

SELECTED ISSUES:

As part of the Balanced Budget Act of 1997, Congress enacted Title XXI of the Social Security Act, which created the new State Children's Health Insurance Program. This legislation provides funding--at an enhanced matching rate of 66 percent--to states to expand health insurance to low-income, uninsured children. California is eligible for federal matching funds totaling about \$855 million to implement this program.

In response to the new Federal law, the Legislature enacted a package of bills --AB 1126 (Villgaroisa); AB 1572 (Villaragoisa/Gallegos); AB 217 (Figueroa); and, SB 903 (Lee/Maddy)--at the end of the 1997 legislative session creating the state Healthy Families program. This program will provide comprehensive health coverage, including health, dental, and vision benefits, to children below 200 percent of the federal poverty level who do not qualify for Medi-Cal. An estimated 580,000 of California's 1.6 million uninsured children are eligible for the new program.

Under the program, the state will enter into managed care contracts with health plans, including Local Initiatives and County Organized Health Systems, to provide coverage. This coverage will be provided through insurance purchasing pools and purchasing credits toward the purchase of employer provided dependent coverage. Families of enrolled children must choose among the health plans available in their region, and must pay reduced monthly premiums ranging between \$7 and \$27. The family contribution is based upon the family income and the number of children enrolled in the program.

In order to further expand access to health care coverage and improve coordination, the current law also makes several changes in the Medi-Cal program, and provides for the integration of the California Children's Services (CCS) program, the Child Health and Disability Prevention (CHDP) program, and Access for Infants and Mothers (AIM) program. Medi-Cal changes (discussed in detail in the Health section) include the acceleration of coverage for children under 100 percent of the federal poverty level, an asset waiver, and one-month extended eligibility when income increases. It is anticipated that 112,000 children will have new or continuing coverage under Medi-Cal as a result of these changes.

The Healthy Families program will be jointly administered by the Department of Health Services (DHS) and the Managed Risk Medical Insurance Board (MRMIB). The DHS will be responsible for implementing the Healthy Families outreach, Medi-Cal changes, and ongoing administration of the CCS and CHDP programs. The MRMIB will be responsible for the purchasing pool, the purchasing credit, and the AIM program.

For 1997-98, the budget proposes total funding of \$21 million (\$5 million General Fund, and \$15 million in federal funds) for administrative costs associated with the startup of

the Healthy Families Program. For 1998-99, the budget proposes total funding of \$201 million (\$64.5 million General Fund, and \$136.5 million in federal funds), which includes payments to participating health plans, Medi-Cal enhancements, costs associated with CCS, CHDP, and AIM, outreach, and administration. The budget assumes the program will be fully implemented on July 1, 1998, and approximately 312,000 children (including 112,000 children through the Medi-Cal expansion), or about 54 percent of the estimated 580,000 eligible children, will enroll in the program by the end of the budget year. Table 1 below summarizes the proposed program costs by department.

Table 1

Healthy Families Program Expenditures				
(Dollars in thousands)				
	1997-98		1998-99	
	Total	General Fund	Total	General Fund
MRMIB				
Support	\$1,635	\$558	\$2,258	\$767
Local Assistance			100,526	34,148
Total MRMIB	\$1,635	\$558	\$102,784	\$34,915
DHS				
Support	\$1,387	\$414	\$1,649	\$497
Local Assistance	18,104	4,129	96,584	29,558
Total DHS	\$19,491	\$4,543	\$98,233	\$30,055
Total DHS and MRMIB	\$21,126	\$5,101	\$201,017	\$64,970

At this point, the Federal government has not approved the state plan for Healthy Families submitted to the Department of Health and Human Services in November. California may need to make changes in the program prior to approval. However, regulations have been drafted regarding most aspects of the program. Issues that remain unresolved include: (1) whether premiums and co-payments present a barrier to coverage; (2) the definition of safety net providers; (3) the need for an application assistance fee, and who should be eligible to receive the fee; and (4) the design and timing of the rural health demonstration projects.

Unspent Federal Funds: As mentioned above, California is eligible for a total allotment of about \$855 million in new federal funds for the Healthy Families program. The Governor's budget proposes to use only \$140 million of these federal funds in the budget year. The Legislature may want to consider how the state program can be enhanced to provide health coverage to more families, making use of the remaining funds.