

**HOUSE OF REPRESENTATIVES STAFF ANALYSIS**

**BILL #:** HB 241 Florida KidCare Program  
**SPONSOR(S):** Vana and others  
**TIED BILLS:** **IDEN./SIM. BILLS:**

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REFERENCE	ACTION	ANALYST	STAFF DIRECTOR
1) Health Care General Committee	_____	Brown-Barrios	Brown-Barrios
2) Health Care Appropriations Committee	_____	_____	_____
3) Fiscal Council	_____	_____	_____
4) Health & Families Council	_____	_____	_____
5) _____	_____	_____	_____

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**SUMMARY ANALYSIS**

Florida KidCare was created in 1998 to provide health benefits to uninsured children through the State Children’s Health Insurance Program (SCHIP) or Medicaid. KidCare has four program components. These components include Medicaid, MediKids, Healthy Kids, and the Children’s Medical Services (CMS) Network. Participation by children in these programs is contingent on age, family income, and special health care needs.

HB 241 amends s. 409.814, F.S., to allow a family with a child who is not eligible for the KidCare program because the family income is above 200 percent of the Federal Poverty Level (FPL) to apply for health insurance coverage from KidCare programs and requires the KidCare program to allow their participation in the program. Current law allows these families to apply for MediKids and Healthy Kids but does not require these programs to allow their participation. In practice, only Healthy Kids has enrolled children from families with income above 200 percent of the FPL. Thus, the impact of this bill will be realized more by the MediKids program which has not enrolled children from families with income above 200 percent of the FPL. A family with income above 200 percent of the FPL must pay the full premium without any premium assistance to receive health insurance coverage under KidCare.

Current law excludes a child from a family whose income is above 200 percent of the FPL from participating in the Medicaid component of KidCare. HB 241 does not change this.

The bill has no fiscal impact.

If enacted, the bill takes effect July 1, 2006.

## FULL ANALYSIS

### I. SUBSTANTIVE ANALYSIS

#### A. HOUSE PRINCIPLES ANALYSIS:

Empower families - The bill creates an opportunity for certain families to secure health insurance coverage for their children.

#### B. EFFECT OF PROPOSED CHANGES:

Although this bill affects the KidCare program, the most significant impact is on MediKids. Unlike Healthy Kids that has allowed the enrollment of children from families with income above 200 percent of the FPL, MediKids has not enrolled children from families with income above 200 percent of the FPL. This bill would allow families to apply for health insurance coverage from the MediKids program and requires the MediKids program to allow their participation in the program.

### 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 below 200 percent of the FPL. Under SCHIP, the Federal government provides a capped amount of funds to States on a matching basis<sup>1</sup>. 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, F.S. KidCare has four components:

- 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 to 200 percent of the FPL.
- Healthy Kids:
  - Children age 5, with family incomes above 133 percent to 200 percent of the FPL.
  - Children age 6 through 18, with family incomes above 100 percent 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 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

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

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

**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), under contract with AHCA, administers the Healthy Kids component. FHKC 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 capitation 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), F.S., allows a child whose family income is above 200 percent of the FPL 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 families with income above 200 percent of the FPL. The Healthy Kids full pay premium is \$110 per child per month. MediKids has not enrolled children from families with income above 200 percent of the FPL. Current law limits the participation of families with income above 200 percent of the FPL in MediKids and Healthy Kids to no more than 10 percent of total enrollees in the programs in order to avoid adverse selection<sup>2</sup>. Section 409.814(5), F.S., excludes a child whose family income is above 200 percent of the FPL from participating in the Medicaid component of KidCare. It is unclear whether current law allows families with income above 200 percent of the FPL to participate in the CMS Network (see DRAFTING ISSUES OR OTHER COMMENTS)

The differences in the eligibility 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.

**Summary of KidCare Full Pay Option**

<b>Florida KidCare</b>	<b>Children from families with incomes above 200% of FPL allowed to participate.</b>	<b>Children from families above 200% of FPL actually participating in program.</b>
Medicaid	No	N/A
MediKids	Yes	No
Healthy Kids	Yes	Yes
CMS Network	Unclear	No

<sup>2</sup> Adverse selection occurs when too many children who are likely to incur high medical cost 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.

C. SECTION DIRECTORY:

Section 1. Amends subsection (2) and (5) of section 409.814, F.S.

Section 2. Establishes an effective date for the act of July 1, 2006.

**II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT**

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

None

2. Expenditures:

None

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

None

2. Expenditures:

None

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

Health care providers, including health maintenance organizations, which arrange most of the health services for children enrolled in MediKids and the Children's Medical Services Network, should realized an increase in revenue as a result of increased enrollment in KidCare by families that are willing to pay the full premium.

Children with families above 200 percent of the FPL must pay the full pay premium without any premium assistance to participate in MediKids or Healthy Kids.

D. FISCAL COMMENTS:

AHCA for MediKids and DOH for the CMS Network (if included) would need to obtain actuarial services to calculate an appropriate premium for the full pay option that would support the cost of services, reinsurance, and other administrative costs. DOH estimates the cost to determine the actuarial based premium at \$9,000.

**III. 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:

Sufficient rulemaking authority exists to implement the provisions of this bill.

C. DRAFTING ISSUES OR OTHER COMMENTS:

It is unclear whether the provisions of this bill apply to the CMS Network program. This is not a problem with the bill but with current law.

Section 409.814(3), F.S., states that a child who is eligible for the Florida KidCare program who is a child with special health care needs, as determined through a medical or behavioral screening instrument, is eligible for health benefits coverage from and shall be referred to the Children's Medical Services Network. Unlike Medicaid, subsection (5) of s. 409.814 (see line 34 of the bill) does not specifically exclude the CMS Network from the full-pay option for those children from families above 200 percent of the FPL.

However, paragraphs (a) – (d) of this subsection (see lines 36 -56 of the bill) does not contain any language limiting the number of children who can participate in the CMS Network whose family income exceeds 200 percent of the FPL. This could imply that the full pay option is not available for the CMS Network or imply that there is no limitation to the number of the full pays the CMS Network can accept which is highly unlikely. Committee staff suggests one of two amendments to correct this ambiguity.

To exclude the CMS Network from the full pay provision:

On line 34 after program, insert: and Children's Medical Services Network program

To include the CMS Network in the full pay provision :

On line 53 after the period, insert: (d) The Department of Health is authorized to place limits on enrollment in the Children's Medical Services Network program by these children in order to avoid adverse selection. In addition, the Department of Health may offer a reduced benefit package to these children in order to limit program costs for such families. The number of children participating in the Children's Medical Services Network program whose family income exceeds 200 percent of the federal poverty level must not exceed 10 percent of total enrollees in the in the Children's Medical Services Network program.

#### IV. AMENDMENTS/COMMITTEE SUBSTITUTE & COMBINED BILL CHANGES