

# 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: Banking and Insurance Committee

BILL: SB 2050

INTRODUCER: Senators Peaden and Hill

SUBJECT: Florida Healthy Kids Corporation

DATE: March 17, 2006

REVISED: 03/21/06

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Emrich</u>	<u>Deffenbaugh</u>	<u>BI</u>	<b>Fav/1 amendment</b>
2.	<u>                    </u>	<u>                    </u>	<u>HE</u>	<u>                    </u>
3.	<u>                    </u>	<u>                    </u>	<u>HA</u>	<u>                    </u>
4.	<u>                    </u>	<u>                    </u>	<u>WM</u>	<u>                    </u>
5.	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
6.	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>

**Please see last section for Summary of Amendments**

- Technical amendments were recommended
- Amendments were recommended
- Significant amendments were recommended

**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 or SCHIP (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) (\$40,000 for a family of four). KidCare is an “umbrella” program that currently includes the following four components, all of which offer comprehensive benefits for eligible children: Florida Healthy Kids, Medikids, Medicaid for Children, and Children’s Medical Services Network.

The Florida Healthy Kids program component of KidCare is administered by the non-profit Florida Healthy Kids Corporation (FHKC), established under s. 624.91, F.S. The FHKC operates with a combination of local, state, and federal dollars, and family contributions, serving children ages 5 through 18.

Senate Bill 2050 amends the Florida Healthy Kids Corporation Act by removing the eligibility criteria presently used to determine which non-Title XXI children are eligible for state and local funded assistance in paying health insurance premiums under the Healthy Kids program. The effect of this change would be to reopen non-Title XXI enrollment under the program. The bill changes the method for calculating the voluntary local county match contributions received by

the FHKC to subsidize the premium for non-Title XXI eligible children. The bill proposes that the FHKC calculate a county's local match rate based on the county's enrollment of non-Title XXI eligible children as of March 1, 2004, and requires that a county's local match contribution shall not exceed 30 percent of the monthly premium for the county's non-Title XXI enrollment, after the family premium is deducted, and the remaining 70 percent shall be taken from the General Appropriations Act. The legislation provides FHKC with authority to apply any unspent local match contributions at the end of the fiscal year to the county's local match obligation for the next year. The bill also changes the due date (from May 1 to June 1) that the FHKC must provide written annual notification to the local entities of their local match contribution amounts under the Healthy Kids program.

This bill substantially amends the following sections of the Florida Statutes: 624.91 and 409.814.

## II. Present Situation:

### **State Children's Health Insurance Program/Florida KidCare 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. Under SCHIP, the federal government provides a capped amount of funds to States on a matching basis. For the 2005-2006 fiscal year, the federal allocation is \$249,329,871 and the federal matching rate is 71.22 percent. To be eligible for coverage under Title XXI, a child must meet certain eligibility guidelines. The guidelines require the child to be:

- In a household with an income at or below 200 percent of the federal poverty level (\$40,000 for a family of 4 in 2006);
- Between the ages of birth through age 18;
- Not the dependant of a state employee eligible for state benefits;
- A U.S. citizen or qualified alien;
- Not to be an inmate of a public institution or patient in an institution for mental diseases; and,
- Not be eligible for Medicaid.

The 1998 Florida Legislature enacted the Florida KidCare program in response to the passage by Congress of SCHIP.<sup>1</sup> 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) (\$40,000 for a family of four).<sup>2</sup> KidCare is an "umbrella" program

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

<sup>2</sup> 2006 Federal Poverty Level.

that currently includes the following four components, all of which offer comprehensive benefits for eligible children: Florida Healthy Kids, Medicaid for children, Medikids, and 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. Enrollment was initiated on October 1, 1998, and as of March 6, 2006, 1,456,425 children are enrolled in the various components of the KidCare Program. The eligibility requirements and current enrollment for the four KidCare components are as follows:

- 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. There are also a number of children who have family incomes over 200 percent of the FPL who are enrolled in the unsubsidized full pay category in which the family pays the entire cost of the premium, including administrative costs. Total enrollment: 187,212.
- Medicaid for children - for low-income children who qualify under Title XIX of the Social Security Act under the following limitations: from 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. Total enrollment: 1,244,304.
- 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. Total enrollment: 16,791.
- Children's Medical Services (CMS) Network - for children ages birth through age 18 who have serious health care problems. Also, 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. Total enrollment: 8,118.

An applicant is required to provide documentation of income at the time of application and then through an annual renewal process. Children enrolled in the non-Medicaid components of the KidCare program are not eligible if they are covered under another comprehensive health insurance plan. A child is also ineligible for subsidized coverage if coverage is available through a parent's employer that costs less than 5 percent of the family's household income.

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 the Department of Children and Families for Medicaid eligibility determination, and children who appear to have a special health care need to the CMS Network within the Department of Health 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.

### **Florida Healthy Kids**

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.<sup>3</sup> The FHKC, pursuant to a contract with the Agency for Health Care Administration (AHCA), administers the Healthy Kids program and its responsibilities include eligibility determination, collection of premiums, contracting with authorized insurers, and the development of benefit packages.

Section 624.91(3), F.S., establishes eligibility criteria for the Healthy Kids program. Coverage is provided to residents of Florida who are eligible for the Florida KidCare program pursuant to s. 408.814, F.S., i.e., Title XXI enrollees. Non-Title XXI children are eligible if they are in the following categories:

- Legal aliens, who were enrolled in the Healthy Kids program as of January 31, 2004, and who, because of their alien status, i.e., are not “qualified aliens,” do not qualify for Title XXI federal funds.<sup>4</sup>
- Individuals who turned 19 as of March 31, 2004, who were receiving Healthy Kids coverage prior to the enactment of the Florida KidCare program. This provision is repealed March 31, 2005.
- Dependents of state employees who were enrolled in the Healthy Kids program as of January 31, 2004. Such dependents remain eligible until January 1, 2005.

### **Florida Healthy Kids Funding and Enrollment**

The Healthy Kids program is funded through a combination of state funds (general revenue and tobacco settlement funds), federal matching funds (Title XXI of the Social Security Act), family premiums and local funds. The amount of federal funds available to Florida each year is established through a formula that takes into account the number of children in each state and a cost factor. Each annual federal allotment is available to the state over a three year period, i.e.: for the allocated fiscal year and the two subsequent fiscal years. Unspent funds after that third year can be re-allocated to other states. Federal matching funds are available on expenditures for eligible individuals only and the federal SCHIP legislation prohibits coverage of certain non-citizen children and dependants of state employees.

Healthy Kids currently covers 3,841 non-qualified, non-citizen children (i.e., non-Title XXI) utilizing state funds, family contributions and local matching funds. Families participating in the program pay either \$15 or \$20 per family per month depending upon their family size and income. Each fiscal year since 2002-2003, the Legislature has established the maximum amount of state funds that can be spent on this population and the minimum amount of local match that must be collected. For the 2006-2007 fiscal year, the local match cash contribution minimum is \$7 million and the maximum state contribution is \$1.9 million. Because of declining enrollment in this population, it is expected that local match collections will exceed the projected costs for

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<sup>3</sup> The Florida 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.

<sup>4</sup> Section 408.811, F.S., defines qualified aliens as defined in s. 431 of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, as amended, Pub. L. No. 104-193.

this fiscal year. The current number of Title XXI (federal/state) enrollees is 160,089 and the non-subsidized/full pay<sup>5</sup> enrollees total 23,282.

The Legislature determines, as part of the General Appropriations Act, the minimum amount of local match funds that FHKC is required to collect to provide coverage for non-Title XXI children. The FHKC accepts voluntary local match money from municipalities, counties, school boards, etc., to pay for the premium of children who are not eligible for Title XXI federal funds. If local match money is not collected from a county, then non-Title XXI children from that county may not participate in the Healthy Kids program. The FHKC calculates the county's local match rate based upon that county's percentage of the state's total non-Title XXI expenditures for providing Healthy Kids coverage to non-Title XXI children, as reported in the FHKC's most recently audited financial statement. FHKC provides written notification to the counties by May 1 of each year. Local match funds that are unspent at the end of the fiscal year are retained by the Corporation.

### III. Effect of Proposed Changes:

**Section 1.** Amends s. 624.91(3), F.S., and removes the eligibility criteria currently used to determine which non-Title XXI children are eligible for state and local funded assistance in paying health insurance premiums under the Healthy Kids program. The bill amends s. 624.91(4), F.S., to remove the authority of the Florida Healthy Kids Corporation to annually establish a local match policy for the enrollment of non-Title XXI eligible children in the Healthy Kids program. The bill provides that the Corporation must calculate a county's local match rate based upon that county's enrollment of non-Title XXI eligible children as of March 1, 2004. The local match county contribution must not exceed 30 percent of the monthly premium after the family premium is deducted, and 70 percent of the remaining premium is to be taken from the General Appropriations Act. The legislation provides FHKC with authority to apply any unspent local match contributions at the end of the fiscal year to the county's local match obligation for the next year. The bill also changes the due date (from May 1 to June 1) that the FHKC must provide written notification annually to the local entities of their local match contribution amounts under the Healthy Kids program.

According to representatives with the Florida Healthy Kids program and AHCA, removing the non-Title XXI eligibility criteria under the Healthy Kids program could be interpreted as expanding the opportunity for non-Title XXI children to receive Healthy Kids coverage. Under s. 624.91(2)(b), F.S., it is the intent of the FHKC to provide coverage to children not eligible for federal matching Title XXI funds. The largest category affected under the bill would be legal aliens who do not qualify for Title XXI federal funds because of their alien status, according to AHCA representatives. By removing the current qualification that these children had to have been enrolled in Healthy Kids prior to January 31, 2004, the bill would allow children who have moved to Florida since February 1, 2004, or have become uninsured, the opportunity to receive Healthy Kids coverage. Also, children from families with incomes within 200 percent of the federal poverty level, but who do not meet all of the other technical eligibility factors, would be able to apply for subsidized state coverage.

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<sup>5</sup> Non-subsidized/full pay enrollees are mostly those enrollees over 200 percent of the federal poverty level who pay 100 percent of the costs of their coverage at the statewide full pay rate of \$110 per member per month for medical and dental coverage or \$98 per member per month for just medical coverage, according to FHKC representatives.

Changing the method for calculating the amount of the counties' voluntary local match amount to no more than 30 percent of the monthly premium after the family premium is deducted, could provide an equitable method for determining the counties' contribution. However, according to officials with the FHKC, basing these calculations on non-Title XXI enrollment as of March 1, 2004 in every county does not recognize any changes in actual costs since that date. Further, since enrollment of non-Title XXI children has significantly dropped by almost 10,000 children since March 1, 2004 (13,703 to 3,841 children), using this benchmark date would prove to be costly to counties.

Providing the FHKC with the authority to apply unspent local contributions to the next year's obligation will ensure the counties that their contributions are spent on providing subsidized coverage to non-Title XXI children, either for the current year or the subsequent year. Also, changing the due date from May 1<sup>st</sup> to June 1<sup>st</sup> would provide the FHKC sufficient time after the Legislative session ends, in early May, to factor in policy changes and budget requirements when determining the correct local match amounts.

**Section 2.** Amends s. 409.814, F.S., to remove a statutory reference to s. 624.91(3), F.S., which is removed under this legislation.

**Section 3.** Provides that the act shall take effect July 1, 2006.

#### **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:

Non-Title XXI children not currently in the Healthy Kids program would benefit under the provisions of this bill because such children could receive benefits under the program.

**C. Government Sector Impact:**

Representatives with the staff of the FHKC estimate that the fiscal impact of this bill is as set forth below, assuming that new enrollment of non-Title XXI children reaches the same level of enrollment as of March 1, 2004.

**ENROLLMENT RETURNED TO MARCH 1, 2004 LEVEL**

**Projected Expenditures if Enrollment at March 1, 2004 levels (Annualized)**

March 1, 2004 Non-Title XXI Enrollment:	13, 703	
Member Months:	164,436	
Estimated Medical Per Member Per Month:		\$105.20
Estimated Dental Per Member Per Month:		\$11.59
Estimated Admin. Per Member Per Month:		\$5.82
TOTAL AMOUNT Per Member Per Month:		\$122.61
TOTAL COSTS:		\$20,161,497.96
LESS FAMILY PREMIUMS:		\$1,442,104
<b>NET COSTS TO COVER:</b>		<b>\$18,719,394.24</b>
Local Match	30%	\$5,615,818.27
State Match	70%	\$13,103,575.97

**VI. Technical Deficiencies:**

Section 1 of the bill removes all the eligibility criteria presently used to determine which non-Title XXI children are eligible for state and local funded assistance in paying health insurance premiums under the Healthy Kids program. If the purpose of the bill is to expand the program to non-Title XXI children, then it would be preferable to specify such criteria. Section 1 also provides that the FHKC calculate a county’s local match based on the “enrollment of non-Title XXI eligible children as of March 1, 2004.” It is not clear whether “eligible children” refers to all eligible children (including the thousands of children on the Healthy Kids waiting list on that date) or just children actually enrolled in the program on that date. Also, basing the calculations as of March 1, 2004 in every county does not recognize the changes in actual costs since that date. Further, the bill appears to remove any guidance to the FHKC as to awarding local match credits because it removes what the FHKC may consider in awarding such credits.

**VII. Related Issues:**

None.





## VIII. Summary of Amendments:

### **Barcode 422358 by Banking and Insurance:**

The amendment requires the Agency for Health Care Administration to seek a waiver from the federal government to increase the eligibility threshold from 200 percent of FPL to up to 300 percent of the FPL. It defines “maximum income threshold” to mean a percentage of the current federal poverty level (FPL) used to determine eligibility for program components of KidCare, as approved by the federal waiver or state plan amendment. The Florida Healthy Kids Corporation staff has estimated that the fiscal impact of increasing the FPL to 300 percent in all three non-Medicaid KidCare program components would be as follows:

- Total cost: \$93,573,202
- Federal share: \$66,558,619
- State share: \$27,014,583
- Costs are based on an enrollment of 79,107 children.

The amendment requires the Department of Children and Family Services and the Florida Healthy Kids Corporation to align their application process so that families have to submit only one application. It also allows Healthy Kids insurance plans to conduct marketing and outreach regarding the KidCare program and allows families to choose among the Healthy Kids insurance plans available in their area, rather than be randomly assigned as is the current practice.

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

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