

# SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

BILL: CS/SB 210

SPONSOR: Banking and Insurance Committee and Senators Wasserman Schultz and Siplin

SUBJECT: Florida Kidcare Program

DATE: January 8, 2004

REVISED: \_\_\_\_\_

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Johnson</u>	<u>Deffenbaugh</u>	<u>BI</u>	<u>Favorable/CS</u>
2.	_____	_____	<u>HC</u>	_____
3.	_____	_____	<u>AHS</u>	_____
4.	_____	_____	<u>AP</u>	_____
5.	_____	_____	<u>RC</u>	_____
6.	_____	_____	_____	_____

## I. Summary:

The 1998 Florida Legislature enacted Florida Kidcare in response to the passage of Title XXI of the Social Security Act. Kidcare is Florida's children's health insurance program primarily targeted to uninsured children under age 19 whose family income is at or below 200 percent of the Federal Poverty Level (\$36,800 for a family of four). Florida Kidcare consists of four components, all of which offer comprehensive benefits for eligible children:

- MediKids - ages 1 to 5 (Title XXI);
- Florida Healthy Kids - ages 5 to 19 (Title XXI and non-Title XXI);
- Children's Medical Services Network - children with special medical or behavioral health care needs, from birth to age 19 (Title XXI); and
- Medicaid for Children - birth to age 19 (Medicaid Title XIX); and Medicaid for Babies birth to age 1 from 185 to 200 percent Federal Poverty Level (FPL) (Title XXI).

The committee substitute would make Florida Kidcare coverage available to an uninsured parent, guardian, or caretaker relative of child enrolled in Kidcare. Presently, there is no provision for Kidcare coverage for adults, except for the parent or caretaker relative of a child receiving Medicaid under Title XIX of the federal Social Security Act. Enrollment would not be an entitlement and would be subject to certain limitations and separate cost-sharing premiums. Nonpayment of the parent's premium would not affect the child's enrollment. The committee substitute also provides the option of paying the full premium if family income is over 200 percent of the federal poverty level.

The committee substitute also establishes a 30-day grace period for the late payment of a premium (for Medikids, Florida Healthy Kids, and Children Medical Services) and revises the waiting period for reinstatement of coverage upon cancellation for nonpayment of premium to no

more than 60 days rather than at least 60 days. Finally, the committee substitute requires the Agency for Health Care Administration to submit to the United States Department of Health and Human Services a proposed amendment to the Children's Health Insurance Program State plan under Title XXI of the Social Security Act, which would implement the employer-sponsored group health insurance plans specified in s. 409.813, F.S.

The committee substitute amends sections 391.026, 409.8132, and 624.91, F.S. The committee substitute creates section 409.8141, F.S.

## II. Present Situation:

The Legislature created Florida's Kidcare program in the 1998 Legislative Session to make affordable health insurance available to previously uninsured, low-income children.<sup>1</sup> The program is primarily targeted to uninsured children under age 19 whose family income is at or below 200 percent of the federal poverty level (\$36,800 for a family of four). Enrollment was initiated on October 1, 1998, and 1,528,507 children were enrolled in the various components of the Kidcare Program, as of December 9, 2003.

### *Eligibility*

Kidcare is an "umbrella" program that currently includes the following four components: Medicaid for children; Medikids; the Healthy Kids program; and the Children's Medical Services (CMS) Network, which includes a behavioral health component. The Kidcare program is designed to maximize coverage for eligible children and federal funding participation for Florida, while avoiding the creation of an additional entitlement program under Medicaid. The eligibility requirements for the four Kidcare components are as follows:

- Medicaid - for children who qualify for Title XIX (of the Social Security Act) under the following limitations: birth to age 1, up to 200 percent of the Federal Poverty Level (FPL); ages 1 to 5, up to 133 percent of FPL; and ages 6 to 19, up to 100 percent FPL.
- Medikids - for children ages 1 to 4 who qualify for Title XXI (of the Social Security Act) with incomes up to 200 percent FPL.
- Healthy Kids - for children ages 5 to 19 who qualify for Title XXI up to 200 percent FPL. A limited number of children who have family incomes over 200 percent of FPL are enrolled in the Florida Healthy Kids Corporation full-pay category. In this category, the family pays the entire cost of coverage.
- The Children Medical Services network, administered by the Department of Health, acts as a "wrap around" service – providing care to children in any of the Kidcare eligibility categories who have serious health care problems. The Department of Health contracts with the Department of Children and Family Services to provide behavioral health services to non-Medicaid eligible children with special health care needs.

The Florida Healthy Kids program component of Kidcare is administered by the non-profit Florida Healthy Kids Corporation (FHKC), established in s. 624.91, F.S. Florida's Healthy Kids program existed prior to the implementation of the federal Title XXI State Child Health

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<sup>1</sup> Section 409.812, F.S. (2003).

Insurance Program. Florida was one of three states to have the benefit package of an existing child health insurance program grandfathered in as part of the Balanced Budget Act of 1997, which created the federal State Child Health Insurance Program.<sup>2</sup> The Healthy Kids Corporation contracts with a fiscal agent to perform initial eligibility screening for the program and final eligibility determination for children who are not Medicaid eligible. The fiscal agent refers children who appear to be eligible for Medicaid to the Department of Children and Family Services (DCF) for Medicaid eligibility determination, and children who appear to have a special health care need to Children's Medical Services of the Department of Health for evaluation. The Healthy Kids Corporation fiscal agent generates bills for co-payments for those participants who are required to pay a portion of the premium for their coverage.

Medikids uses the Medicaid infrastructure, offering the same provider choices and package of benefits. The Florida Healthy Kids Corporation contracts with managed care plans throughout the state. All applicants for Florida Kidcare complete one simplified application. Pursuant to federal law, each application is screened for the child's eligibility for Title XIX Medicaid. If eligible, the child is enrolled immediately into that program. If not eligible, the application is processed for Title XXI and if eligible, the child is enrolled into the appropriate Kidcare component. With the exception of the Medicaid component, the Florida Kidcare program is not an entitlement.

### **Employee-Sponsored Group Health Insurance Plans**

The Florida Kidcare statutes also authorize the provision of health benefits coverage through employer-sponsored group health insurance plans approved under ss. 409.810 - 409.820, F.S.<sup>3</sup> In December 1998, the Agency submitted to the United States Health Care Financing Administration an amendment to Florida's Title XXI Child Health Insurance Plan to provide employer-sponsored dependent coverage for eligible children through the parent's employer-sponsored group health plan. The amendment provided that the subsidized portion of the Kidcare benefits package would be provided through the employer-sponsored group health plan and would be paid directly to the health plan issuer. A health plan issuer that would participate in this program would provide s Kidcare benefits package using a policy rider to the parent's group health benefit plan. This program would provide coverage for children, ages 0-19.

Subsequently, on November 5, 1999, the federal government denied the amendment because it did not comply with Title XXI. The denial letter noted that the amendment proposed a 24 percent employer contribution for enrollees in firms with less than 50 employees that do not currently offer dependent care and a 40 percent employer contribution for enrollees in firms with more than 50 employees that do not currently offer dependent care. The federal government required a 60 percent employer contribution for such employer-sponsored insurance plans. In addition, the amendment did not address maintenance of effort provision for employers currently offering dependent coverage. This maintenance of effort provision is necessary to avoid employers dropping private insurance dependent coverage in order to offer this more affordable alternative coverage.

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<sup>2</sup> Public Law 105-33.

<sup>3</sup> Section 409.813, F.S.

***Funding***

Florida Kidcare is financed with a combination of federal, state and local funds, as well as family contributions. Federal funds come from two sources: the State Children’s Health Insurance Program (SCHIP) Title XXI of the Social Security Act (requires 29% state match), and Medicaid Title XIX of the Social Security Act (requires 41% state match).

Like most states, Florida gradually began enrolling children in Kidcare, so expenditures over the first four years were well below the federal allotment. As a result, Florida was one of the states that did not spend all of its SCHIP allotment over the three year time frame and federal funds were decreased and redistributed to other states from the 1998, 1999 and 2000 federal year allotments. Beginning in fiscal year 2002, Kidcare federal expenditures exceeded the federal year’s allotment. This means that Florida is spending prior year federal allotments (nonrecurring funds) to fund its program. Because there is a three-year period to spend a federal allocation for a specific federal fiscal year, it is estimated that Florida will have sufficient federal funding, but only for the current enrollment in the Kidcare Program until FY 2004-05. Once this reserve is depleted and absent increased allotments, Florida may have to reduce enrollment or implement other cost containment strategies.

***Waiting Lists***

Because the Legislature funded a “no growth” enrollment policy this year, waiting lists have been established. The cumulative waiting list has grown to over 73,000 children, as of December 9, 2003, as indicated in the table below. Since Kidcare is not an entitlement program, it is critical that enrollments and expenditures are monitored in order to ensure that expenditures are within the appropriation.

<b>Program</b>	<b>12/09/03</b>
Fla. Healthy Kids	35,772
Medikids	10,205
CMS Network	965
Sub-Total Title XXI	46,942
Fla. Healthy Kids Non-Title XXI	27,050
<b>Total - All Waiting Lists</b>	<b>73,992</b>

***Grace Periods and Reinstatement***

Presently, the statutes governing Kidcare do not require any type of grace period for the late payment of premium. However, the Agency, Department, and Healthy Kids Corporation currently provide a grace period for enrollees. Premiums are due one month in advance, or on the first, for coverage effective on the first of the subsequent month. If payment is not received on the first, notices for nonreceipt of payment are mailed to such enrollees approximately one week later. Generally, an enrollee is allowed to make a payment later in the month and maintain coverage for the subsequent month, if the payment is received prior to the 30th day of the month.

The Agency, Department, and Healthy Kids Corporation are required to establish enrollment criteria that must include penalties or waiting periods of no fewer than 60 days for reinstatement of coverage due to voluntary cancellation for nonpayment of premiums.<sup>4</sup> Effective December 2, 2003, the waiting period for reinstatement was changed from 60 days to six months.

### III. Effect of Proposed Changes:

**Sections 1, 2, and 4** Establish a 30-day grace period for the late payment of premium for Children's Medical Services, Medikids, and Florida Healthy Kids programs. Coverage would not be terminated if the premium is paid within the 30-day period after the due date. These sections also revise the current waiting period for reinstatement of coverage upon cancellation for nonpayment of premium for these programs from "not less than 60 days" to "not greater than 60 days." Currently, the waiting period for reinstatement is six months.

**Section 3** Creates s. 409.8141, F.S., which provides eligibility for an uninsured parent, guardian or caretaker relative whose child is enrolled in the Florida Kidcare program.

Subsection (1) provides that the enrollment of a parent, guardian, or relative caretaker is subject to the availability of funds and any limitations established in the state's General Appropriations Act or ch. 216, F.S.

Subsection (2) provides for separate cost-sharing requirements or premiums for adults from those of children. Nonpayment of the premiums or costs-sharing requirements for a parent, guardian, or relative caretaker would not be grounds for disenrollment of a child in that family.

Subsection (3) creates the opportunity for families with incomes over 200 percent of the Federal Poverty Level to pay the full premium plus administrative costs, and to obtain coverage for a parent, guardian or relative caretaker.

Subsection (4) provides that eligibility created in s. 409.8141, F.S., will not be an entitlement, and that the Agency for Health Care Administration and the board of directors of the Florida Healthy Kids Corporation may limit enrollment to comply with the General Appropriations Act. The subsection also provides that these enrollees would not be included in the enrollment limitations established for the Florida Kidcare program.

**Section 5** Requires the Agency for Health Care Administration to submit to the United States Department of Health and Human Services a proposed amendment to the Children's Health Insurance Program State plan under Title XXI of the Social Security Act which would implement the employer-sponsored group health insurance plans specified in s. 409.813, F.S.

**Section 6** provides that this act takes effect October 1, 2004.

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<sup>4</sup> Section 409.8132(9), F.S.

**IV. Constitutional Issues:****A. Municipality/County Mandates Restrictions:**

None.

**B. Public Records/Open Meetings Issues:**

None.

**C. Trust Funds Restrictions:**

None.

**V. Economic Impact and Fiscal Note:****A. Tax/Fee Issues:**

None.

**B. Private Sector Impact:**

By providing affordable coverage to an uninsured parent, guardian, or relative caretaker, families might be more likely to obtain and maintain insurance coverage, resulting in better health and more preventive health care.

Currently, the waiting period for reinstatement of coverage due to voluntary cancellation for nonpayment of premium is six months. According to the Healthy Kids Corporation, approximately 6,500 children are disenrolled on a monthly basis due to nonpayment of premium. By establishing a 30-day grace period for the late payment of a premium (for Medikids, Florida Healthy Kids, and Children Medical Services) more children would continue to receive health care benefits uninterrupted. By capping the waiting period for reinstatement of coverage upon cancellation for nonpayment of premium to not greater than 60 days, rather than six months, the adverse impact of being disenrolled and uninsured would be substantially reduced.

More adults would be eligible for coverage through employer-sponsored group health insurance plans specified in s. 409.813, F.S., if the Agency is able to obtain approval for an amendment to the Children's Health Insurance Program State plan, under Title XXI of the Social Security Act, from the United States Department of Health and Human Service.

There are concerns with using Title XXI funds for the purpose of covering parents, guardians, and caretakers of children enrolled in Kidcare. Estimates indicate that there are approximately 366,000 - 390,000 potentially eligible uninsured children who are not yet covered by Kidcare. By adding additional members to the Florida Kidcare program, the time period for reaching the adverse effects of reductions in federal funding of the state children's insurance program would be shortened. This could mean decreasing

enrollment, limiting the benefits package currently offered to existing Kidcare members, or implementing other cost containment strategies.

The effects of crowd-out may be greater for this newly covered population. Crowd-out occurs when a beneficiary cancels or refuses private or employer-based insurance in order to receive this more affordable health insurance alternative.

C. **Government Sector Impact:**

**Agency for Health Care Administration**

Presently, the Florida Healthy Kids Corporation contracts with providers are based on services for children and these contracts would need to be expanded to provide services for adults and the benefit package for adults would need to be developed.

According to the Agency for Health Care Administration (Agency), insuring adults would have a significant fiscal impact on the Kidcare program. Florida Kidcare is attempting to accommodate the eligible children who are unable to receive coverage. Each program has exceeded the maximum enrollment based on funds appropriated for FY 2003-04. Since July 1, 2003, new applicants have been placed on a waiting list. The Florida Kidcare wait list currently exceeds 73,000 children.

The Agency notes that Florida, along with 18 other states, is facing major reductions in state SCHIP allocations beginning with FY 2002 through FY 2004. Unless congressional action is taken to increase SCHIP funding, this problem known as "CHIP-Dip," may force Florida to consider such strategies as cutbacks in services, lower enrollment limits, bigger wait lists, and/or cutbacks in provider payments. Florida was projected to feel the effects of CHIP-Dip in 2003 and 2004, when the level of federal SCHIP expenditures needed to sustain Florida's projected Kidcare enrollment will exceed the total federal SCHIP funds available for a year. However, because there is a three-year period to spend a federal allocation for a specific federal fiscal year, it is estimated that Florida will have sufficient federal funding, but only for the current enrollment in the Kidcare Program until FY 2004-05. Insuring a new population of adults will reduce the time it takes to reach the federal allocation limit, and require action in the form of additional cost controls. There is no guarantee that federal funds will be available to Florida under the current Title XXI program and funding allocations.

According to the Agency, an estimated 289,872 parents, guardians, and caretakers could be eligible for coverage under the provisions of this committee substitute. The Agency provided the following estimated fiscal impact of the committee substitute, given the following assumptions: 1) The enrollment and administrative function would be contracted at an average cost of \$3.33 per beneficiary per month; 2) The average premium cost per adult is calculated at the average cost per month per individual for the Florida State Employee's Group Health Self-Insurance (Single: \$337.36); 3) Used actual December 2003 monthly caseload for children in each component of Florida Kid care for FY 2003-2004; 4) Assumed 1.8 children per family; 5) Assumed 62.2 percent of children are in two-parent families and 37.8 percent of children are in one-parent families; 6)

Assumed that federal financial participation will be at the enhanced Federal Medical Assistance Percentage (71.23% beginning 10/1/04); 7) Assumed that beneficiaries will be full covered on October 1, 2004; and 8) Made no assumption regarding level of premium or other share of cost paid by parents.

<b>Revenues:</b>	<b>FY 2004-05</b>	<b>FY 2005-06</b>
Non-Recurring Revenues	0	0
Recurring Revenues: Title XXI (SCHIP)	\$633,098,241	\$844,130,988
<b>Total Revenues</b>	<b>\$633,098,241</b>	<b>\$844,130,988</b>
<b>Expenditures:</b>		
Contracts with Insurance Plans/Fiscal Administrator		
289,872 parents X \$337.36 Premium X 9 months	\$880,120,961	0
289,872 parents X \$3.33 Admin Cost X 9 months	\$8,687,464	0
289,872 parents X \$337.36 Premium X 12 months	0	\$1,173,494,615
289,872 parents X \$3.33 Admin Cost X 12 months	0	\$11,583,285
<b>Total Recurring Expenditures</b>	<b>\$888,808,425</b>	<b>\$1,185,077,900</b>
<b>Amount of Expenditures Exceeding Revenues</b>	<b>\$255,710,184</b>	<b>\$340,946,912</b>
<b>Funding of Expenditures:</b>		
Medical Care Trust Fund - 71.23%	\$633,098,241	\$844,130,988
General Revenue Fund - 28.77%	\$255,710,184	\$340,946,912
<b>Total Funding of Expenditures</b>	<b>\$888,808,425</b>	<b>\$1,185,077,900</b>

The estimated amount of state funding by the General Revenue Fund assumes that federal funding or cost sharing will be available. The state and federal funding will be reduced by the amount of cost sharing required by the parent, guardian, or caretaker. The amount of such cost sharing is not explicitly stated in the committee substitute.

**Department of Health**

Adults who meet the clinical eligibility criteria could qualify for the Children’s Medical Services (CMS) network that is administered by the Department of Health (DOH). Presently, the CMS, which is the Title V (of the Social Security Act) agency for Children with Special Health Care Needs, is not configured to serve adults with special health care needs. Additional services and providers would need to be added in order to meet the needs of medically eligible adults. The DOH would not be able to create a network of providers and services for adults in a short time period (October 1, 2004). A new unit would need to be established within the department for adults with special needs. Although the federal SCHIP program does allow administrative expenses, there is an overall cap of 10 percent for administrative costs, from which administrative expenses for the Department of Health, Agency for Health Care Administration, and the Florida Healthy Kids Corporation are paid. Federal funds may not be available to help finance the cost of additional staff that would be needed for a unit for adults with special health care needs. The Department of Health provided the following fiscal impact for creating a new unit to serve adults:



<b>DOH Fiscal Impact</b>	<b>FY 2004-05 (9 months)</b>	<b>FY 2005-06</b>
<b>Non-Recurring Expenditures:</b>		
Expense		
3 FTE professional staff package		
1 FTE support staff package	\$11,786	
Other Capital Outlay	\$6,500	
<b>Total Non-Recurring</b>	<b>\$18,286</b>	
<b>Recurring Expenditures:</b>		
Salaries and Benefits 4- FTEs	\$220,972	\$220,972
Expenses	\$51,400	\$51,400
<b>Total Recurring</b>	<b>\$272,372</b>	<b>\$272,372</b>
<b>Total Non-Recurring and Recurring Expenditures</b>	<b>\$290,658</b>	<b>\$272,372</b>

**Department of Children and Family Services**

The Department of Health contracts with the Department of Children and Family Services to provide behavioral health services to non-Medicaid eligible children with special health care needs. The impact of providing behavioral health services to these new adult enrollees of covered children is unknown.

**Local Governments**

Enactment of the committee substitute might result in a decrease in indigent health care expenditures for local governments, since the parents, guardians, or caretakers of enrolled children would have health insurance.

**VI. Technical Deficiencies:**

The committee substitute may conflict with the existing eligibility requirements for Medikids (which, pursuant to s. 409.8132(6), F.S., is limited to children between the ages of 1 and 5), Florida Healthy Kids Corporation (which is intended to provide services to school age children with a family income below 200 percent of the federal poverty level, although the corporation may serve other children pursuant to s. 624.91, F.S.), and the Children’s Medical Services Network (s. 391.029, F.S.), which provides services to eligible children under the age of 21, generally, and under the age of 19 for purposes of the Florida Kidcare program.

Section 3 of the committee substitute includes the provision that the Agency for Health Care Administration and the board of directors of the Florida Healthy Kids Corporation has the authority to place enrollment limits on the adult population. The committee substitute does not provide similar authority to the Department of Health to impose enrollment limits on parents, guardians, or caretaker relatives of children enrolled in the Children’s Medical Services Network.

**VII. Related Issues:**

Section 3 of the committee substitute does not address how the parent’s enrollment would be affected when an actively enrolled child is temporarily suspended for a period of six months due

to nonpayment of premiums. Since the parent, guardian or caretaker relative's eligibility is based on the child's enrollment in Kidcare, clarification may be needed relating to this situation.

Certain eligibility requirements for Titles XIX and XXI programs are established by federal regulations and generally require a participant to either be a U.S. citizen or a lawfully admitted and qualified alien. It is unclear whether parents, guardians, or caretakers would be subject to these eligibility requirements.

**VIII. Amendments:**

None.

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This Senate staff analysis does not reflect the intent or official position of the bill's sponsor or the Florida Senate.

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