



September 26, 1997

LEGISLATURE PASSES CHILD HEALTH EXPANSION

On the last day of the 1997 session, the legislature approved a two-bill package extending health coverage to uninsured children. The Governor is anticipated to sign both bills, SB 903 (Lee and Maddy) and AB 1126 (Figueroa and Villaraigosa), into law in early October. A third bill, AB 1572 (Villaraigosa) appropriates startup funds for the program. These measures allow California to participate in the State Child Health Insurance Program established in the federal Balanced Budget Act of 1997. The new "Healthy Families" plan would be administered by the state's Managed Risk Medical Insurance Board (MRMIB). In addition, the measures contain modifications to the Medi-Cal program designed to improve access. Healthy Families sunsets on January 1, 2004, reflecting the expiration of the federal financial commitment to the program.

WHO IS ELIGIBLE FOR HEALTHY FAMILIES?

Enrollment in Healthy Families will be open to children:

- Between the ages of 7 and 18 in families with incomes between 100 and 200 percent of the federal poverty level (FPL).
- Between 2 and 6 in families with incomes between 133 and 200 percent of FPL (children aged 2 to 6 with incomes up to 133 percent of FPL qualify for Medi-Cal as do infants with incomes up to 200 percent of FPL).

Once a family qualifies for coverage, they will remain eligible for 12 months of coverage. This allows families whose income rises above the 200 percent limit to maintain coverage during that period. In order to facilitate enrollment in Healthy Families, the program will use a mail-in application.

The Governor's office estimates that 580,000 of California's 1.6 million uninsured children will qualify for coverage in the Healthy Families program. The actual number who receive coverage will depend on program enrollment. Healthy Families will begin enrolling children July 1, 1998.

HOW WILL HEALTHY FAMILIES WORK?

MRMIB will contract with health plans, including Local Initiatives and County Organized Health Systems, to provide coverage. The new program allows families to purchase coverage through a purchasing pool administered by MRMIB or receive a purchasing credit or subsidy toward the purchase of employer-provided dependent coverage.

HOW MUCH ARE FAMILIES REQUIRED TO PAY?

Healthy Families makes health coverage available at a subsidized cost. In order to purchase coverage, families with incomes of up to 150 percent of the FPL enrolling in the lowest cost plan will pay \$7 per child or \$14 per family per month and families with incomes between 150 and 200 percent of FPL will pay \$9 per child or \$27 per family per month. Families that pay three months of contributions in advance would receive the fourth month free. Families that chose higher cost plans will be required to pay more than the amounts listed above.

A discounted premium will be available to families that enroll their children in Community Provider Plans. Community Provider Plans will be designated by MRMIB as the plan utilizing the highest percentage of traditional and safety net providers in their geographic area. The discounted premium would be \$4 per child/\$8 per family per month for families with incomes of up to 150 percent of FPL and \$6 per child/\$18 per family per month for families with incomes between 150 and 200 percent of FPL. The discount is designed to encourage health plans to utilize providers traditionally serving the uninsured.

In addition to monthly contributions, Healthy Families requires a \$5 per visit copayment, but establishes a \$250 per family annual cap on copayments. In accordance with federal law, copayments will not apply to visits for preventative services.

WHAT BENEFITS ARE PROVIDED?

The Healthy Families benefit package is based on the coverage provided to state employees. Covered services include in and outpatient visits, prescription drugs, preventive services, mental health services, emergency care, dental, and vision care. However, orthodontic coverage would be limited to medically necessary services. Health plans that participate in Healthy Families are prohibited from requiring deductibles, exclusions for pre-existing conditions, or from denying coverage to any applicant based on any actual or anticipated health condition.

PUBLICIZING THE PROGRAM

In drafting the State Child Health Insurance Program, Congress acknowledged the importance of outreach and educational efforts by authorizing the use of federal funds for these purposes. SB 903 requires the Department of Health Services, in collaboration with MRMIB, to establish an outreach program to notify families regarding the availability of coverage through Medi-Cal and Healthy Families. The Department is authorized to contract with programs such as Head Start, Healthy Start, and WIC sites to conduct outreach and education efforts, as well as provide assistance to families in filing out application forms for the program.

MEDI-CAL ENHANCEMENTS

In addition to the new program, SB 903 makes several changes designed to increase Medi-Cal participation among eligible children. These changes include:

- Increasing the income eligibility level for Medi-Cal to 100 percent of FPL for children ages 14 through 18 (the current level is 84 percent).
- Waiving the asset test for Medi-Cal eligibility as soon as “administratively feasible.”
- Requiring the Department of Health Services to design a simplified Medi-Cal application form and mail-in application process no later than July 1, 1998, pending federal approval.
- Providing a month of Medi-Cal eligibility to children in families who are determined not to meet income eligibility standards.

HOW MUCH WILL THE PROGRAM COST?

Total program costs are estimated at \$485 million, with \$170 million coming from the state General Fund. The federal share of approximately \$300 million represents less than half of the \$855 million allotment to California available under the new program. Costs attributed to the Medi-Cal portion of the program are estimated at \$43 million per year.

REMAINING ISSUES

While Healthy Families makes a significant step toward making health coverage available to children in working poor families, a number of questions and issues remain:

- Will the state make use of available federal funds to conduct outreach and education efforts aimed at the half million children who are eligible for, but not enrolled in, Medi-Cal?
- Are the procedures and limits established on the use of the purchasing credit sufficient to discourage businesses from terminating employer-based dependent coverage?
- Will the required family contributions serve as a barrier to enrollment?
- How can California make use of its remaining allocation of federal funds to cover children who will continue to lack health coverage?

How Does Healthy Families Compare To The Federal State Child Health Insurance Program?

Federal State Child Health Insurance Program	California Healthy Families Program
Funding	
<ul style="list-style-type: none"> • Total funding for children's health is \$39.6 billion between 1998 and 2007. • \$23.9 billion is allocated for expenditure between 1998 and 2002 with the remainder allocated for expenditure by 2007. • \$3.6 billion is designated to provide for optional one year of continuous Medicaid eligibility and optional presumptive Medicaid eligibility, plus Medicaid coverage for SSI children who lost Medicaid due to narrower definition of disability. The remaining \$20.3 billion is available for expanded children's coverage. • California will receive at least \$855 million annually between 1998 and 2000 and about \$3.9 billion over the next five years. • Required state match reduced by 30%, federal match rate enhanced over Medicaid rate by 30%. • Money allotted to states for a given year remains available for expenditure for up to three years. 	<ul style="list-style-type: none"> • Total program costs for Healthy Families are estimated at \$485 million based on enrollment of 580,000 children. The state's required share of this amount is estimated at \$170 million, with federal funds providing \$315 million. • Costs anticipated from expanding Medi-Cal eligibility include \$19 million attributable to increasing the income eligibility threshold for 14 to 18 year olds and \$24 million for waiving the assets test.
How Will The Funds Be Spent?	
<ul style="list-style-type: none"> • States MAY expand Medicaid coverage or purchase private insurance. States may use no more than 10 percent of their federal funds on administrative costs and other "non-coverage" activities. • May not be used to supplant state Medicaid spending. • States must take (unspecified) steps to avoid substitution of new children's money for existing private coverage. • May not deny eligibility based on a child having a preexisting medical condition. 	<ul style="list-style-type: none"> • The state will subsidize the purchase of private health insurance. • Establishes a number of policies designed to discourage employers from dropping dependent health coverage. • Prohibits plans from denying coverage based on pre-existing conditions.
Benefit Package	
<ul style="list-style-type: none"> • Blue Cross/Blue Shield standard option preferred provider plan received by federal employees. • Any health benefits plan offered to state employees. • The health coverage offered by the HMO with the largest commercial, non-Medicaid enrollment in the state. • Any plan with the same actuarial value as any of the plans listed above. • Any benefit package approved by the Secretary of the Department of Health and Human Services. 	<ul style="list-style-type: none"> • Provides benefits equivalent to those provided to state employees as of January 1, 1998. • Benefits include physician visits, inpatient care, prescription drugs, emergency care, preventive services, mental health, substance abuse treatment, dental care, and annual eye exams and glasses.

Medicaid Benefits	
<ul style="list-style-type: none"> • States MUST do outreach to enroll children in Medicaid, private insurance, and any new children's coverage. • States MUST provide benefits to disabled children who lost SSI due to welfare reform. • States MAY provide 12 months continuous Medicaid eligibility. • States MAY provide presumptive Medicaid eligibility for children. 	<ul style="list-style-type: none"> • Establishes an outreach and education effort and authorizes the state to contract with a range of entities including community based organizations, schools, counties, WIC sites, Head Start, and Healthy Start programs. • Provides one additional month of Medi-Cal eligibility for families whose income increases to allow sufficient time for the family to transition into Healthy Families. • Requires the Department of Health Services to develop a mail-in Medi-Cal application form no later than July 1, 1998. • Waives the asset test for Medi-Cal eligibility pending federal approval and financial participation. • Extends eligibility for Medi-Cal for families with incomes between 84 and 100% of FPL for 14 – 18 year olds.
Eligibility	
<ul style="list-style-type: none"> • States MAY expand coverage to children under age 19 in families with incomes up to 200 percent of FPL. 	<p>Healthy Families:</p> <ul style="list-style-type: none"> • Children aged 2 to 6 with incomes between 133 and 200 percent of FPL. • Children ages 7 and 18 with incomes between 100 and 200 percent of the federal poverty level (FPL). • Provides 12 months of continuous eligibility upon initial qualification.
Cost-Sharing	
<ul style="list-style-type: none"> • Families at or under 150 percent of FPL may not be charged more than a nominal share of costs (premiums, co-payments, etc.). • For families above 150 percent of FPL, a state may impose a share of costs on a sliding scale, based on income. • States CANNOT impose a share of costs for preventive services. 	<ul style="list-style-type: none"> • \$7 per child or \$14 per family per month for families with incomes of up to 150 percent of the FPL . • \$9 per child or \$27 per family per month for families with incomes between 150 and 200 percent of FPL for the plan designated as the Family Value Package. • Families that pay three months of contributions in advance receive the fourth month free. • Provides a \$3 per child discount for families that enroll their children in Community Provider Plans. • Requires a \$5 per visit copayment for all but preventive health service visits.

Source: House Resolution 2015, Title IV, Subtitle J, State Children's Health Insurance Program, SB 903, and AB 1126.