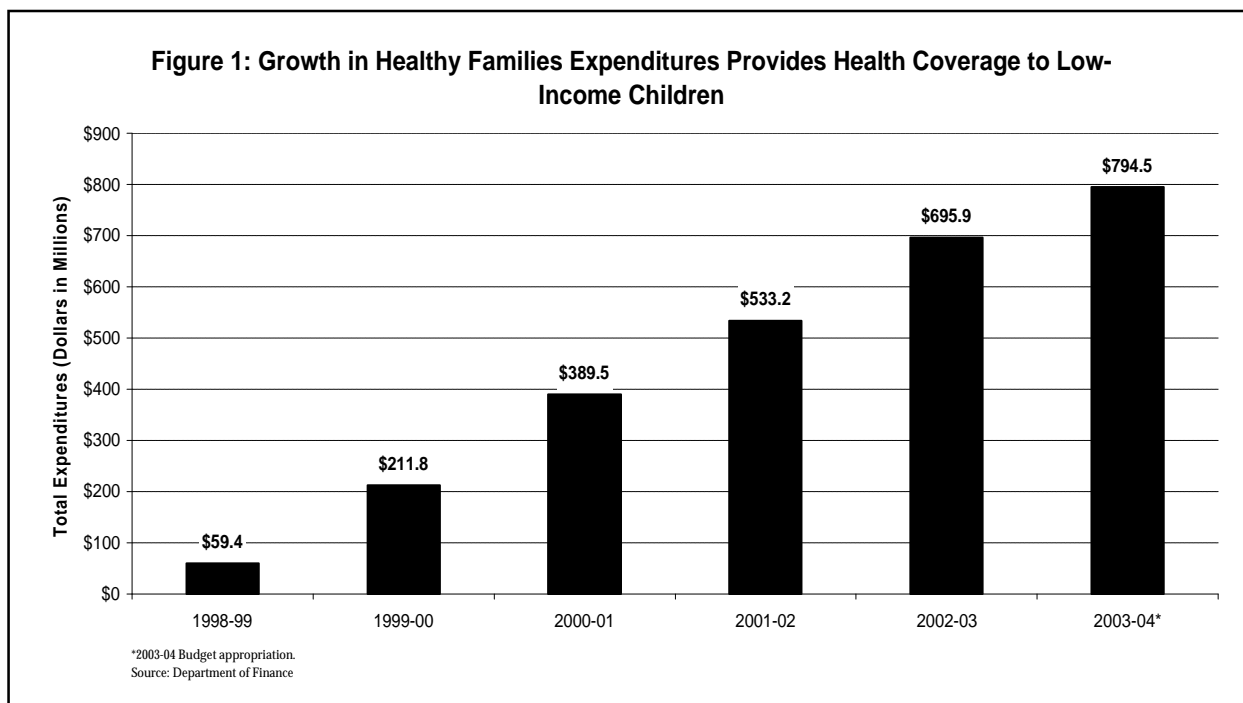


HEALTHY FAMILIES PROGRAM

Through the Healthy Families Program, California has made gains in extending health coverage to uninsured children. However, some eligible children are not enrolled, and the Governor's budget proposal to cap enrollment would prevent thousands of children from receiving health coverage.

The Healthy Families Program provides health coverage to low-income uninsured children.

- Healthy Families, implemented in 1998, provides low-cost health coverage to children with family incomes too high to qualify for Medi-Cal, but below 250 percent of the federal poverty level (FPL).
- Health benefits include physician visits, prescription drugs, hospital inpatient care, preventive care, lab tests, X-rays, vision care, and dental care.
- Families pay monthly premiums of \$4 to \$9 per child, up to a maximum of \$27 per family. Families also pay a co-payment of \$5 for most services, up to an annual maximum of \$250 per family.
- The program is jointly funded by the state and federal governments, through the federal State Child Health Insurance Program (SCHIP). The federal government pays about two-thirds of

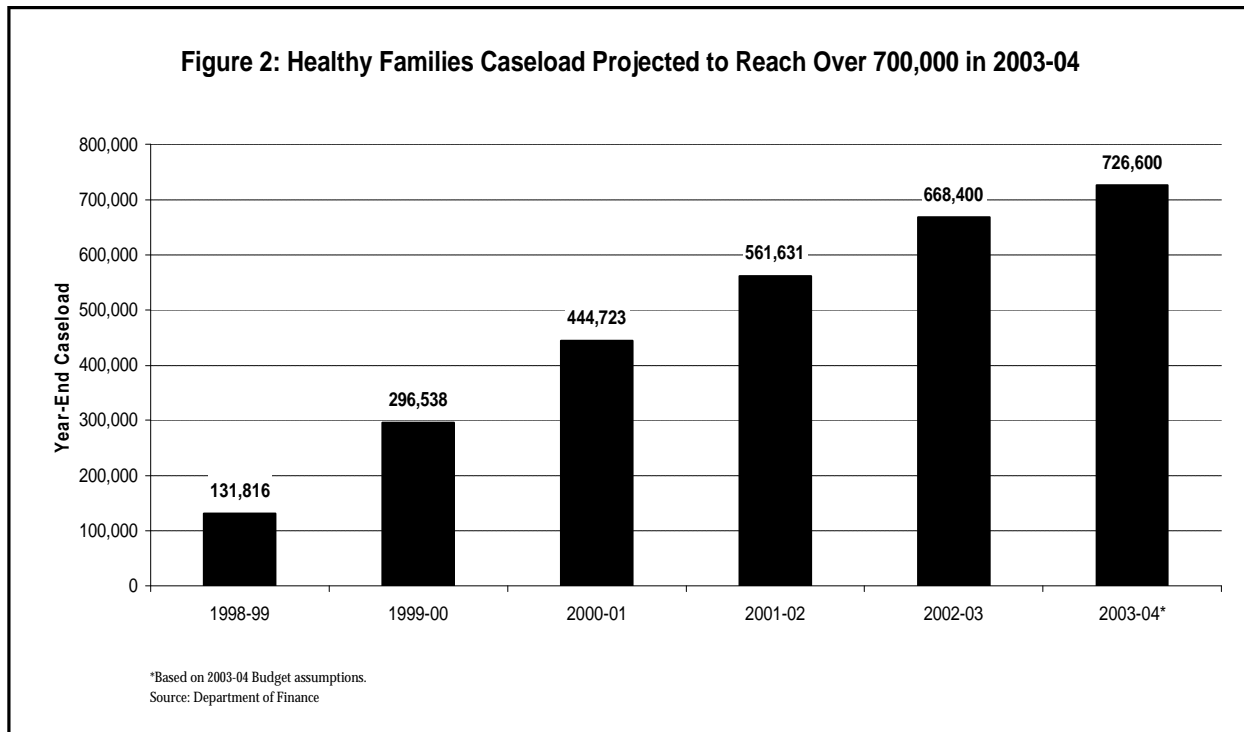


program costs.

- The state's average monthly cost per Healthy Families child is about \$34.
- The 2003-04 Budget provides about \$794.5 million (\$294.3 million General Fund) for Healthy Families services (Figure 1).
- National and state research shows that children who are insured, including through SCHIP programs, are more likely to have access to a regular source of care, receive needed care, and experience better health outcomes than children without coverage.¹

Despite rising enrollment in the program, about 301,000 children may be eligible, but not insured.

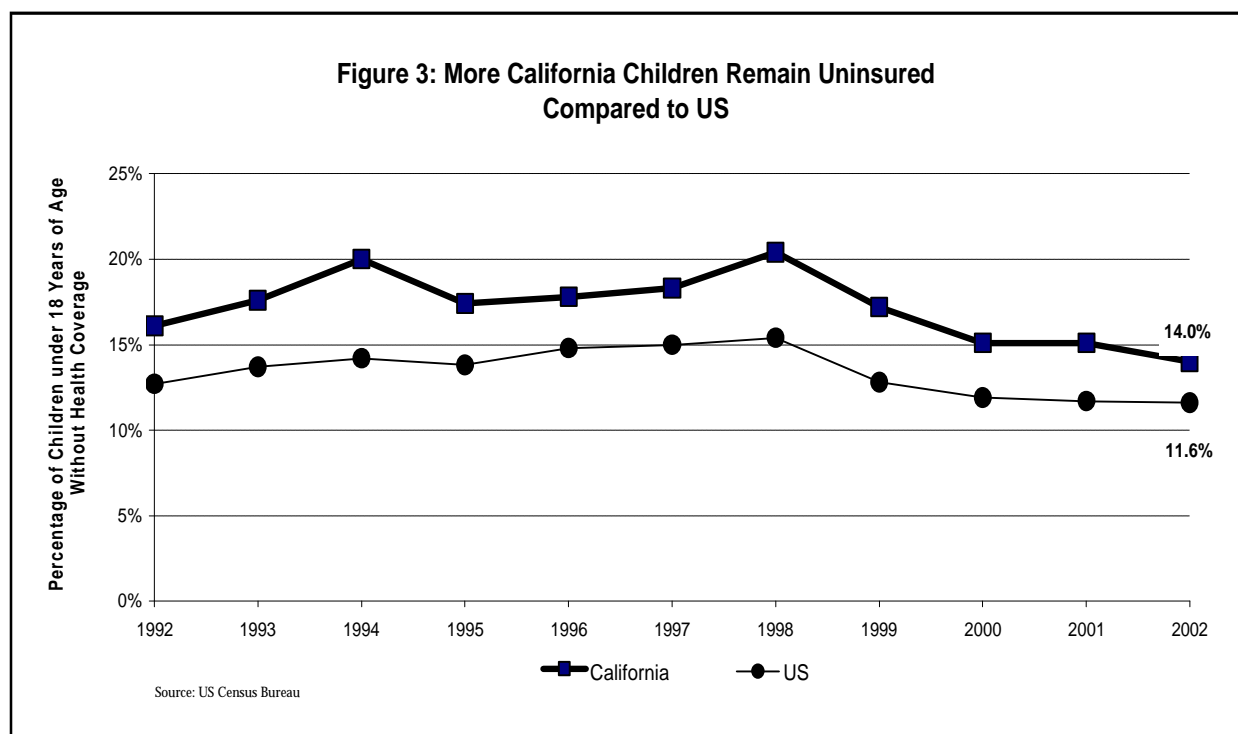
- As of November 2003, approximately 686,000 children were enrolled in Healthy Families. The 2003-04 Budget assumed the caseload would reach about 727,000 children by June 30, 2004 (Figure 2).
- About 301,000 uninsured children were eligible for Healthy Families, but not enrolled, according to the 2001 California Health Interview Survey (CHIS).²
- Of the uninsured children who were eligible, parents of 23 percent of the children didn't know of the program's existence, 20 percent didn't think their children were eligible, and 14 percent



didn't know if their children were eligible.

More California children continue to lack health coverage than in the US overall.

- In 2002, 11.6 percent of children under age 18 lacked health coverage in the US overall, while 14.0 percent of California children lacked coverage.
- For the last decade, California's share of uninsured children has remained higher than that of the nation (Figure 3).



The Governor’s proposal to cap enrollment would deny health coverage to thousands of low-income children.

- The Governor proposes to cap Healthy Families enrollment effective January 1, 2004, for General Fund savings of \$31.5 million in 2004-05. Applicants would be put on a waiting list and new enrollment would be permitted as attrition occurs. The cap would result in about 22,200 fewer children enrolled in 2003-04 and 113,800 fewer children enrolled in 2004-05, including legal immigrant children (Appendix 1). By June 30, 2005, there could be 159,000 children on the waiting list with an average wait time of eight months. The Administration does not assume any General Fund savings in 2003-04, because the costs for administrative changes to implement the proposal would offset the savings from capping enrollment.
- According to the Administration, children on the waiting list who are seeking more immediate medical care would visit local subsidized clinics, pay out-of-pocket for treatment, visit hospital emergency rooms, or delay treatment. However, these options could result in worsened health conditions for children, increased health care costs due to the need for more intensive medical care, and increased funding pressures on counties to provide medical services.
- As of November 2003, six states, including Colorado, Florida, and Maryland, had capped enrollment for children in their SCHIP programs. Since Florida implemented its SCHIP enrollment cap on July 1, 2003, the waiting list had increased to 44,000 by November 2003. In addition, there were over 27,000 children on a waiting list for Florida’s state-only program in November 2003.
- According to one enrollment cap study, families reported not being able to obtain affordable private coverage; having serious problems getting care for sick children, especially with obtaining needed medications; delaying medical or dental care, with children suffering as a result; and experiencing financial difficulties, which caused some to delay rent payments or have less food.³

The Governor proposes to require higher premiums for benefits.

- The Governor proposes a two-tiered benefit package for children with family incomes between 201 percent and 250 percent of the FPL. The proposal would offer a basic benefit package, excluding dental and vision coverage, at current premium levels, and a comprehensive package with higher monthly premiums.
- The details of the proposed benefit package have yet to be developed and thus the impact on families is unclear at this point. The Administration expects that this proposal would not be implemented until 2005-06.
- For a family of three, 201 percent of the 2003 FPL is \$30,673 and 250 percent is \$38,150.

The Governor's proposal would result in the loss of federal funds.

- California receives approximately two dollars in federal SCHIP funds for every state dollar invested in Healthy Families. Under the Governor's proposal to cap enrollment, the state would forgo \$54.8 million in federal funds in 2004-05.
- Since 1998, California has forfeited over \$1 billion in federal SCHIP funds, which have been redistributed to other states. This is partly due to delayed spending during the start-up of the program and partly due to state fiscal constraints that have delayed expansion of coverage to parents of children enrolled in Healthy Families.

Agnes Lee prepared this Backgrounder. The California Budget Project (CBP) was founded in 1994 to provide Californians with a source of timely, objective, and accessible expertise on state fiscal and economic policy issues. Funding for this Backgrounder comes from a grant from The California Endowment. The CBP engages in independent fiscal and policy analysis and public education with the goal of improving public policies affecting the economic and social well-being of low- and middle-income Californians. Support for the CBP comes from foundation grants, publications, and individual contributions. Please visit the CBP's web site at www.cbp.org.

ENDNOTES

¹ Kaiser Commission on Medicaid and the Uninsured, *Children's Health – Why Health Insurance Matters* (Washington, DC: May 2002); Peter C. Damiano, et al., *hawk-i Impact on Access and Health Status, Second Evaluation Report to the hawk-i Clinical Advisory Committee* (Health Policy Research Program, Public Policy Center, The University of Iowa: January 2002), pp. 8-9; Elizabeth Shenkman, et al., *The Florida KidCare Evaluation Year 2 Report* (Institute for Child Health Policy), pp. x-xi; Leighton Ku and Sashi Nimalendran, *Improving Children's Health: A Chartbook About the Roles of Medicaid and SCHIP* (Center on Budget and Policy Priorities: January 2004), p. 16.

² E. Richard Brown, et al., *The State of Health Insurance in California: Findings from the 2001 California Health Interview Survey* (UCLA Center for Health Policy Research: June 2002), p. 4.

³ Donna Cohen Ross and Laura Cox, *Out in the Cold: Enrollment Freezes in Six State Children's Health Insurance Programs Withhold Coverage from Eligible Children* (Kaiser Commission on Medicaid and the Uninsured Issue Paper, Kaiser Family Foundation: December 2003), p. 4. This issue paper discusses a study examining North Carolina's SCHIP program, which had an enrollment cap in place between January and October 2001.

Appendix 1: Number of Children Impacted by Governor's Proposed Healthy Families Enrollment Cap, by County

County	2003-04 Caseload Affected	2004-05 Caseload Affected	County	2003-04 Caseload Affected	2004-05 Caseload Affected
Alameda	514	2,637	Orange	2,190	11,225
Alpine	0	0	Placer	90	460
Amador	12	59	Plumas	9	48
Butte	101	517	Riverside	1,577	8,085
Calaveras	18	91	Sacramento	551	2,824
Colusa	42	214	San Benito	44	228
Contra Costa	268	1,376	San Bernardino	1,612	8,264
Del Norte	15	77	San Diego	1,890	9,686
El Dorado	73	374	San Francisco	349	1,788
Fresno	614	3,147	San Joaquin	466	2,389
Glenn	35	178	San Luis Obispo	129	663
Humboldt	77	397	San Mateo	226	1,160
Imperial	127	649	Santa Barbara	263	1,347
Inyo	9	44	Santa Clara	705	3,612
Kern	541	2,776	Santa Cruz	147	752
Kings	94	482	Shasta	128	655
Lake	47	241	Sierra	1	5
Lassen	10	50	Siskiyou	20	102
Los Angeles	6,409	32,855	Solano	121	618
Madera	99	509	Sonoma	232	1,189
Marin	66	337	Stanislaus	306	1,566
Mariposa	8	39	Sutter	86	440
Mendocino	63	323	Tehama	40	203
Merced	196	1,003	Trinity	9	48
Modoc	4	23	Tulare	346	1,771
Mono	12	60	Tuolumne	28	144
Monterey	417	2,140	Ventura	518	2,653
Napa	52	269	Yolo	83	426
Nevada	65	334	Yuba	49	250
			Total	22,200	113,800

Source: CBP analysis of Managed Risk Medical Insurance Board and Department of Finance data