

# AMERICAN ACADEMY OF PEDIATRICS

Committee on Child Health Financing

## Principles of Child Health Care Financing

**ABSTRACT.** Child health care financing must maximize access to and ensure quality comprehensive child and maternal care. This policy statement replaces the 1993 policy statement, "Principles of Child Health Care Financing." Changes reflect new state and federal legislation that affect child health care financing. The principles outlined in the policy statement will be used to evaluate the changing structure of health care financing.

ABBREVIATIONS. AAP, American Academy of Pediatrics; SCHIP, State Children's Health Insurance Program.

The American Academy of Pediatrics (AAP) advocates universal and insured financial access to quality health care for all newborns, infants, children, adolescents, young adults through age 21 years, and pregnant women, hereinafter referred to as children and pregnant women. Such insurance should provide a comprehensive benefit package that should include, but not be limited to, pregnancy-related services, preventive care services recommended by the AAP, acute and chronic care services, and emergency care services. Current financing systems must be improved to maximize access to and ensure quality comprehensive child and maternal care. Inequitable financing mechanisms contribute to the current level of preventable mortality and morbidity today among children and pregnant women in the United States. Although the establishment of the State Children's Health Insurance Program (SCHIP) (Title XXI of the Social Security Act) does not create universal coverage for all children, it is an important opportunity to expand insurance to a large portion of uninsured children. In addition, SCHIP partially addresses current inequitable financing mechanisms.<sup>1</sup>

As the public and private sectors and the AAP work to expand the structure of health care financing, the following principles will be used to evaluate proposed changes. These principles will be integral in ensuring that SCHIP, regardless of whether states establish new programs or expand Medicaid, provides access to quality health care.

### Children's Right to Access to the Health Care System

- All children and pregnant women have a right to comprehensive health care.
- Financial barriers should not prevent children and

pregnant women from receiving comprehensive health care.

- When families do not provide insurance for children and pregnant women, there is a public obligation to do so.
- Health care financing mechanisms should permit the patient and his/her family to choose a health care professional who provides quality pediatric care.
- Families should choose pediatricians, where available, whose office will serve as a medical home.<sup>2</sup>
- Managed care plans should not restrict access to qualified pediatric primary care, inpatient care, and emergency care consistent with the "prudent layperson" standard,<sup>3</sup> or appropriate referral to pediatric medical subspecialists and pediatric surgical specialists. All plans should be required to include representatives of all pediatric subspecialties and inpatient facilities having designated pediatric units in their panel of providers.

### Standards for Equity, Comprehensiveness, and Quality Assurance

- Health care financing mechanisms should cover all health care needs of children and pregnant women as defined by the AAP in the policy statement, "Scope of Health Care Benefits for Newborns, Infants, Children, Adolescents, and Young Adults Through Age 21 Years."<sup>4</sup>
- Health care financing mechanisms should include incentives to promote continuity and coordination of care by primary care pediatricians.
- Health care financing mechanisms should recognize with appropriate reimbursements the value of evaluation and management services, care coordination, and performance of medically indicated procedures and surgeries.
- Health care financing mechanisms must incorporate appropriate mechanisms for monitoring and reporting quality-of-care measurements specific to children, including assessments of structure, process and outcome, access, and patient satisfaction. Such mechanisms must include appropriate peer review by pediatricians.
- Health care insurers should be prohibited from denying coverage through the use of preexisting-condition exclusion clauses or severely restrictive medical underwriting practices.
- The AAP recommends that all health insurance policies fulfill the following requirements: 1) no waiting periods for enrollment; 2) no limitation of coverage or reimbursement because of severe chronic or common recurring illnesses; 3) no premium rate increases based on experience, only on

The recommendations in this statement do not indicate an exclusive course of treatment or serve as a standard of medical care. Variations, taking into account individual circumstances, may be appropriate.

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- community rating; and 4) guaranteed renewability and portability.
- The specifications and limitations of all health financing plans must be stated clearly and be readily understood by all parties.
- Health care financing mechanisms should be flexible and pluralistic. Fair competition among health financing and delivery plans is desirable. Competition should be based on access, service, and quality, and not solely on economics. There should be standardization among programs of benefits and requirements for administrative efficiencies such as uniform claims forms and payment mechanisms.
- Regulations governing health care financing should encourage access to quality pediatric primary, medical subspecialty, and surgical specialty care.
- Health insurers should define medical necessity as those services or items that 1) are appropriate for the age and health status of the individual; 2) will prevent or ameliorate the effects of a condition, illness, injury, or disorder; 3) will aid in the overall physical and mental growth and development of the individual; and/or 4) will assist in achieving or maintaining functional capacity.<sup>5</sup>

#### Standards for Cost Containment

- Cost containment is essential but must not impair the quality of care delivered. Physicians must play an important role in establishing principles of evidence-based medicine, validating the measurements used, and ensuring quality in any cost-containment process.
- Responsibility for controlling costs should be a combined responsibility of employers, families, clinicians, payers, and administrators of health care plans.

- Financial incentives should be used to encourage systems that promote quality and efficiency.
- Health care financing mechanisms should encourage delivery of services in the most medically appropriate and cost-effective setting.
- Alternative health care financing mechanisms should be evaluated carefully before assuming that they are relevant to the needs of children. Because Medical Savings Accounts include economic disincentives for preventive care and favor higher income groups financially, which include disproportionately fewer children, the AAP opposes Medical Savings Accounts as a cost-containment mechanism.
- Cost sharing should not be applied to preventive and/or health supervision services.

COMMITTEE ON CHILD HEALTH FINANCING, 1997–1998

Stephen Berman, MD, Chairperson

Joseph Bogdan, MD

John Curran, MD

Neal Halfon, MD, MPH

Beverly Koops, MD

Thomas McInerney, MD

Maria Minon, MD

Richard Nelson, MD

Jean Wright, MD

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