

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: HB 1423 CS Children's Health Insurance
SPONSOR(S): Bucher and others
TIED BILLS: None. **IDEN./SIM. BILLS:** SB 2654

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR
1) Future of Florida's Families Committee	7 Y, 0 N, w/CS	Davis	Collins
2) Health Care Appropriations Committee			
3) Health & Families Council			
4) _____			
5) _____			

SUMMARY ANALYSIS

The bill proposes that the Department of Health (DOH) develop a program, in conjunction with the Department of Children and Family Services (DCF) and other partners, to identify low-income, uninsured children, to the extent appropriations allow, and refer them to DCF for the purpose of securing information on the choices of health care benefits provided under the KidCare Program and for eligibility determination.

The bill amends s. 624.91, F.S., authorizing the Florida Healthy Kids Corporation to enter into contracts for certain purposes.

The bill amends s. 409.908, F.S., requiring the Agency for Health Care Administration to provide reimbursement for physician and dental services at certain levels.

See Fiscal Comments Section of the analysis for detailed fiscal impact.

The bill provides an effective date of July 1, 2006.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. HOUSE PRINCIPLES ANALYSIS:

Empower Families: This bill strengthens families as eligibility criteria are expanded for the Florida KidCare program.

B. EFFECT OF PROPOSED CHANGES:

Background:

The Florida KidCare Program

The State Children's Health Insurance Program (SCHIP) under Title XXI of the Social Security Act is a federal/state partnership, which provides insurance to uninsured children under age 19 whose family income is above Medicaid limits, but at or below 200 percent of the FPL. Under SCHIP, the federal government provides a capped amount of funds to States on a matching basis.¹ SCHIP expands insurance coverage for low-income children who do not qualify for Medicaid. Florida's SCHIP eligible children are served in the Florida KidCare Program.

Medicaid under Title XIX of the Social Security Act is a federal/state entitlement program that pays for medical assistance for certain individuals and families with low incomes and resources.

Florida KidCare was created in 1998 to provide health benefits to uninsured children through either SCHIP or Medicaid. The statutory framework for KidCare is delineated in sections 409.810 through 409.821, Florida Statutes. KidCare has four components each with its own eligibility standards:

- Medicaid:
 - Birth to age 1, with family incomes up to 200 percent of the FPL.
 - Ages 1 through 5, with family incomes up to 133 percent of the FPL.
 - Ages 6 through 18, with family incomes up to 100 percent of the FPL.
 - Ages 19 through 20, with family incomes up to 24 percent of the FPL.
- Medikids:
 - Children ages 1 through 4 with family incomes above 133 percent up to 200 percent of the FPL.
- Healthy Kids:
 - Children age 5, with family incomes above 133 percent up to 200 percent of the FPL.
 - Children age 6 through 18, with family incomes above 100 percent up to 200 percent of the FPL.
 - A limited number of children who have family incomes above 200 percent of the FPL are enrolled in the unsubsidized full-pay option in which the family pays the entire cost of the premium, including administrative costs.
- Children's Medical Services (CMS) Network:
 - Children ages birth through age 18 who have serious health care problems. For Title XXI-funded eligible children with special health care needs, the CMS Network receives a capitation payment from the Agency for Health Care Administration to provide services for them. For children who do not qualify for Title XIX- or Title XXI-funded coverage, services are limited and subject to the availability of funds.

¹ The federal allocation for FY 05/06 is \$249,329,871 and the federal matching rate is 71.22%.

2006 Federal Poverty Level

Persons in Family or Household	100%	200%
1	\$ 9,800	19,600
2	13,200	26,400
3	16,600	33,200
4	20,000	40,000
5	23,400	46,800

The Agency for Health Care Administration (AHCA) administers Medicaid and Medikids. AHCA is also the lead state agency for the federally funded portion of the KidCare Program. The Florida Healthy Kids Corporation (FHKC), pursuant to a contract with AHCA, administers the Healthy Kids component. FHKC's responsibilities include eligibility determination, collection of premiums, contracting with authorized insurers, and the development of benefit packages. CMS is under the Department of Health and administers the CMS Network. For Title XXI-funded children with special health care needs, the CMS Network receives a capitated payment from the Agency for Health Care Administration of approximately \$518.00 per child, per month. Children's Medical Services also administers a state-funded "Safety Net" program for children who do not qualify for Title XIX- or Title XXI-funded coverage, but services are limited and subject to the availability of funds.

Section 409.814(5), Florida Statutes, allows a child whose family income is above 200 percent of the FPL or a child that is not eligible for premium assistance as delineated in statute² to participate in Medikids and Healthy Kids if the family pays the full premium without any premium assistance. In practice, only Healthy Kids has enrolled children from these families. The Healthy Kids full-pay premium is \$110 per child per month. Medikids has not enrolled children from these. Current law limits the participation of families with income above 200 percent of the FPL to no more than 10 percent of total enrollees in the Medikids or Healthy Kids program to avoid adverse selection.³ Section 409.814(5), Florida Statutes, excludes the Medicaid component of KidCare from the full-pay provision.

There are 15,980 children currently enrolled in Medikids according to the KidCare enrollment report for March 2006. Therefore, the 10 percent cap on full-pay enrollees would limit the number of full-pays in Medikids to 1,598 children.

The differences in the eligibility criteria and ability to offer a full-pay premium option for families with incomes above 200 percent of FPL, has created the potential for confusion. Families may find that they can insure one child but not the other.

²Section 409.814(4), F.S., also excludes from premium assistance under KidCare the following children unless they are eligible for Medicaid:

- (a) A child who is eligible for coverage under a state health benefit plan on the basis of a family member's employment with a public agency in the state.
- (b) A child who is currently eligible for or covered under a family member's group health benefit plan or under other employer health insurance coverage, excluding coverage provided under the Florida Healthy Kids Corporation as established under s. 624.91, provided that the cost of the child's participation is not greater than 5 percent of the family's income. This provision shall be applied during redetermination for children who were enrolled prior to July 1, 2004. These enrollees shall have 6 months of eligibility following redetermination to allow for a transition to the other health benefit plan.
- (c) A child who is seeking premium assistance for the Florida KidCare program through employer-sponsored group coverage, if the child has been covered by the same employer's group coverage during the 6 months prior to the family's submitting an application for determination of eligibility under the program.
- (d) A child who is an alien, but who does not meet the definition of qualified alien, in the United States.
- (e) A child who is an inmate of a public institution or a patient in an institution for mental diseases.
- (f) A child who has had his or her coverage in an employer-sponsored health benefit plan voluntarily canceled in the last 6 months, except those children who were on the waiting list prior to March 12, 2004.
- (g) A child who is otherwise eligible for KidCare and who has a preexisting condition that prevents coverage under another insurance plan as described in paragraph (b) which would have disqualified the child for KidCare if the child were able to enroll in the plan shall be eligible for KidCare coverage when enrollment is possible.

³ Adverse selection occurs when too many children who are likely to incur high medical costs join the same health insurance plan. Adverse selection can cause what insurers refer to as a "death spiral." As more sick children join, the health insurance plan must raise premiums to cover cost. As premiums increase, families with healthier children leave to join less costly plans. The plan is left with only sick children and has difficulty spreading risk to cover their cost and ultimately may fail.

Summary of KidCare Full Pay Option

Florida KidCare	Children from families with incomes above 200% of FPL or not eligible for premium assistance allowed to participate.	Children from families above 200% of FPL or not eligible for premium assistance actually participating in program.
Medicaid	No	N/A
Medikids	Yes	No
Healthy Kids	Yes	Yes
CMS Network	Unclear	No

Effect:

The bill proposes that the Department of Health (DOH) develop a program, in conjunction with the Department of Children and Family Services (DCF) and other partners, to identify low-income, uninsured children, to the extent appropriations allow, and refer them to DCF for the purpose of securing information on the choices of health care benefits provided under the KidCare Program and for eligibility determination.

According to DCF, "It is not clear if the legislative intent is for DOH to provide parents with information about choices of health benefits coverage under KidCare, or for DCF to take on those responsibilities. The responsibilities proposed include, but are not limited to: training community providers in effective methods of outreach; conducting public information campaigns designed to publicize the KidCare Program, the eligibility requirements of the program, and the procedures for enrollment in the program; and maintaining public awareness of the KidCare Program. These activities are more appropriately shared among the various entities involved in the program (listed on page 1, lines 23 through 27 of the bill). As the bill is written, it appears to shift this responsibility entirely to the department, which does not appear to be the intent of the coordinated approach described in the bill. The department should maintain responsibility for Medicaid eligibility determination, but is not equipped nor staffed to provide outreach and education on all aspects of the coordinated program."

FHKC screens applicants for potential eligibility for Medicaid as well as determines eligibility for all other KidCare components. FHKC then sends those screened applications to DCF for determination for Medicaid eligibility. Children eligible for Medicaid, which is Title XIX, are not eligible for the Title XXI components of KidCare. Florida KidCare outreach activities have been performed in the past by DOH or FHK.

Although DCF does not participate in outreach or marketing of the KidCare Program, it does conduct the Medicaid eligibility determinations, and electronically refer those children not eligible for Medicaid to FHK for evaluation of coverage in another KidCare Program.

The bill amends s. 409.908, F.S., requiring the Agency for Health Care Administration to provide reimbursement for physician and dental services at certain levels.

The bill amends s. 624.91, F.S., authorizing the Florida Healthy Kids Corporation to enter into contracts for certain purposes.

C. SECTION DIRECTORY:

Section 1. Amends s. 409.8195, F.S., requiring the Department of Health to develop a program to identify certain children for referral to the Department of Children and Families for certain eligibility and choices of health benefits coverage under the Florida KidCare program.

Section 2. Amends s. 409.908, F.S., requiring the Agency for Health Care Administration to provide reimbursement for physician and dental services at certain levels.

Section 3. Amends s. 624.91, F.S., authorizing the Florida healthy Kids Corporation to enter into contracts for certain purposes.

Section 4. Provides an effective date of July 1, 2006.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

See Fiscal Comments Section.

2. Expenditures:

See Fiscal Comments Section.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

See Fiscal Comments Section.

2. Expenditures:

See Fiscal Comments Section.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

See Fiscal Comments Section.

D. FISCAL COMMENTS:

The Department of Health states, "From program inception in July 1998 until the Legislature eliminated Florida KidCare Outreach in 2003, the DOH operated an outreach program to advertise the Florida KidCare program and educate the public on the benefits of health insurance coverage for children. The DOH's Florida KidCare Outreach program conducted intensive training, research-based message development and research, and information dissemination. Seventeen contracted Regional Outreach Projects provided direct outreach and application assistance to underserved, uninsured families and recruited and trained community-based organizations throughout the state. The Florida KidCare Program was advertised using statewide and targeted marketing techniques, such as broadcast media, radio and television ads, billboards, bus cards, family advocacy, and community-based outreach to special populations. This section of the fiscal analysis assumes \$500,000 to be used for the cost of reproducing and distributing Florida KidCare posters, pamphlets and other written materials to educate the public about the program."

Based on www.statehealthfacts.org, Henry J. Kaiser Family Foundation, the Medicaid-to-Medicare Fee Index, 2003, for physician fees is .65 for all services, .60 for primary care, .82 for obstetric care, and .58 for other services. Assuming that, on average, the current Medicaid physician rates are 60% of Medicare rates, the estimated impact on the CMS Network per member per month rate for Title XXI is an increase of \$27.95. The average PMPM for Title XXI CMS enrollees in FY 2004-05 for physician services was \$41.92. Assuming an increase to the Medicare levels, the estimated PMPM for physician services would increase by \$27.95 to \$69.87. Based on the estimated case months of 106,911 for FY 2006-07 and 127,825 for FY 2007-08 for Title XXI-eligible CMS enrolled children presented at the March 2006 KidCare Estimating Conference, **the estimated total increase for physician services is \$2,988,163 for FY 2006-07 and \$3,572,709 in FY 2007-08 above current projected expenditures.**

CMS also reimburses for services for safety net children based on Medicaid rates. An increase in Medicaid rates will mean that without an increase in state funding fewer services or fewer children could be served. In FY 2004-05, 1,955 unduplicated CMS safety net clients received physician services at an average cost of \$169.97 per client. Under the assumption that rates would increase to Medicare rates, the average cost per client would increase by \$113.32 to \$283.29. Additional state funding of \$221,541 is needed to maintain the same level of service. If additional funding is not appropriated, the number of clients served or the number of services provided will have to be reduced to stay within current funding. Because Medicare excludes reimbursement for dental services except for certain limited procedures, the impact for dental services is more difficult to estimate.

The following fiscal chart was provided by the Department of Health:

<u>Estimated Expenditures</u>	<u>1st Year</u>	<u>2nd Year</u> (Annualized/Recurr.)
Sect. 1 Print Materials/Distribution	\$500,000	\$500,000
Total Expense	\$500,000	\$500,000
State Funding	\$228,780	\$228,780
Donations Trust Fund (federal match)	\$271,220	\$271,220
 Sect. 2 Children's Medical Svcs Network		
Yr 1: 106,911 case months @ \$27.95 Incremental Increase		
Yr 2: 127,825 case months @ \$27.95 Incremental Increase		
Donations Trust Fund (federal match)	\$2,988,163	\$3,572,709
 PCS-Clinic & Field Operations		
1,955 clients @ \$283.29 average increase per person per year (safety net)		
State Funding	\$221,541	\$221,541
 Total Estimated Expenditures:	\$3,709,704	\$4,294,250
State Funding	\$450,321	\$450,321
Donations Trust Fund (federal match)	\$3,259,383	\$3,843,929
	<u>1st Year</u>	<u>2nd Year</u> (Annualized/Recurr.)
<u>Estimated Revenue</u>		
Section 1. Outreach - Assumes that approximately 80% of expenditures, would be Title XIX-related and 20% would be Title XXI-related based on historical enrollment in Florida KidCare Program. Administrative Billing to AHCA.		
Title XIX – Administrative (50%)	\$200,000	\$200,000
Title XXI – Administrative (71.22%)	\$71,220	\$71,220
 Section 2. Medicaid physician fee increase – Assumes that PMPM will	 \$2,988,163	 \$3,572,709

increase for Title XXI CMS Network enrolled children and that CMS billing to AHCA will increase. AHCA transfers revenue for both state and federal share of cost to DOH-CMS.

Total Estimated Revenue (Donations Trust Fund, federal match):	\$3,259,383	\$3,843,929
	1st Year	2nd Year
Total Estimated Expenditures: Donations Trust Fund (federal match):	\$3,709,704	\$4,294,250
	<u>\$3,259,383</u>	<u>\$3,843,929</u>
Total State Funding Needed:	\$450,321	\$450,321

The following fiscal chart was provided by the Agency for Health Care Administration:

Projected Enrollment As of June 2007 FY 2006-07 SSEC Mar 1, 2006	Monthly Cost Per Member Medical & Dental Services FY 2005-06 As of Feb 2006 SSEC Mar 1, 2006	PROJECTED Monthly Cost Per Member Medical Services FY 2006-07 * Increases reimbursement rate	PROJECTED ANNUAL INCREASE for KIDCARE PROGRAM FY 2006-07
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Kidcare Components:

Medikids	20,956	\$101.12	\$183.03	\$20,597,367
Children under 1	1,265	\$302.63	\$547.76	\$3,721,078
Children's Medical Service Network	9,687	\$518.24	\$938.01	\$48,796,255
Behavioral Health Care	375	\$1,000.00	\$1,448.00	\$2,016,000
Title XXI Healthy Kids	195,954	\$104.19	\$188.58	\$198,447,867
Non-Title XXI Subsidized Healthy Kids	1,601	\$110.38	\$199.79	\$1,717,703
Non-Subsidized Healthy Kids	24,534	\$104.44	\$189.04	\$24,905,857
Total	254,372			\$300,202,128
General Revenue				\$86,668,354
Medical Care Trust Fund				\$213,533,773

*** ASSUMPTIONS:**

The average Medicaid rate paid to physicians would increase by 81% in order to reach the Medicare reimbursement rate paid to physicians for children under age 21.

Monthly cost per enrollee will increase by 81%.

80% of the monthly cost per enrollee for Bnet is spent on medical services.

I. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

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

2. Other:

None.

B. RULE-MAKING AUTHORITY:

The bill does not provide any additional rule making authority. Current law provides sufficient authority to carry out the provisions of this bill.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

IV. AMENDMENTS/COMMITTEE SUBSTITUTE & COMBINED BILL CHANGES

On April 5, 2006, the Future of Florida's Families Committee adopted a Committee Substitute to HB 1423. The Committee Substitute differs from the original bill in that the reimbursement rate under the Medicare program changed for dental services to 50% of the usual and customary rates provided for dental services. The bill analysis reflects this change.