SERVICES PANEL

The Essential Health Services Panel (Panel) recommended in its report issued pursuant to 1992 Senate Bill 506 (1993 Senate Document No. 46) that an essential health plan provide coverage for primary care for all medically necessary care and preventive care as outlined in the then current guidelines of the American Academy of Pediatrics for children through the age of eighteen years. Specifically, the recommendations include 18 preventive health visits from birth to age 18 which are to include a health history, physical examination, developmental/behavioral assessment, anticipatory guidance, immunizations, including diphtheria-tetanus-pertussis, oral poliovirus, measles-mumps-rubella, and Haemophilus influenzae type b, and laboratory services. The Panel also recommended that coverage for preventive and acute dental care for children be required.

REVIEW CRITERIA

Social Impact

a. The extent to which the treatment or service is generally utilized by a significant portion of the population.

Section 38.2-3411.1 of the Code of Virginia is consistent with the schedule of services recommended by the American Academy of Pediatrics for all children from birth to age six. Although there are many children that do not have access to such routine services, these guidelines represent the standard of care.

b. The extent to which insurance coverage for the treatment or service is already available.

Many health maintenance organizations and some insurers provide coverage for well-baby care as part of their basic benefits package. All others that have more than 1,000 insureds and more than $500,000 in premiums in Virginia are required to offer such coverage to policyholders.

c. If coverage is not generally available, the extent to which the lack of coverage results in persons being unable to obtain necessary health care treatments.

Although coverage is generally available because of the mandate, many individuals with group coverage do not have access to such benefits. This situation exists because it is the group policyholder and not the individual insured that has the option to accept or reject the optional well-baby coverage. This situation can cause access problems for those with low income.

d. If the coverage is not generally available, the extent to which the lack of coverage results in unreasonable financial hardship on those persons needing treatment.

Figures presented by ARC indicate that the average annual cost of the AAP recommended services was $165 nationally in 1991. The average cost for the first and second years is $489 and $281, respectively.

e. The level of public demand for the treatment or service.

Although the level of public demand is unknown, it is expected that most who have the financial ability to do so, generally follow the AAP guidelines for preventive care including immunizations required before the child reaches school age.

f. The level of public demand and the level of demand from providers for individual and group insurance coverage of the treatment or service.

The health care community strongly supports coverage of preventive services, particularly for children under the age of six. The level of public demand is unknown.

g. The level of interest of collective bargaining organizations in negotiating privately for inclusion of this coverage in group contracts.

The Advisory Commission did not receive any information regarding the interest of collective bargaining organizations in negotiating privately for inclusion of coverage for child health supervision services in group contracts during the course of its review.

h. Any relevant findings of the state health planning agency or the appropriate health system agency relating to the social impact of the mandated benefit.

The Essential Health Services Panel recommended that a basic health plan include coverage for AAP recommended services from birth to age 18.

Financial Impact

a. The extent to which the proposed insurance coverage would increase or decrease premiums or the cost of services over the next five years.

The current child health supervision services mandate is not expected to increase or decrease premiums or the cost of services significantly over the next five years mainly because such coverage is optional.

b. The extent to which the proposed insurance coverage might increase the appropriate or inappropriate use of the treatment or service.

No evidence has been presented that would indicate that the continuation of the existing mandated offer of coverage will significantly increase either the appropriate or inappropriate use of child health supervision services.

c. The extent to which the mandated treatment or service might serve as an alternative for more expensive or less expensive treatment or service.

Child health supervision services include routine examinations and immunizations which have no generally accepted substitutes.

d. The extent to which the insurance coverage may affect the number and types of providers of the mandated treatment or service over the next five years.

It is unlikely that the continuation of the current mandated offer of coverage will significantly affect the number of pediatricians practicing in Virginia.

e. The extent to which insurance coverage might be expected to increase or decrease the administrative expenses of insurance companies and the premium and administrative expenses of policyholders.

The greatest expenses associated with mandates are generally incurred when a mandate is initially enacted. Insurers have indicated that the child health supervision services mandated offer of coverage is relatively more expensive to administer than most other mandates because of the large number of small claims that occur and the affect of adverse selection on the number of insureds filing claims for such services. Policyholders can opt

not to accept the offered coverage and therefore can avoid any administrative and premium costs associated with the mandate.

It has been noted, however, that some insurers have made optional coverages part of their basic package of benefits, thus eliminating the policyholder's option to reject such coverage. This can affect those who would choose to go without the coverage if the insurer has no other similar product which does not include such coverage or is unwilling to negotiate the terms of coverage.

f. The impact of coverage on the total cost of health care.

Proponents argue that preventive services are cost effective because they reduce the need for more advanced treatment once a disease or other ailment develops. The benefit to cost ratios reported by the AAP for several immunizations are as follows:

Measles-Mumps-Rubella	14 : 1
Pertussis	11 : 1
Polio	10 : 1
Haemophilus influenzae type b	3.6 : 1

Medical Efficacy

a. The contribution of the benefit to the quality of patient care and the health status of the population, including the results of any research demonstrating the medical efficacy of the treatment or service compared to alternatives or not providing the treatment or service.

The medical efficacy of the services covered by the mandate was not challenged. The VCAAP & VPS supplied references to studies which support the efficacy and cost-effectiveness of these preventive services.

b. If the legislation seeks to mandate coverage of an additional class of practitioners:

1) The results of any professionally acceptable research demonstrating the medical results achieved by the additional class of practitioners relative to those already covered.

Not applicable.

2) The methods of the appropriate professional organization that assure clinical proficiency.

Not applicable.

Effects of Balancing the Social, Financial and Medical Efficacy Considerations

a. The extent to which the benefit addresses a medical or a broader social need and whether it is consistent with the role of health insurance.

The child health supervision services mandated offer of coverage addresses both a medical and a broader social need. Although health insurance has historically not covered preventive care, the cost effectiveness of doing so has led to the inclusion of such coverage in many contracts.

b. The extent to which the need for coverage outweighs the costs of mandating the benefit for all policyholders.

Because the mandate is an offer of coverage, the cost of such coverage is not spread among all policyholders.

c. The extent to which the need for coverage may be solved by mandating the availability of the coverage as an option for policyholders.

The current requirement is a mandated offer of coverage.

RECOMMENDATIONS

It is the recommendation of the Special Advisory Commission on Mandated Health Insurance Benefits that the mandated offer of coverage for child health supervision services contained in § 38.2-3411.1 of the Code of Virginia be maintained in its current form. The Advisory Commission adopted this position at its October 4, 1993 meeting (6-Yes, 0-No, 1-Abstain).

CONCLUSION

In reviewing the mandated offer of coverage for child health supervision services, the Advisory Commission examined social, financial, and medical efficacy considerations. During the course of its review, no interested party recommended to the Advisory Commission, either orally or in writing, that the mandated offer be repealed. The Virginia Chapter, American Academy of Pediatrics and The Virginia Pediatric Society recommended that the coverage be required in all policies and that coverage for AAP recommended services be extended to age 18. Evidence and testimony provided to the Advisory Commission during the course of its review generally supported the continuation of the current requirements of § 38.2-3411.1 of the Code of Virginia and have led the Advisory Commission to conclude that no change is necessary at this time.

APPENDIX

§ 38.2-3411.1. Coverage for child health supervision services. -

A. Every individual or group accident and sickness insurance policy, subscription contract providing coverage under a health services plan, or evidence of coverage of a health care plan delivered or issued for delivery in the Commonwealth or renewed, reissued, or extended if already issued, shall offer and make available coverage under such policy or plan for child health supervision services to provide for the periodic examination of children covered under such policy or plan.

B. As used in this section, the term "*child health supervision services*" means the periodic review of a child's physical and emotional status by a licensed and qualified physician or pursuant to a physician's supervision. A review shall include but not be limited to a history, complete physical examination, developmental assessment, anticipatory guidance, appropriate immunizations, and laboratory tests in keeping with prevailing medical standards.

C. Each such policy or plan, offering and making available such coverage, shall, at a minimum, provide benefits for child health supervision services at approximately the following age intervals:birth, two months, four months, six months, nine months, twelve months, fifteen months, eighteen months, two years, three years, four years, five years, and six years. A policy or plan may provide that child health supervision services which are rendered during a periodic review shall only be covered to the extent that such services are provided by or under the supervision of a single physician during the course of one visit.

D. Benefits for coverage for child health supervision services shall be exempt from any copayment, coinsurance, deductible, or other dollar limit provision in the policy or plan. Such exemption shall be expressly stated on the policy, plan rider, endorsement, or other attachment providing such coverage.

E. The premiums for such coverage shall take into consideration (i) the cost of providing such coverage (ii) cost savings realized or likely to be realized as a consequence of such coverage, (iii) a reasonable profit for the insurer, and (iv) any other relevant information or data the Commission deems appropriate.

F. This section shall not apply to any insurer or health services plan having fewer than 1,000 covered individuals insured or covered in Virginia or less than $500,000 in premiums in Virginia as of its last annual statement nor to specified disease, hospital indemnity or other limited benefit policies issued to provide supplemental benefits to a policy providing primary care benefits. (1990, c. 901.)