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.)

Prepared By: Health and Human Services Appropriations Committee

BILL: CS/SB 1324

SPONSOR: Health Care Committee and Senator Rich

SUBJECT: The Florida KidCare Program

DATE: April 7, 2005 REVISED: _____ _____ _____ _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Garner	Wilson	HE	**Fav/CS**
2.	Dull	Peters	HA	**Favorable**
3.				
4.				
5.				
6.				

I. Summary:

This bill allows continuous, year-round enrollment in the Florida KidCare program by removing statutory language restricting open enrollment to January and September of each year.

This bill amends ss. 409.8132 and 409.8134, Florida Statutes.

II. Present Situation:

State Children's Health Insurance Program

The State Children's Health Insurance Program (SCHIP), enacted as part of the Balanced Budget Act of 1997, created Title XXI of the Social Security Act, which provides insurance to uninsured children in low-income families either through a Medicaid expansion, a separate children's health program, or a combination of both. SCHIP was designed as a federal/state partnership, similar to Medicaid, with the goal of expanding health insurance to children whose families earn too much money to be eligible for Medicaid, but not enough money to purchase private insurance. SCHIP is the single largest expansion of health insurance coverage for children since the initiation of Medicaid in the mid-1960s.

Congress set aside approximately $40 billion over ten years (1998 through 2007) for states to expand health insurance coverage for millions of children. The federal SCHIP funds dropped by 26 percent, or more than $1 billion, in federal fiscal year 2002 and remained at this level through 2004 before increasing. The Balanced Budget Act of 1997 included this reduction to ensure the budget was balanced by 2002, in response to budget constraints rather than for policy reasons.

The Florida KidCare Program

The Legislature created Florida's KidCare Program during the 1998 Legislative Session, in response to passage of Title XXI of the Social Security Act, to make affordable health insurance available to previously uninsured, low-income children. 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 (FPL) ($38,700 for a family of four in 2005). 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 KidCare Program is outlined in ss. 409.810 through 409.821, F.S.

Enrollment was initiated on October 1, 1998, and 1,465,083 children are enrolled in the various components of the KidCare Program as of March 2005. Of this total, 226,016 children are Title XXI eligible, 20,425 children are non-Title XXI eligible, and 1,218,642 children are eligible under the Medicaid Title XIX Program.

KidCare is an "umbrella" program that currently includes the following four components: Medicaid for children; Medikids; the Florida Healthy Kids Program; and the Children's Medical Services (CMS) Network, which includes a behavioral health component.

KidCare Eligibility

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 (185% - 200% Title XXI); 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 non-Title XXI non-qualified alien children are enrolled in the non-federally funded program and are funded with state and local funds. A limited number of children who have family incomes over 200 percent of the FPL and a limited number of children age 19 are enrolled in the unsubsidized full pay category in which the family pays the entire cost of the premium, including administrative costs.
- CMS Network - for children ages birth through age 18 who have serious health care problems.

The Department of Health (DOH) contracts with the 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, established in s. 624.91, F.S. The Florida Healthy Kids program existed prior to the implementation of the federal Title XXI 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 SCHIP.

The Florida Healthy Kids Corporation contracts with managed care plans throughout the state for the provision of health care coverage. 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 KidCare application is a simplified application that serves applicants for both the Title XXI KidCare Program as well as Title XIX Medicaid. Pursuant to federal law, each application is screened for the child's eligibility for Title XIX Medicaid. 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. 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.

Medicaid for children and Medikids are administered by the Agency for Health Care Administration. Medikids uses the Medicaid infrastructure, offering the same provider choices and package of benefits.

The KidCare Program requires a two tiered family premium for program participation. Families under 150 percent of the FPL pay $15 per month and families between 150 percent and 200 percent of the FPL pay $20 per month.

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 SCHIP, 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).

The amount of the federal funds available for Title XXI programs is limited for each fiscal year nationally and at the state level. State allotments for a fiscal year are determined in accordance with a statutory formula that is based on two factors: the "Number of Children" and the "State Cost Factor." The variability of state allotments over time is constrained by the application of federal statutorily prescribed floors and ceilings, which limit the amount that allotments fluctuate from year-to-year and over the life of the SCHIP program. In general, state allotments for a fiscal year remain available for expenditure by that state for a 3-year period; the fiscal year of the award and the two subsequent fiscal years. However, any allotment amounts for a fiscal year, which remain available after the three fiscal years, are subject to reallocation to another state. In 2005, Florida will receive $38,256,995 in redistributed dollars from unspent funds from other states for FY 2002.

2004 Legislative Changes

SB 2000

Because the Legislature funded a "no growth" enrollment policy in fiscal year 2003-2004, waiting lists for enrollment were established for the KidCare program. By January 30, 2004, the cumulative Title XXI waiting list had grown to over 90,000 children. To address this waiting list, the 2004 Legislature passed SB 2000 (ch. 2004-270, Laws of Florida) which provided funding to eliminate

the waiting list. Among this and other changes, the law also eliminated continuous enrollment and replaced it with no more than two 30-day open enrollment periods per fiscal year (September 1 – 30 and January 1 – 30) on a first-come, first-served basis using the date the new open enrollment application is received. Each open enrollment period is only allowable if the Social Services Estimating Conference estimates that KidCare caseloads are at a level that an open enrollment would not exhaust the state's allotment of federal funds through the remainder of the program's authorization (2007). As a result of these changes, eligible children on the waiting list were enrolled in their respective programs in early 2004.

SB 28A

Senate Bill 2000 successfully eliminated the waiting list of over 90,000 children; however, monthly enrollment declined throughout the remainder of the year. Senate Bill 2000 also added additional documentation requirements for proof of family income, indirectly contributing to the steady decline in enrollment. Upon recognition of the complications derived from the additional documentation requirements, the legislature passed Senate Bill 28A during the November 2004 special session for hurricane relief. Senate Bill 28A revised the income documentation requirements, allowing applicants to submit only one form for proof of family income.

January 2005 Open Enrollment for KidCare

The Social Services Estimating Conference convened on November 1 and 10, 2004 to adopt a caseload and expenditure forecast for the Kidcare Program through October 2007. The conference reviewed recent program experience, with particular attention to caseload levels in light of the freeze on new enrollments into the program. The Conference found that, in general, caseloads are on a downward trend as children leaving the program are not being replaced by new enrollees, with caseloads for November 2004 at about 85 percent of the average appropriated monthly level for the fiscal year.

Discussion at the conference centered on the attrition in the caseload and its consequences over the period through September 2007 when authorization for federal funding participation ends, and on the effect an open enrollment period in January 2005 would have on the sufficiency of Florida's allotment of federal funds over that time period. The conference agreed that considering the rate of attrition being experienced in the program and the fact that current caseload levels were less than appropriated, it would be extremely unlikely that holding an open enrollment in January 2005 (as allowed by statute) would result in caseload levels that would exhaust the state's allotment of federal funds through the remainder of the program's authorization.

As a result, an open enrollment was approved for January 2005, under the condition that the number of new enrollees did not surpass the appropriated Title XXI level of 389,515 enrollees. Based on the Title XXI caseload as of November 2004, 72,000 open enrollment slots were deemed available.

Between January 1 and January 31, 2005, the Florida KidCare program conducted an open enrollment. The program received 96,561 applications representing an estimated 175,000 children. These applications are still being processed at this time, so it is unclear how many of the available slots will be filled from the January open enrollment. Historically, 35 percent of applicants are enrolled in Medicaid, 20 percent do not complete the process (e.g., they fail to return required paperwork, etc.), and seven percent are deemed ineligible. Based on these statistics, Healthy Kids Corporation administrators believe that the open enrollment process will not fill all available slots and, at the current rate of attrition, that the state will not exhaust its federal resources for this fiscal

year which may result in Florida having to return a portion of its allocation back to the federal government.

III. Effect of Proposed Changes:

Section 1. Amends s. 409.8132(7), F.S., to allow enrollment in the Medikids component of Florida KidCare at any time throughout the year, rather than open enrollment periods as specified in s. 409.8134, F.S.

Section 2. Amends s. 409.8134, F.S., to allow the Florida KidCare Program to conduct enrollment at any time throughout the year; require Florida KidCare administrators to ensure the year-round enrollment period is announced; repeal the limited enrollment periods in January and September; and repeal the limited criteria by which the CMS Network may annually enroll children on an emergency basis.

Section 3. Provides an effective date upon becoming a law.

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:

None

C. Government Sector Impact:

The following analysis summarizes a comparison of potential program expenditures under current guidelines or under continuous open enrollment. The analyses appear to demonstrate that current budgeted funds are sufficient to sustain continuous enrollment through fiscal year 2006-07.

Historical Enrollment Data:

KidCare enrollment steadily increased from April 1998 through August 2003, reaching a peak of approximately 330,579 in August 2003. During that time period, KidCare maintained a continuous enrollment policy. However, the legislature froze enrollment beginning in fiscal year 2003-04 as a result of expenditure projections exceeding the federal allotments. The enrollment freeze continued until the 2004 legislative session, when Senate Bill 2000 provided funding to remove approximately 90,000 applicants from the waiting list, as a result of $132 million in redistributed federal funds. The 2004 legislative session also provided several additional policy changes to the KidCare program. Enrollment was limited to two open sessions for thirty days, occurring January and September each year, and income documentation requirements were increased.

The following table provides a snapshot of the most recent twelve months of enrollment by eligibility category. For the past twelve months, enrollment has declined by 33 percent. Increased documentation requirements, limited open enrollment periods and natural attrition rates have contributed to the decline of enrollment during this period.

Table 1

	Title XXI-Funded				
	Medicaid <1 185-200% FPL	MediKids	CMS Network	Healthy Kids	Title XXI TOTAL
April-04	1,473	31,756	10,434	293,026	**336,689**
May-04	1,452	35,724	10,211	287,647	**335,034**
June-04	1,292	35,916	10,138	284,370	**331,716**
July-04	1,240	35,040	10,053	284,948	**331,281**
August-04	1,262	34,157	9,846	280,102	**325,367**
September-04	1,273	33,343	9,751	279,146	**323,513**
October-04	1,248	32,140	9,740	280,134	**323,262**
November-04	1,271	31,130	9,654	277,070	**319,125**
December-04	1,229	29,497	8,791	231,200	**270,717**
January-05	1,248	23,915	8,389	218,657	**252,209**
February-05	1,259	20,986	7,935	199,986	**230,166**
March-05	1,300	18,670	7,952	198,094	**226,016**

-33% or 110,673

Data Source: Agency for Health Care Administration.

Analysis 1:

Projected Program Expenditures Under Current Program (2 Open Enrolment Periods Per Year):

Under current guidelines, KidCare open enrollment periods are allowed for thirty days during the months of January and September every year. The analysis shown in Table 2, demonstrates that it is unlikely the program will ever succeed in spending the budgeted funds under the current scenario. The analysis provides a comparison of budgeted funding to forecasted expenditures for Florida Healthy Kids, Medikids, Children's Medical Services and Administration, utilizing the caseload and per member costs as adopted at the February 2005 KidCare estimating conference.

Table 2

State FY	Projected Monthly Average Caseload	Projected Projected Total Expenditures	Budgeted Expenditures	Surplus (Deficit)	Maximum Sustainable Average Monthly Caseload	Caseload Difference
2004-05	279,433	$371,000,068	$531,299,160	$160,299,092	400,168	120,735
State Funds		$106,736,715	$153,844,399	$47,107,684		
Federal Funds		$264,263,353	$377,454,761	$113,191,408		
2005-06	232,884	$330,813,605	$531,299,160	$200,485,555	374,021	141,137
State Funds		$95,175,074	$153,844,399	$58,669,325		
Federal Funds		$235,638,531	$377,454,761	$141,816,230		
2006-07	240,749	$365,124,232	$531,299,160	$166,174,928	350,318	109,569
State Funds		$99,952,944	$153,844,399	$53,891,455		
Federal Funds		$247,467,784	$377,454,761	$129,986,977		

Projected expenditures based on 2 open enrollment periods each year.
Budgeted expenditures: AHCA, Childrens Special Health Care Budget Entity

Analysis 2:

Projected Program Expenditures Assuming Continuous Enrolment:

The following data, summarized in Table 3, provides a projection of caseload and expenditures for Florida Healthy Kids, Medikids, Children's Medical Services, and Administration compared to current budgeted funding, assuming continuous open enrollment beginning July 2005. Average monthly caseload increases were obtained from the most recent two years of continuous open enrollment experience during fiscal years 2001-02 and 2002-03. The average monthly caseload increases were applied to actual caseload projections beginning July 2005, thereby providing a projection of potential caseload increases as a result of maintaining a continuous enrollment period. The average monthly caseload increases obtained from historical data were as follows:

July 2001-June 2003	CMS	Medikids	Healthy Kids
Average Monthly Caseload Increase	131	460	3,918

Table 3

State FY	Projected Monthly Average Caseload	Projected Projected Total Expenditures	Budgeted Expenditures	Surplus (Deficit)	Maximum Sustainable Average Monthly Caseload	Caseload Difference
2004-05	279,433	$371,000,068	$531,299,160	$160,299,092	400,168	120,735
State Funds		$106,736,720	$153,844,399	$47,107,679		
Federal Funds		$264,263,348	$377,454,761	$113,191,413		
2005-06	267,552	$382,618,760	$531,299,160	$148,680,400	371,519	103,967
State Funds		$110,079,417	$153,844,399	$43,764,982		
Federal Funds		$272,539,343	$377,454,761	$104,915,418		
2006-07	322,065	$489,329,196	$531,299,160	$41,969,964	349,689	27,624
State Funds		$140,780,010	$153,844,399	$13,064,389		
Federal Funds		$348,549,186	$377,454,761	$28,905,575		

Projected expenditures based on continuous open enrollment beginning July 2005.
Budgeted expenditures: AHCA, Childrens Special Health Care Budget Entity

As shown in Table 3, based on the assumptions provided in the analysis, the current budget appears to provide sufficient funding to maintain continuous enrollment through state fiscal year 2006-07 with a remaining surplus in funds. However, as displayed in Table 3, the estimated surplus in funding will quickly decrease between fiscal year 2005-06 and 2006-07 as a result of increased caseload and price level inflation. Caution should be taken to not exceed the "Maximum Sustainable Average Monthly Caseloads" each year to remain within federal allotments.

Impact to Medicaid

Past enrollment experience has shown that approximately 35% of KidCare applicants are enrolled in Title XIX Medicaid. Therefore, a continuous open enrollment could have a direct affect on Medicaid enrollment, thereby increasing expenditures in the Medicaid program. The average monthly expenditure for children in Medicaid is approximately $205.52 per child. Recently, the January 2005 open enrollment period produced approximately 52,000 application referrals to Medicaid, however, the number of individuals actually enrolled into Medicaid as a result of the referral is unknown at this time. It is likely many of these children would have qualified for Medicaid through other outreach or available services. Therefore, this analysis assumes that approximately 20.8% of the referred recipients will be eligible for Medicaid. Therefore, utilizing the average monthly caseload data, approximately 902 recipients each month could be added to the Medicaid program as a result of the continuous open enrollment period. Approximately 10,824 additional individuals could be added to the Medicaid program each fiscal year, therefore possibly requiring an additional $14,526,699 in total funding ($5.9 million General Revenue, $8.6 million Trust Funds) for fiscal year 2005-06 and again in 2006-07.

The following assumptions were used in each analysis:

Assumption:	Analysis 1: (2 open enrollment periods)	Analysis 2: (continuous open enrollment)
KidCare open enrollment occurs for thirty days in January and September each year.	**X**	
Monthly caseload projections for the 2 open enrollment as adopted during the February 2005 KidCare social services estimating conference.	**X**	
All Non-Title XXI subsidized eligibles are funded with local funds and available excess cash.	**X**	**X**
Per-member-per-month amounts for the FHK-XXI, FHK-Subsidized Non-TitleXXI, and Medikids eligibility categories for fiscal years 2004-05 through 2006-07 as adopted during the February 2005 Kidcare social services estimating conference.	**X**	**X**
Per-member-per-month amounts for the CMS, BH and Infant eligibility categories for fiscal years 2004-05 and 2005-06 as adopted during the February 2005 KidCare social services estimating conference. The per-member-per-month amounts were then increased by eight percent for fiscal year 2006-07	**X**	**X**
Budgeted funds remain the same as fiscal year 2004-05.	**X**	**X**

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

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

VIII. Summary of Amendments:

None.

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