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CALIFORNIA IMPLEMENTS HEALTHY FAMILIES PROGRAM

On the last day of the 1997 session, the legislature approved a two-bill package extending health coverage to uninsured children. The Governor signed both bills, SB 903 (Lee and Maddy) and AB 1126 (Figueroa and Villaraigosa), into law in early October 1997. A third bill, AB 1572 (Villaraigosa) appropriated startup funds for the program. These measures allow California to participate in the State Child Health Insurance Program (CHIP) established in the federal Balanced Budget Act of 1997. The new "Healthy Families" plan will 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 federal financial commitment to the program.

WHO IS ELIGIBLE FOR HEALTHY FAMILIES?

Enrollment in Healthy Families will be open to children who meet all the following requirements:

- ✓ Are between the ages of 1 to 19 with family incomes at or below 200 percent of the federal poverty level (FPL). (FPL for a family of three is \$13,650. 200 percent of the FPL is \$27,300 for a family of three).
- ✓ Are not eligible for no-cost Medi-Cal. Children ages 1 through 5 with family incomes up to 133 percent of FPL qualify for no-cost Medi-Cal, as do infants with family incomes up to 200 percent of the FPL. Children ages 6 to 19 with family incomes up to 100 percent of the FPL qualify for no-cost Medi-Cal.
- ✓ Are US citizens or eligible qualified aliens.
- ✓ Have not been covered by employer-sponsored health insurance for the previous three months.
- ✓ Live in California and have no health insurance.

Once a child qualifies for coverage, they will remain eligible for the program for 12 months. This allows families whose incomes rise 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. Healthy Families began enrolling children July 1, 1998.

The Governor's office originally projected that 580,000 of California's 1.6 million uninsured children would qualify for coverage in the Healthy Families program. Recent changes in the program and more

accurate methods of estimating the number of eligible children could reduce this number by 25 percent. An analysis by University of California Los Angeles researchers estimates that 400,000 children will be eligible for the program.¹ The number that actually obtain coverage will depend on enrollment.

HOW WILL HEALTHY FAMILIES WORK?

MRMIB contracts 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. MRMIB has contracted with health plans in all 58 counties for health care coverage under the Healthy Families program. Implementation of the purchasing credit has been delayed due to the need for additional clarifying legislation.

HOW MUCH ARE FAMILIES REQUIRED TO PAY?

Healthy Families subsidizes the cost of purchasing health coverage. 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 up to \$27 per family per month. Families that pay three months of contributions in advance will receive the fourth month of coverage free. Families that choose higher cost plans will be required to pay more than the amounts listed above.

Families that enroll their children in Community Provider Plans will receive a discount. 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 will be \$4 per child or \$8 per family per month for families with incomes of up to 150 percent of FPL and \$6 per child or \$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 the event a premium payment is more than two months over due, a child will be dropped from the program and coverage cannot be reinstated for a six-month penalty period.

In addition to monthly contributions, Healthy Families requires families to pay \$5 per visit as a copayment, up to a maximum of \$250 per family per year. In accordance with federal law, copayments will not apply to visits for preventative services. Pending legislation would clarify that the \$250 cap on copayments applies to health, dental, and vision benefits combined.

WHAT BENEFITS ARE PROVIDED?

The Healthy Families benefits package is based on the coverage provided to state employees, as required by federal law. Covered services include in and outpatient visits, prescription drugs, preventive services, mental health services, and emergency, dental, and vision care. However, orthodontic coverage will 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.

¹ UCLA Center for Health Policy Research, *Adjusted Estimates of Uninsured Children and Program Eligibility, California, 1996* (May 1998).

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. The 1998-99 budget allocated \$17 million in federal funds for Medi-Cal only outreach in an attempt to boost enrollment. 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. DHS will distribute \$20 million in state and federal funds for outreach efforts. In addition, \$17 million in federal funds have been allocated for Medi-Cal only outreach.

Organizations or individuals that assist families with Healthy Families application forms will receive a \$25 applicant assistance fee. In order to receive the fee a person or organization must be certified as an official application assistor by attending an authorized training session. The fee is paid on a per family basis, regardless of the number of children enrolled in the program. Additionally, the fee is only paid upon the successful enrollment of a child into Healthy Families. Limiting the fee to successful applications could discourage organizations from engaging in broad outreach efforts or assisting families that are not clearly eligible for the program.

MEDI-CAL ENHANCEMENTS

In addition to the new program, SB 903 made 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.
- ✓ Requiring the Department of Health Services to design a simplified Medi-Cal application form and mail-in application process. A new application packet offers families the opportunity to apply for either Healthy Families or Medi-Cal.
- ✓ Providing a month of Medi-Cal eligibility to children in families who do not meet income eligibility standards to allow parents the opportunity to enroll in Healthy Families.

HOW MUCH WILL THE PROGRAM COST?

The Legislative Analyst's Office estimates total program costs in 1998-99 at \$197.2 million, with \$62.6 million coming from the state General Fund. The federal share of approximately \$134.6 million represents about 15 percent of the \$859 million annual allotment available to California under the new program. Under this budget plan, California will carry approximately \$1.4 billion in federal funds forward into 1999-00. Unspent federal funds can be carried over for up to three years.

One reason for the large surplus of federal funds is low enrollment. 1998-99 budget estimates assume that only 40 percent of potentially eligible children will enroll by June 1999. Based on the July 1998 enrollment figures and the downward revision in the estimated number of eligible children, actual program costs and enrollment may be lower than initially anticipated.

PROGRAMS IN OTHER STATES

Currently, 25 states, including California, have had their proposals under CHIP approved by the federal government. An additional 21 plans have been submitted and are awaiting approval. Twenty-four plans have proposed a Medicaid expansion, 14 plans create a separate state insurance plan, while 8 states, including California, have combination plans that include both a Medicaid expansion and a separate insurance plan. For the first year of the program, allotments totaling \$4.3 billion are available to states whose plans are approved by the Department of Health and Human Services by September 30, 1999.

California has neither the most generous nor most restrictive eligibility requirements. Some states plan to provide coverage up to 300 percent of the FPL while others only plan to cover children up to 150 percent of the FPL. Unlike California, a number of states do not require copays for the poorest children eligible for CHIP.

RECENT CHANGES TO THE PROGRAM

Earlier this year, Governor Wilson modified the state's Healthy Families plan and denied the use of income deductions in determining eligibility for the program. Previously, a family was considered to be eligible for the program if their net income was less than 200 percent of the FPL. The original plan allowed the deduction of certain expenses, such as child care, child support, and alimony, when determining eligibility. These deductions are currently allowed to determine eligibility for the Medi-Cal program. These changes will significantly reduce the number of children eligible for the program.

Another recent development to the program concerns the federal government's decision to deny Healthy Families access to free vaccines under the federal Vaccines for Children program. This decision was made because the federal program was designed for children who do not have private health insurance or who are on Medicaid (Medi-Cal in California). The federal government argues that children in the Healthy Families program will have insurance and thus do not qualify for the Vaccines for Children program. Vaccines will still be provided under Healthy Families, but at an increased cost to health care providers.

REMAINING ISSUES

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

- ✓ Will the state make good 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?
- ✓ Will the required family contributions and the lengthy application serve as a barrier to enrollment?
- ✓ How can California make use of its remaining allocation of federal funds to cover children who continue to lack health coverage?
- ✓ Will the extensive number of questions regarding a family's immigration status discourage parents from applying for Healthy Families for eligible children?
- ✓ Will the Healthy Families program and Medi-Cal be able to create a "seamless" system whereby children move in and out of both programs without bureaucratic delays?

FOR MORE INFORMATION

For additional information or to apply for coverage under the Healthy Families program, call Healthy Families at 1-800-880-5305.

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

Federal State Child Health Insurance Program	California Healthy Families Program
Funding	
<ul style="list-style-type: none"> • Total funding for CHIP is \$39.6 billion between 1998 and 2007. • \$17.1 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 a narrower definition of disability. The remaining \$20.3 billion is available for expanded children's coverage. • California will receive at least \$859 million annually between 1998 and 2000 and about \$3.9 billion over the next five years. • 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 \$197.2 million based on enrollment of 232,000 children. The state's required share of this amount is estimated at \$62.4 million, with federal funds providing the remainder. • Costs anticipated from expanding Medi-Cal eligibility include \$37 million attributable to increasing the income eligibility threshold for 14 through 18 year olds and 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 pre-existing 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.

Federal State Child Health Insurance Program	California Healthy Families Program
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 to 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 Medi-Cal eligibility for families with incomes between 84 and 100% of the FPL for 14 through 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 ages 1 to 19 with incomes at or below 200 percent of the FPL who are ineligible for no-cost Medi-Cal. • Provides 12 months of continuous eligibility upon initial qualification.
Cost-Sharing	
<ul style="list-style-type: none"> • Families at or under 150 percent of the FPL may not be charged more than a nominal share of costs (premiums, copayments, etc.). • For families above 150 percent of the 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.

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