



AGENDA ITEM: 2  
DATE OF MEETING: December 15, 2008  
ACTION ITEM

## **APPROVAL OF HEALTH CARE FUNDS FOR ELIGIBLE CHILDREN 0 to 5**

### **SUMMARY OF REQUEST**

First 5 California staff requests the First 5 California Children and Families Commission approve funding up to \$16,750,000 to pay for health care premiums for children ages 0 through 5 who are new enrollees to the Healthy Families Program from December 18, 2008, through June 30, 2009, which is administered by the California Managed Risk Medical Insurance Board.

First 5 county commissions have expressed an interest in supporting First 5 California in this effort. To this end, Staff further requests the Commission authorize First 5 California to act as a fiscal agent for the collection of county funds for the limited purpose of paying health care premiums for children ages 0 through 5 who are new enrollees to the HFP and the corresponding transfer of those funds to MRMIB, collectively not to exceed \$16,750,000.

Finally, staff requests the Commission authorize the transfer of funds from the First 5 California Administration Account to the Unallocated Account only as necessary to fulfill the Commission's approval of up to \$16,750,000 for the Healthy Families Program from December 18, 2008, through June 30, 2009.

### **BACKGROUND**

#### MRMIB

The Healthy Families Program (HFP) provides low-cost health, dental, and vision insurance coverage to children ages 0 to 18 from families with incomes up to 250% of the federal poverty level (FPL) who are otherwise ineligible for no-share of cost Medi-Cal. Eligibility for the program is reviewed on an annual basis. The Managed Risk Medical Insurance Board (MRMIB or Board) administers the HFP.

The HFP faces a \$17.2 million General Fund deficit for the remaining 2008-09 fiscal year (December – June). Further, because the HFP receives approximately two federal dollars for every one dollar of state funds, the projected reduction to the program between December 2008 and June 2009 will be more than \$50 million.

By statute, the Board is prohibited from incurring a deficiency and is mandated to manage enrollment within the funds provided by the budget. The deficit has forced the MRMIB Executive Director to advise the Board to consider a hard cap on new enrollments, beginning December 18, 2008. The Board is scheduled to consider

implementation of a wait list at its next meeting on December 17, 2008. (Attachment A, MRMIB Agenda)

If MRMIB approves and institutes a waiting list, then all new enrollees will be placed on the waiting list through June 30, 2009, the end of the current fiscal year. Based on historical enrollment and current enrollment figures, MRMIB estimates that as many as 163,000 children during the six month period will be placed on the waiting list, which totals about 28,000 children per month. Approximately 40% of these proposed enrollees are children ages 0 to 5.

MRMIB estimates the cost for covering new enrollees ages 0 through 5 from December 18, 2008, through June 30, 2009, to be more than \$16.5 million, which breaks down as follows:

AGE OF CHILD	NEW ENROLLEES – AVERAGE PER MONTH	PROJECTED COST (in millions)
Access for Infants and Mothers (AIM) Linked Infants	838	\$6,669
0 to 1 Year Olds	1,236	\$2,341
1 to 5 Year Olds	9,411	\$7,505
<b>TOTAL</b>	<b>11,485</b>	<b>\$16,515</b>

As depicted in the chart above, the cost to cover children under 1, particularly AIM-linked infants, is significantly higher than the cost to cover children over 1.

First 5 California

In October 2003, the First 5 California Commission approved a proposal to support the Health Access for All Children Project (birth to 5 years of age). This Project represents a total investment of \$46.5 million from January 1, 2004, to August 31, 2010. The majority of these funds (\$42.5 million) have been designated specifically and exclusively to assist in the payment of insurance premiums for children 0 to 5 years of age enrolled in Healthy Kids programs. Healthy Kids programs provide health insurance coverage to children who are not eligible for either Medi-Cal or the HFP.

In July 2007, the First 5 California Commission resolved to commit \$20 million to help ensure the successful transition of children 0 to 5 years of age from local County Health Initiatives (CHIs) into any duly enacted statewide health coverage program and to provide coverage for uninsured young children living in counties without local CHIs. This resolution expired in January 2008.

Also in July 2007, the First 5 California Commission approved funding of up to \$500,000 to research and plan for the anticipated implementation of an approved statewide Health Care Reform proposal in fiscal year 2007-08, or a subsequent fiscal year. First 5 California has contracted with MRMIB to perform this work.

As children ages 0 to 5 comprise a significant share of new enrollments in the HFP, and because MRMIB is well aware that both First 5 California and the First 5 County Commissions are committed to health access for all children ages 0 to 5, MRMIB approached First 5 California and the First 5 County Commissions to request funding in the amount of \$16.5 million to expand the HFP beyond the current General Fund contribution and avoid implementation of a waiting list for new enrollees ages 0 to 5.

This proposal for funding up to \$16.75 million would provide MRMIB with sufficient funding to expand the program and enroll new children ages 0 through 5 into the HFP from December 18, 2008, through June 30, 2009. This funding would also allow First 5 County Commissions sufficient time to seek approval from their commissions at their next regularly scheduled commission meetings to participate and provide funding in an amount proportionate to each county's share of new HFP enrollees ages 0 through 5. If approved at the county level, First 5 California would act as the fiscal agent responsible for receiving funds from participating counties and paying the funds to MRMIB. The First 5 County Commission contributions will decrease the \$16.75 million commitment proportionate to the counties' share of overall costs of new enrollments in the HFP.

Proposition 10, the California Children and Families Act, was approved by voters in November 1998. The original ballot measure contained a section that is codified in California Revenue and Taxation Code Section 30131.4. This section provides that no moneys in the California Children and Families Trust Fund shall be used to supplant state or local General Fund money for any purpose, and that these funds shall be used only to supplement existing levels of service and not to fund existing levels of service. The Attorney General's Office has interpreted this statute to mean that no moneys from the California Children and Families Trust Fund shall be used to take the place of existing funding that currently exists for any purposes, but, rather, moneys collected pursuant to the California Children and Families Act are to be used to add to existing levels of services that currently exist and to supplement those levels. In short, First 5 funds shall be used to augment, add to or enhance existing programs, funds, grants and/or services.

This proposal would provide funding only to expand the HFP beyond the current General Fund commitment or allocation. No state General Fund dollars would be saved, reallocated or repurposed as a result of any action taken by the First 5 County Commissions to provide funding to supplement the existing level of service currently being provided by the HFP.

### **STAFF RECOMMENDATION**

Staff recommends that the First 5 California Commission approve funding up to \$16,750,000 for expansion of the HFP to include children ages 0 through 5 who would otherwise not be enrolled in the HFP due to implementation of a waiting list.

Staff further recommends that the First 5 California Commission approve First 5 California to act as the fiscal agent and receive moneys from the participating First 5 County Commissions that approve the payment of health care premiums for children ages 0 through 5 who are new enrollees to the HFP. As the fiscal agent, First 5

California would also be authorized to forward such moneys to MRMIB, the organization responsible for administration of the HFP.

Finally, staff recommends the Commission approve transfers of funds, only as necessary, from the First 5 California Administration Account to the Unallocated Account to meet the Commission's approval of up to \$16.75 million to expand the Healthy Families Program from December 18, 2008, through June 30, 2009.

## **DISCUSSION**

It is well settled that a child's overall health can make an important difference in how he or she will do in school. A child who is ill might miss class, struggle to keep up with peers and even experience learning difficulties. Children without health insurance often cannot get health care, except through emergency rooms, which they tend to frequent only when they are seriously ill. Further, more than any other time in their lives, infants and toddlers are growing at an amazing rate. They must receive adequate nutrition, vaccinations, and treatment for chronic and acute conditions. Likewise, their parents must receive critical information from health professionals regarding child safety, attachment and brain development. Research has shown improved health outcomes for children with a medical home.

First 5 California has consistently supported the goal of making sure children ages 0 to 5 have the health insurance they need. First 5 California's Health Access for All Children Project, a partnership with First 5 County Commissions, is but one example of this commitment. First 5 California's commitment of \$20 million toward statewide health care coverage for all children is another meaningful example.

By providing funding for expansion of the program, First 5 California will ensure that children ages 0 through 5 receive the coverage for which they are eligible and that California will not take a step backward in the depth of its health care coverage for children. Moreover, funding an expansion of the HFP will have the added benefits of:

- Leveraging \$2 in federal State Children's Health Insurance Program (SCHIP) funds for every First 5 California and First 5 County Commission dollar.
- Ensuring access to coverage for children at the time in their lives when regular access is most critical.
- Providing access to California Children's Services (CCS) coverage for severely ill children who would not otherwise become eligible for CCS.
- Sustaining the existing system of coverage upon which Healthy Kids programs are built.

First 5 California's investment in the HFP would also deepen its partnership with First 5 County Commissions. First 5 California's approval of up to \$16.75 million for the expansion of the HFP to new enrollees ages 0 through 5 will enable MRMIB to accept new enrollments through June 30, 2009, and eliminate the need to implement a waiting list for children ages 0 through 5 at its meeting on December 17, 2008. This, in turn, will provide First 5 County Commissions with the necessary time to seek approval to

participate in the HFP expansion from their commissions at their next scheduled meeting. To date, 38 counties have provided letters of intent, indicating their commitment to take this matter to their local commissions at their next scheduled meeting. All total, these letters of intent represent \$13,844,418 of the approximate \$16.5 million needed by MRMIB to cover new enrollees ages 0 through 5 from December 18, 2008, through June 30, 2009. (Attachment B, County Participation Spreadsheet; Attachment C, Letters of Intent from 38 counties, including Alameda, Amador, Butte, Calaveras, Contra Costa, Del Norte, Glenn, Humboldt, Imperial, Kern, Lake, Los Angeles, Marin, Mendocino, Modoc, Monterey, Napa, Orange, Placer, Riverside, Sacramento, San Benito, San Diego, San Francisco, San Joaquin, San Luis Obispo, Santa Clara, Santa Cruz, Shasta, Solano, Sonoma, Stanislaus, Tehama, Trinity, Tuolumne, Ventura, Yolo and Yuba)

Finally, funding an expansion of the program is consistent with First 5 California's 2008 Strategic Plan, specifically, its Vision that all children enter school ready to achieve their greatest potential, and:

- *Strategy 1.1* – Increase the number and depth of state and national partnerships and affiliations.
- *Strategy 1.3* – Health Care – Facilitate and support health care coverage and quality care for all children 0 to 5.
- *Objective 1.2.3* – Partner with health care policy advocates to support quality health care for children 0 to 5, including, but not limited to, work force development, and health care systems reform.
- *Objective 3.2.3* – Establish partnerships with at least two public agencies with similar goals, linking First 5 California's name and/or program with their name for increased effectiveness.

In this instance, time is of the essence. MRMIB is prepared to freeze enrollment in the HFP effective December 18, 2008, if it does not receive additional, targeted funding beyond the current General Fund allocation for the program. Approximately 40% of the children who will be wait-listed and potentially without health care coverage are children ages 0 through 5. What's more, the regulations authorizing establishment of a waiting list do not presently allow for different treatment of children by age. Approval and proposed receipt of First 5 funding will require MRMIB to enact emergency regulations at its December 17, 2008, Board meeting that will provide for differential treatment of children on the waiting list based upon the receipt of targeted funds.

## **FISCAL HISTORY**

In October 2003, the First 5 California Commission approved a proposal to support the Health Access for All Children Project (birth to 5 years of age). This Project represents a total investment of \$46.5 million from January 1, 2004, to August 31, 2010. The majority of these funds (\$42.5 million) have been designated specifically and exclusively to assist in the payment of insurance premiums for children 0 to 5 years of age enrolled in Healthy Kids programs. Healthy Kids programs provide health insurance coverage to children who are not eligible for either Medi-Cal or the HFP.

In July 2007, the First 5 California Commission resolved to commit \$20 million to help ensure the successful transition of children 0 to 5 years of age from local County Health Initiatives (CHIs) into any duly enacted statewide health coverage program and to provide coverage for uninsured young children living in counties without local CHIs. This resolution expired in January 2008.

Also in July 2007, the First 5 California Commission approved funding of up to \$500,000 to research and plan for the anticipated implementation of an approved statewide Health Care Reform proposal in fiscal year 2007-08, or a subsequent fiscal year. First 5 California has contracted with MRMIB to perform this work.

First 5 California has not previously funded an expansion of the HFP.

### **PROPOSAL IMPLEMENTATION COSTS**

In addition to the \$16.75 million allocation, First 5 California anticipates minor, absorbable administrative costs related to this item.

### **ADVISORY COMMITTEE REVIEW**

Not applicable.

### **ALTERNATIVES CONSIDERED**

#### **Description of Alternative 1**

Not provide funding for an expansion of the HFP and instead increase enrollment of children ages 0 to 5 in the Health Access for All Children Project (CHIs).

#### **Pros**

1. Possibly save First 5 California funds for other programs, but this result is uncertain.

#### **Cons**

1. Would result in the loss to the State of \$2 in federal SCHIP funds for every First 5 California and First 5 County Commission dollar not invested.
2. CHIs do not exist in every county. Currently, there are only 23 CHIs, which would still leave hundreds of children without health care coverage.
3. May not necessarily ensure that children who are severely ill receive California Children's Services (CCS) coverage. Children in the HFP are eligible for CCS even if their family's income is too high to qualify for the regular CCS program.

**Description of Alternative 2**

First 5 California could do nothing and allow MRMIB to establish a freeze on enrollment and wait list all children ages 0 through 5 who are new to the program.

**Pros**

1. Save First 5 California funds for other uses.

**Cons**

1. Approximately 28,000 children per month would be without health care coverage.
2. Would result in the loss to the State of \$2 in federal SCHIP funds for every First 5 California and First 5 County Commission dollar not invested.
3. Would not ensure that children who are severely ill receive California Children's Services (CCS) coverage. Children in the HFP are eligible for CCS even if their family's income is too high to qualify for the regular CCS program.

**ATTACHMENTS**

Attachment A - MRMIB Agenda for December 17, 2008

Attachment B - County Participation Spreadsheet

Attachment C - Letters of Intent from 38 Counties, including Alameda, Amador, Butte, Calaveras, Contra Costa, Del Norte, Glenn, Humboldt, Imperial, Kern, Lake, Los Angeles, Marin, Mendocino, Modoc, Monterey, Napa, Orange, Placer, Riverside, Sacramento, San Benito, San Diego, San Francisco, San Joaquin, San Luis Obispo, Santa Clara, Santa Cruz, Shasta, Solano, Sonoma, Stanislaus, Tehama, Trinity, Tuolumne, Ventura, Yolo and Yuba

**FUNDING REQUEST FISCAL DETAIL**

Title of Request:	Health Care Funds for Eligible Children 0-5			<input checked="" type="checkbox"/> Contract <input type="checkbox"/> Program Disbursement <input type="checkbox"/> Special Disbursement	
Amount of Current Agreement:	Up to	\$ N/A	Expenditures to Date:	\$ N/A	
Current Term of Agreement:	N/A	Through	N/A		
			Fiscal Year Detail		
			FY 08-09	FY __-__	FY __-__
New Amount Requested:	Up to	\$16,750,000	\$16,750,000		
Total Amount of Agreement:	Up to	\$16,750,000	\$16,750,000		
Year End 6/30/08 Fund Balance Affected by Agreement			.70%		
Proposed Funding Term:	Upon Approval	Through	June 30, 2009		
First 5 California Account Name:	Unallocated	Account Number	0639	Fund Availability Confirmed	<input checked="" type="checkbox"/> Yes By: _____
Statutory Purpose: Health and Safety Code 130105(a)(1)(F)	Two percent shall be deposited in an Unallocated Account for the expenditure by the state commission for any of the purposes of this act described in Section 130100 provided that none of these moneys shall be expended for the administrative functions of the state commission.				
Do our funds leverage others?	<input checked="" type="checkbox"/> Yes (explain) <input type="checkbox"/> No	Commission Funds	Leveraged Funds	Total Funds	
		\$16,750,000	\$33,500,000	\$50,250,000	
Explanation: Healthy Families program receives funding from the federal government at a 2:1 match.					
Key Deliverable Descriptions					Deliverable Date
Pay health care premiums for new enrollees ages 0 through 5 to the Healthy Families Program					ongoing