

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: HB 1073 Florida KidCare Program
SPONSOR(S): Kyle
TIED BILLS: **IDEN./SIM. BILLS:** SB 2000

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR
1) Appropriations		Speir	Baker
2)			
3)			
4)			
5)			

SUMMARY ANALYSIS

House Bill 1073 appropriates \$6,566,073 in General Revenue and \$18,711,240 in trust funds (for the expenditure of family premiums and federal funds) to enroll the children waiting for coverage in the Florida KidCare Program as of January 30, 2004. These funds will provide services through June 30, 2004.

HB 1073 also provides some program changes to eligibility, enrollment, and administration, including:

- Eliminates presumptive eligibility and requires proof of income.
- Limits state funds for children that are not eligible for the federal match to those already enrolled.
- Changes the eligibility for children with affordable access to employer-sponsored insurance effective July 1, 2004, and provides for a transition process.
- Provides that individuals that defraud or attempt to defraud the program are eligible for prosecution pursuant to the state assistance fraud statute.
- Restricts application processing to open enrollment periods only after a unanimous recommendation by representatives from each of the KidCare administrators, who must determine through the Social Services Estimating Conference that there are sufficient funds to finance enrollment through Federal Fiscal Year 2007. Provides for a statewide announcement of the open enrollment.
- Requires a study of the impact of full-pay children on the program.
- Makes dental benefits contingent upon yearly appropriations.
- Repeals statutes regarding outreach activities.
- Changes the duties of the Florida Healthy Kids Corporation.
- Requires a report to the Legislature on the appropriate family premium by January 1, 2005.

This document does not reflect the intent or official position of the bill sponsor or House of Representatives.

STORAGE NAME: h1073.ap.doc
DATE: February 20, 2004

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. DOES THE BILL:

- | | | | |
|--------------------------------------|--------|-------|--------|
| 1. Reduce government? | Yes[] | No[] | N/A[X] |
| 2. Lower taxes? | Yes[] | No[] | N/A[X] |
| 3. Expand individual freedom? | Yes[] | No[] | N/A[X] |
| 4. Increase personal responsibility? | Yes[X] | No[] | N/A[] |
| 5. Empower families? | Yes[] | No[] | N/A[X] |

For any principle that received a “no” above, please explain:

B. EFFECT OF PROPOSED CHANGES:

WAITLIST

Congress authorized approximately \$40 billion over 10 years to help states expand health insurance coverage to uninsured low-income children through the Balanced Budget Act of 1997. The act, which created Title XXI of the Social Security Act, allows states to expand coverage for children by expanding the existing Medicaid program or creating or expanding a separate program specific to the children’s initiative.

The 1998 Florida Legislature authorized implementation of the Florida KidCare Program (KidCare). KidCare is an umbrella program that includes the following four components: Medicaid (Title XIX) for children, Medikids, Florida Healthy Kids, and the Children’s Medical Services Network (which includes a behavioral health component).

Unlike Medicaid, Title XXI funds are not an entitlement. The Legislature created enrollment and expenditure ceilings as provided each year in the General Appropriations Act based on a determination by the Social Services Estimating Conference that there would be sufficient funds to finance current and projected enrollment. For the current fiscal year, the Legislature capped enrollment based on available funding at 343,211 children—35,870 in Medikids, 298,307 in Healthy Kids (including 27,040 government subsidized and full-pay children not eligible for Title XXI funds) and 9,034 in Children’s Medical Services.

As of January 30, 2004, there were 338,340 children enrolled in the various Title XXI components, and an additional 90,280 children who had submitted applications waiting for coverage. Florida received notification of a redistribution of unspent federal funds from other states of approximately \$132 million, which must be spent by September 2005. These federal funds require a 29% state match.

HB 1073 appropriates \$6,566,073 in General Revenue and \$18,711,240 in trust funds (for the expenditure of family premiums and federal funds) to enroll the 90,280 children waiting for coverage as of January 30, 2004 through June 30, 2004. This will require \$31,351,464 in General Revenue and \$88,830,007 in trust funds for Fiscal Year 2004-05.

PROGRAM CHANGES

Based on testimony provided at the Select Committee on Affordable Health Care for Floridians, as well as the Governor’s Task Force on Affordable Health Insurance, HB 1073 provides some program changes to eligibility, enrollment, and administration.

Eligibility

Children with access to employer-sponsored insurance are currently eligible for the KidCare program. It is estimated that roughly 30% of Medikids and Healthy Kids enrollees have access to employer-sponsored health benefits plan. HB 1073 would eliminate eligibility for children with access to employer-sponsored health benefits if the cost of participation was not greater than 7.5% of the family’s income.

Current enrollees would remain eligible until six months after their redetermination to allow for a transition to another health benefit plan. Redetermination is done every six months.

Except for the families paying the full premium to enroll their children in the program, families' out-of-pocket expenses, including premiums and co-payments, range from 0.06% to 1.4% of the families' incomes. There is nothing to prohibit individuals from voluntarily canceling their employer-sponsored health benefits so that they may enroll in the Florida KidCare program. HB 1073 prohibits individuals from enrolling if their employer-sponsored health benefits were voluntarily canceled in the last six months. This will not apply to children on the wait list prior to January 31, 2004.

The current KidCare application has applicants self-attest their income, and presumes eligibility without income verification to get them enrolled more quickly. HB 1073 eliminates presumptive eligibility, requires the applicant to provide proof of income, and requires a written explanation of the potential enrollee's access to employer-sponsored health benefits.

HB 1073 also provides that individuals that defraud or attempt to defraud the program are eligible for prosecution pursuant to current state law for public assistance benefits. HB 1073 further requires the Auditor General to perform an analysis of children enrolled in the program who are ineligible for the program for the purpose of making recommendations on preventing such enrollment. The results and recommendations shall be reported to the Legislature and Governor by December 31, 2004. The Auditor General is also required to perform random audits to ensure that all enrolled children are eligible for enrollment.

Healthy Kids currently provides coverage to children whose family income is less than 200% of federal poverty level (FPL), but who are not eligible for coverage under Title XXI. Legal aliens who have resided in the United States less than five years (more than 22,000 children), state employee dependants (534 children), and certain 19 year olds (216 individuals) are the children currently enrolled that do not qualify for the Title XXI program. The majority of these are individuals that applied for coverage in the Florida Healthy Kids program prior to the enactment of Title XXI. Their premiums are funded by a combination of state, local, and family contributions.

HB 1073 limits eligibility for state-funded assistance to legal aliens who do not qualify for the Title XXI program but were enrolled in Florida Healthy Kids prior to January 31, 2004, and individuals aged 19 as of March 31, 2004. Therefore, HB 1073 would continue coverage for the current 19 year olds and legal aliens, but would not allow any new ones. HB 1073 would also terminate state-funded assistance for state employee dependants on January 1, 2005. This will provide an opportunity for state employees to enroll their dependants in the state health benefits plan during the next open enrollment period.

Enrollment

Except for the Medicaid component of the KidCare program, current law requires enrollment to cease when the enrollment ceiling is met. However, the Medikids program is allowed to accept applications at any time.

HB 1073 will limit application processing to times of open enrollment, except for the purpose of determining Medicaid eligibility. Open enrollment will commence only after a unanimous recommendation by representatives from each of the KidCare administrators, who must determine through the Social Services Estimating Conference that there are sufficient funds to finance enrollment through Federal Fiscal Year 2007 when the federal program is scheduled to end. The open enrollment period will be announced statewide at least one month prior to the commencement of the open enrollment period. The enrollment will be on a first-come, first-served basis, and will cease when the enrollment ceiling is reached. Any individual who is not enrolled, including those on the wait list after January 30, 2004, must reapply by submitting a new application during the next open enrollment period.

Upon determination by the Social Services Estimating Conference that there are insufficient funds to finance the current enrollment within current appropriations, HB 1073 requires the program to initiate disenrollment procedures on a last-in, first-out basis, except those clients in the Children's Medical Services Network, until expenditure and appropriation levels are balanced.

The KidCare component structure results in children transferring between components because of changes in age, income, or health status. For example, a child living in a family whose income is 170% of the

federal poverty level (FPL) is enrolled in Medicaid before his first birthday. However, when the child turns one year old, he will lose eligibility for Medicaid, and will then be eligible for Medikids.

Currently, the law allows special enrollment periods for the child to enroll in the new component when there is room for the child under the new component's enrollment ceiling. HB 1073 deletes the special enrollment period language and replaces it with language that allows transitions from one component to another whenever it is authorized. The authorized transfer must be managed within the program's overall levels of funding. Each component of KidCare is to establish a reserve to assure transfers between components will be accomplished within current year appropriations.

Current law also allows the Agency for Health Care Administration, in consultation with the Department of Health, to propose an increase in the KidCare enrollment ceiling pursuant to Chapter 216, Florida Statutes. HB 1073 eliminates this ability.

Administration

Funding for outreach activities was eliminated for Fiscal Year 2003-2004. However, a call center remains to answer applicants' questions. HB 1073 repeals the no longer funded sections of current law.

The Florida Healthy Kids Corporation (corporation) is authorized to accept local contributions to provide coverage to Title XXI eligible children. HB 1073 makes these contributions subject to the KidCare enrollment ceilings set in the General Appropriations Act.

Under current law, the corporation is allowed to establish the maximum number of participants in their program. They are also able to establish eligibility criteria, premium and cost-sharing requirements. HB 1073 deletes these duties.

The corporation contracts with health maintenance organizations and an exclusive provider organization by county to provide benefits to their enrollees. These organizations set their rates based on actual experience. It could possibly lower the corporation's rates if these organizations were the payer of last resort when third-party liability issues are determined. Therefore, HB 1073 makes these organizations the payers of last resort and requires them to coordinate benefits with any other third party payer who may be liable for the enrollee's medical care.

Quality medical care is the corporation's primary criteria when purchasing health benefits. HB 1073 requires the Corporation to purchase goods and services in the most cost-effective manner in addition to the delivery of quality medical care.

Families currently pay premiums to maintain the eligibility of their children in all components except Medicaid. Families with incomes equal to or below 150% FPL pay \$15 per family per month. Families with incomes above 150% FPL pay \$20 per family per month. HB 1073 requires OPPAGA to compare this premium requirement to other state programs to determine the appropriate premium structure, and report to the Legislature by January 1, 2005.

There is concern that some children enrolled in the KidCare program are not eligible for the services. Current law allows children to participate in the KidCare program even though they do not qualify for federal funds provided that they pay the full cost of their premium and the associated administrative cost. Primarily these are children whose family income is greater than 200% FPL. Those who elect this coverage are expected to have significantly higher utilization than those that are required to pay little or nothing for the same coverage (also known as anti-selection), which may affect the premium rates the providers are paid. HB 1073 requires the Corporation to contract for an actuarial study on the impact of full pay children on the KidCare program.

Dental Benefits

The 2000 Florida Legislature directed the corporation to implement a dental program, which became available statewide in 2002. Title XXI enrollees do not pay any additional monthly premiums for this coverage. The 2003 Legislature limited the KidCare dental benefit to a \$750 yearly per child maximum. HB 1073 will make the benefit subject to appropriations in the General Appropriations Act.

C. SECTION DIRECTORY:

Section 1. Amends the definitions in s. 409.811, F.S., by deleting the definition of “Program” and adding the definition of “Florida KidCare program.”

Section 2. Amends s. 409.8132, F.S., to eliminate special enrollment periods for children transferring from Medicaid to Medikids, and eliminates Medikids’ ability to receive applications at any time.

Section 3. Amends s. 409.8134, F.S., to change the enrollment and disenrollment procedures for the Florida KidCare Program.

Section 4. Amends s. 409.814, F.S., altering the eligibility determination for the Florida KidCare program.

Section 5. Amends s. 409.815, F.S., making the Florida KidCare program dental benefits contingent upon an appropriation in the General Appropriations Act.

Section 6. Amends s. 624.91, F.S., changing the role of the Florida Healthy Kids Corporation in the Florida KidCare program.

Section 7. Requires the Auditor General to analyze the reasons for ineligible children in the Florida KidCare program and provide a report to the Governor and Legislature by December 31, 2004.

Section 8. Requires the Florida Healthy Kids Corporation to contract for an actuarial study on the impact of full pay members on the Florida KidCare program.

Section 9. Requires the Auditor General to randomly audit the Florida Healthy Kids Program to ensure that only eligible children are enrolled.

Section 10. Requires OPPAGA to perform a study on KidCare premiums and provide a report to the Legislature by January 1, 2005.

Section 11. Repeals s. 409.818(b)(2), F.S., related to outreach activities.

Section 12. Repeals s. 409.819, F.S., related to outreach activities.

Section 13. Appropriates current year funds to provide Florida KidCare coverage to children on the wait list as of January 30, 2004.

Section 14. Provides effective date.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

N/A

2. Expenditures:

FY 2003-04

FY 2004-2005

Recurring Expenditures

General Revenue Fund	\$ 6,566,073	\$ 31,351,464
Grants & Donations TF	\$ 454,687	\$ 2,182,493
Medical Care Trust Fund	\$16,272,440	\$ 77,621,302
Donations Trust Fund	<u>\$ 1,984,113</u>	<u>\$ 10,026,212</u>
Total Funds	\$25,277,313	\$121,181,471

It should be noted that family premiums for Medikids and the CMS Network are budgeted in the General Appropriations Act in the Grants and Donations Trust Fund. Family premiums for Florida Healthy Kids Corporation, however, are not budgeted in the General Appropriations Act; they are paid directly from the corporation to providers.

Assumptions:

Funding estimated wait list as of January 30, 2004 with 50% covered in April and 100% covered in May and June 2004.

Family Premium is \$15 per month for less than 150% FPL and \$20 per month for greater than 150% FPL. The average cost per case month is based on Florida Healthy Kids estimate.

MPPM costs for FY 2003-04 and FY 2004-05 are based on the October 2003 KidCare Estimating Conference results, except CMS Network figures for FY 2003-04 are based on more recent information presented at the January 8 Legislative Budget Commission meeting.

Four percent of Children's Medical Services Network children will be enrolled in the Behavioral Health Network in FY 2004-05.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

None

2. Expenditures:

None

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

Families whose children will be newly enrolled in the program will pay a total of \$2.2 million for the remainder of this fiscal year and an annualized \$10.6 million in FY 2004-05. In addition, the bill appropriates more than \$25 million for the remainder of this fiscal year for the newly enrolled children, and assumes an appropriation of \$121.2 million for FY 2004-05 to annualize this increase, which will be paid to various private corporations to provide health benefits to children.

D. FISCAL COMMENTS:

Estimates of federal spending and allotment balance through September 2007 using January 30, 2004 caseload, price level increases of 7.5% per year and future redistributions of \$187.7 million (based on historical trends) indicate a deficit of \$67.6 million in federal funds in the quarter July – September 2007.

Although it is difficult to project what cost savings will be generated by the program changes in this bill, they are intended to reduce or eliminate the \$67.6 million projected deficit.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

a. Applicability of Municipality/County Mandates Provision

This bill does not require municipalities or counties to spend funds or to take an action requiring the expenditure of funds. This bill does not reduce the percentage of a state tax shared with counties or municipalities. This bill does not reduce the authority that municipalities have to raise revenues.

2. Other

None

B. RULE-MAKING AUTHORITY:

None

C. DRAFTING ISSUES OR OTHER COMMENTS:

None

IV. AMENDMENTS/COMMITTEE SUBSTITUTE CHANGES