

# 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/CS/SB 210

**SPONSOR:** Health, Aging, and Long-Term Care Committee, Banking and Insurance Committee, and Senators Wasserman Schultz and Siplin

**SUBJECT:** Florida Kidcare Program

**DATE:** January 22, 2004      **REVISED:** \_\_\_\_\_

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

**I. Summary:**

The 1998 Florida Legislature enacted the Florida Kidcare program in response to the passage by Congress of the State Children’s Health Insurance Program (Title XXI of the Social Security Act) as part of the Balanced Budget Act of 1997. 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 (FPL) (\$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 through 4 (Title XXI);
- Florida Healthy Kids - ages 5 through 18 (Title XXI and non-Title XXI);
- Children’s Medical Services Network - children with special medical or behavioral health care needs, from birth through age 18 (Title XXI); and
- Medicaid for children - birth through age 18 (Medicaid Title XIX); and Medicaid for babies - birth to age 1 from 185 to 200 percent of the FPL (Title XXI).

This bill makes Florida Kidcare coverage available to an uninsured parent, guardian, or caretaker relative of a child enrolled in Kidcare if they do not first qualify for the Medicaid program. The bill specifies an adult benefits package. 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 requirements or premiums. Nonpayment of the parent’s premium would not affect the child’s enrollment. The bill also provides the option of paying the full premium if family income is over 200 percent of the FPL.

The bill establishes a one-month grace period for the late payment of a premium (for Medikids, Florida Healthy Kids, and Children’s Medical Services) and revises the waiting period for reinstatement of coverage upon cancellation for nonpayment of premium to “not greater than 60 days” rather than “not fewer than 60 days.”

The bill also requires the Agency for Health Care Administration (AHCA) to submit to the U.S. Department of Health and Human Services (HHS) a proposed amendment to Florida’s 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 bill amends ss. 391.026, 409.8132, and 624.91, F.S.

The bill creates s. 409.8141, F.S., and one undesignated section of law.

## II. Present Situation:

The Legislature created Florida’s Kidcare program during 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 FPL (\$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.

### Kidcare 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 FPL; ages 1 through 5, up to 133 percent of the FPL; and ages 6 through 18, up to 100 percent of the FPL.
- Medikids - for children ages 1 through 4 who qualify for Title XXI (of the Social Security Act) with incomes up to 200 percent of the FPL.
- Healthy Kids - for children ages 5 through 18 who qualify for Title XXI up to 200 percent of the FPL. A limited number of children who have family incomes over 200 percent of the FPL are enrolled in the Florida Healthy Kids Corporation full-pay category. In this category, the family pays the entire cost of coverage.
- The CMS Network, administered by the Department of Health (DOH), acts as a “wrap around” service – providing care to children in any of the Kidcare eligibility categories who have serious health care problems from birth through age 18. DOH contracts with the

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

Department of Children and Family Services (DCF) to provide behavioral health services to non-Medicaid eligible children with special health care needs.

### **Kidcare Administration**

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. The Florida's Healthy Kids program existed prior to the implementation of the federal Title XXI State Children's Health Insurance Program (SCHIP). 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 Children's 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 DCF for Medicaid eligibility determination, and children who appear to have a special health care need to the CMS Network within DOH 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.

Medicaid for children and Medikids are administered by AHCA. 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 for Medicaid, the child is enrolled immediately into that program. If the child is not eligible for Medicaid, the application is processed for Title XXI and if the child is eligible under Title XXI, the child is enrolled into the appropriate Kidcare component. With the exception of the Medicaid component, the Florida Kidcare program is not an entitlement.

### **Program 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, Title XXI of the Social Security Act (requires 29 percent state match), and Medicaid, Title XIX of the Social Security Act (requires 41 percent 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.

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

### Program Waiting Lists

Because the Legislature funded a “no growth” enrollment policy this year, waiting lists have been established for the Kidcare program. The cumulative waiting list has grown to over 89,000 children, as of December 30, 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>12/30/2003</b>
Fla. Healthy Kids	47,483
Medikids	14,131
CMS Network	1,323
Sub-Total Title XXI	62,937
Fla. Healthy Kids Non-Title XXI	26,833
<b>Total – All Waiting Lists</b>	<b>89,770</b>

Source: Florida Healthy Kids Corporation, December 2003.

### Grace Periods and Reinstatement

Presently, the statutes governing Kidcare do not require any type of grace period for the late payment of premium. However, AHCA, DOH, and the Healthy Kids Corporation currently provide a grace period for enrollees. Premiums are due one month in advance, or on the first day of the month, for coverage effective on the first day of the subsequent month. If payment is not received on the first day of the month, notices for nonreceipt of payment are mailed to such enrollees approximately one week later. A cancellation notice is mailed to the family if the premium payment is not received by the 20th. 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.

AHCA, DOH, and the Healthy Kids Corporation are required to establish enrollment criteria that must include penalties or waiting periods of not fewer than 60 days for reinstatement of coverage due to voluntary cancellation for nonpayment of premiums.<sup>3</sup> Effective December 2, 2003, the waiting period for reinstatement was changed from 60 days to six months. In order to be reinstated after the 6-month penalty period, the family must have paid the premium and the family must call Florida Healthy Kids to request reinstatement. The child is not reinstated if both of these actions aren't taken. If a wait list is in effect, the child will be placed on the wait list.

### Expanding SCHIP Coverage

In 2001, the federal government introduced broad new policy changes in Medicaid and the State Children's Health Insurance Program. The new initiative, the Health Insurance Flexibility and Accountability (HIFA) Demonstration program, is designed to give states more options to

<sup>3</sup> Section 409.8132(9), F.S.

expand coverage to low-income individuals and families. It also simplifies the approval process that states must go through to receive federal waivers from the Medicaid and SCHIP rules. Under HIFA, a state can use a standard template, submitted electronically, to request an §1115 waiver to make certain changes to its Medicaid and/or SCHIP programs, including changes to federal eligibility requirements, if the waiver request expands eligibility. Historically, states asked for federal waivers to design state-specific programs to expand coverage for the uninsured. By seeking exceptions to the federal rules, states attempted to form partnerships with the private sector, reduce costs, expand coverage, or offer services that are different from those in a traditional insurance package. HIFA waivers, like other §1115 waivers, remain time-limited and must be federal budget neutral.

HIFA was presented as a cost-saving initiative that would give states the flexibility to use the Medicaid and SCHIP programs as vehicles to increase health insurance coverage for low-income individuals (below 200 percent of the federal poverty level) traditionally excluded from Medicaid and SCHIP coverage, or who now only receive limited coverage. States can expand coverage to populations above 200 percent of the FPL, but they have to demonstrate that all populations below 200 percent are covered. Three groups are targeted under the HIFA waivers.

*Mandatory groups* include recipients that states are currently covering under Medicaid. These groups include anyone covered under the state welfare plan in 1966, as well as those who are covered under the new welfare reform act and receiving transitional medical assistance. Children under the age of 6 and pregnant women up to 133 percent of the FPL are included, along with children between ages 6 and 16 to 100 percent of the FPL and some 18 year olds. Disabled and elderly Social Security beneficiaries are also covered. Under HIFA, these benefits must remain intact.

*Optional groups* include eligible individuals that states may wish to cover under existing law who have incomes above the mandatory population levels. HIFA allows states to adjust these optional benefits within certain guidelines to expand coverage to uninsured individuals. Examples of optional benefits include home health for non-nursing home eligible individuals, personal care, and dental care.

*Expansion groups* include those individuals who can only be covered by Medicaid or SCHIP through federal §1115 waiver authority. They can include nondisabled adults who do not have children and others not traditionally eligible for Medicaid.

Many states have applied for HIFA waivers to expand their programs through the use of SCHIP funds. Expansions have been proposed to cover parents, pregnant women, and childless adults.

### **Covering Parents under the Kidcare Program**

Although created to provide health coverage to children, SCHIP has been viewed by states as a possible vehicle for extending coverage to the parents of eligible children. These states have argued that providing coverage to both children and their parents offers a more effective—and ultimately a more successful—way to cover children.

In July 2000, before the HIFA initiative was implemented, the federal Centers for Medicare and Medicaid Services (CMS) announced that it would consider §1115 demonstration projects designed to expand SCHIP funding to cover parents. CMS authorized four states to extend SCHIP coverage to parents: Minnesota, New Jersey, Rhode Island, and Wisconsin. These states began covering adults before their SCHIP family coverage waivers were approved. Both New Jersey and Rhode Island did so under §1931 of the Social Security Act, while Minnesota and Wisconsin did so using a §1115 Medicaid waiver. Obtaining the §1115 waivers has been considered by states to be a difficult, complex, and time consuming process, one that must be repeated every few years if the changes were to remain in place. HIFA was implemented in part to simplify the process.

States that have applied for SCHIP program expansion to parents under the HIFA waiver, that have been approved, include Arizona, California, Illinois, Michigan, and Oregon.

### **Expanding Coverage through Employer-Sponsored Group Health Insurance Plans**

States have tried introducing a number of incentives to increase the provision of employer-sponsored insurance. These have mainly been comprised of tax credits for small employers and the provision of subsidies to offset the cost of the monthly premium to an individual or family. States have found it administratively difficult to implement employer-sponsored insurance programs in the past that include federal matching funds, but the availability of the HIFA waiver offers additional flexibility to develop these programs. States that have used the HIFA waiver to expand coverage through employer-sponsored plans include Arkansas and New Mexico.

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>4</sup> In December 1998, AHCA submitted to the U.S. Health Care Financing Administration (now the Federal Centers for Medicare and Medicaid Services) an amendment to Florida's Title XXI Children's 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 the Kidcare benefits package using a policy rider to the parent's group health benefit plan. This program would provide coverage for children, ages 0 to 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 the maintenance of effort provision for employers currently offering dependent coverage. This maintenance of effort provision is necessary to keep employers from

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<sup>4</sup> Section 409.813, F.S.

dropping private insurance dependent coverage in order to offer this more affordable alternative coverage.

### **Health Benefits Coverage**

Section 409.815, F.S., specifies health benefits coverage and limitations for children enrolled in the Kidcare program. The state contracts with providers whose services are oriented towards children. This benefits package would not be suitable for adults.

The standard health benefits package as established under s. 627.6699(12), F.S., was developed to promote the availability of health insurance coverage for small employers to offer to their employees. The benefits package is designed to meet the needs of working adults.

### **III. Effect of Proposed Changes:**

**Section 1.** Amends s. 391.026, F.S., to establish a one-month grace period for the late payment of premium for the Children's Medical Services program. Coverage would not be terminated if the premium is paid within the one-month period after the due date. This section also revises the current waiting period for reinstatement of coverage upon cancellation for nonpayment of premium for the program from "not less than 60 days" to "not greater than 60 days."

**Section 2.** Amends s. 409.8132, F.S., establishing a one-month grace period for the late payment of premium for Medikids. Coverage would not be terminated if the premium is paid within the one-month period after the due date. This section also revises the current waiting period for reinstatement of coverage upon cancellation for nonpayment of premium for the program from "not fewer than 60 days" to "not greater than 60 days."

**Section 3.** Creates s. 409.8141, F.S., to provide Kidcare eligibility for an uninsured parent, guardian, or relative caretaker 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 that an uninsured parent, guardian, or relative caretaker who is eligible for Medicaid coverage under s. 409.903 or s. 409.904, F.S., must be enrolled in the Medicaid program.

*Subsection (3)* provides that the uninsured parent, guardian, or relative caretaker shall receive the standard health care benefits package as established under s. 627.6699(12), F.S., for employees of small employers.

*Subsection (4)* provides for separate and additional cost-sharing requirements or premiums for the parent, guardian, or relative caretaker. Nonpayment of the premiums or cost-sharing requirements for a parent, guardian, or relative caretaker would not be grounds for disenrollment of a child in that family.

*Subsection (5)* 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 (6)* provides that eligibility created in s. 409.8141, F.S., will not be an entitlement, and that AHCA and the board of directors of the Florida Healthy Kids Corporation may limit enrollment to comply with the General Appropriations Act.

*Subsection (7)* provides that these enrollees would not be included in the enrollment limitations established for the Florida Kidcare program.

*Subsection (8)* Provides that the agency shall seek federal waivers necessary to implement this section.

**Section 4.** Amends s. 624.91, F.S., to establish a one-month grace period for the late payment of premium for the Healthy Kids Corporation. Coverage would not be terminated if the premium is paid within the one-month period after the due date. This section also revises the current waiting period for reinstatement of coverage upon cancellation for nonpayment of premium for the program from “not fewer than 60 days” to “not greater than 60 days.”

**Section 5.** Requires AHCA to submit to HHS, by October 1, 2004, a proposed amendment to Florida’s 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 agency may seek federal waivers necessary to implement the plan amendment.

**Section 6.** Provides that this act shall take effect October 1, 2004.

#### **IV. Constitutional Issues:**

##### **A. Municipality/County Mandates Restrictions:**

The provisions of this bill have no impact on municipalities and the counties under the requirements of Article VII, Section 18 of the Florida Constitution.

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

The provisions of this bill have no impact on public records or open meetings issues under the requirements of Art. I, s. 24(a) and (b) of the Florida Constitution.

##### **C. Trust Funds Restrictions:**

The provisions of this bill have no impact on the trust fund restrictions under the requirements of Article III, Subsection 19(f) of the Florida Constitution.



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

None.

**B. Private Sector Impact:****Extending Coverage to Parents**

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. Businesses may see an increase in worker productivity and better work attendance due to the benefits of adults having access to preventative health care.

This bill may have a positive impact on families when formerly uninsured adults obtain health insurance coverage thereby reducing the amount of unpaid medical bills for families. The bill may also help with the continuity of care between family members.

To the extent that uninsured adults obtain coverage, the burden on health care providers for uncompensated care would be reduced.

**Changes to the Waiting Period for Reinstatement**

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 one-month 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 without interruption. 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.

**Coverage through Employer-Sponsored Plans**

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

Many small business owners are reluctant to get involved in a state subsidized program due to the administrative work involved. The cost to the business owner would need to be low enough to attract businesses that are not providing insurance now because of the cost.

**C. Government Sector Impact:****Healthy Kids**

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

The Florida Healthy Kids Corporation estimates an impact of \$2.7 million if the reinstatement of coverage for children upon cancellation for nonpayment of the premium is changed from six months to no greater than 60 days.

**Agency for Health Care Administration**

According to AHCA, 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 2003-2004. Since July 1, 2003, new applicants have been placed on a waiting list. The Florida Kidcare wait list currently exceeds 89,000 children.

AHCA notes that Florida, along with 18 other states, is facing major reductions in state SCHIP allocations that began 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 additional federal funds will be available to Florida under the current Title XXI program and funding allocations.

According to AHCA, an estimated 289,872 parents, guardians, and relative caretakers could be eligible for coverage under the provisions of the bill. AHCA provided the following estimated fiscal impact of the bill, given the following assumptions:

- The enrollment and administrative function would be contracted at an average cost of \$3.33 per beneficiary per month;
- 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);
- The actual December 2003 monthly caseload for children in each component of Florida Kidcare for FY 2003-2004 was used;

- Assumed 1.8 children per family;
- Assumed 62.2 percent of children are in two-parent families and 37.8 percent of children are in one-parent families;
- Assumed that federal financial participation will be at the enhanced Federal Medical Assistance Percentage (71.23 percent beginning October 1, 2004);
- Assumed that beneficiaries will be fully covered on October 1, 2004; and
- Made no assumption regarding level of premium or other share of cost paid by parents.

	FY 2004-05	FY 2005-06
<b>Revenues:</b>	0	0
Non-Recurring Revenues		
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 relative caretaker. The amount of such cost sharing is not explicitly stated in the bill.

The fiscal impact of the provisions set forth in the bill, cannot be fully determined, given the need for clarifying information about such variables as: the total number of individuals who will be covered under the employer-sponsored group health insurance plan; the cost-sharing amount the state will contribute; what entity will provide the administration of the employer-sponsored program; and, whether AHCA will assume this responsibility or whether it will be contracted out.

**Department of Health**

Adults who meet the clinical eligibility criteria could qualify for the CMS Network that is administered by DOH. Presently, the CMS Network, 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. 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 DOH, AHCA, 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. DOH provided the following fiscal impact for creating a new unit to serve adults:

	<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 FTE)	\$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**

DOH contracts with DCF 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 bill 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:**

None.

**VII. Related Issues:**

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 adverse effects of reductions in federal funding for SCHIP would be exacerbated. 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. However, the SCHIP program can establish policies that discourage those who have private health insurance from voluntarily switching to publicly funded health care. Some states covering parents limit eligibility by imposing waiting periods, a specified period of time during which the applicant must be without health insurance in order to qualify for SCHIP. Waiting periods vary across states providing coverage to parents from three to six months.

In addition to using waiting periods, states can operate premium assistance programs. These programs prevent crowd-out by keeping families who have access to employer sponsored insurance in that system. They also discourage employers from encouraging employees to take public coverage rather than join the employer sponsored plan because even if the employee joins the public program he/she will still be enrolled in the employer's plan and the employer will need to continue to pay the share of the premium.

**VIII. Amendments:**

None.