

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: HB 241 CS Florida KidCare Program
SPONSOR(S): Vana and others
TIED BILLS: **IDEN./SIM. BILLS:** SB 972

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR
1) Health Care General Committee	8 Y, 0 N, w/CS	Brown-Barrios	Brown-Barrios
2) Health Care Appropriations Committee	15 Y, 0 N	Speir	Massengale
3) Fiscal Council	23 Y, 0 N	Speir	Kelly
4) Health & Families Council		Brown-Barrios	Moore
5) _____	_____	_____	_____

SUMMARY ANALYSIS

The Florida KidCare Program 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: Medicaid, Medikids, Florida Healthy Kids, and the Children’s Medical Services (CMS) Network. Participation by children in these components is contingent on age, family income, and special health care needs.

House Bill 241 CS amends section 409.814, Florida Statutes, to allow a child ineligible to participate in the Medikids or Florida Healthy Kids components to participate if the family pays the full premium without any premium assistance. These children are known as “full-pays.”

The bill requires the Agency for Health Care Administration to begin enrollment of full-pays by July 1, 2006.

The bill has no fiscal impact on state or local government.

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

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:

This bill amends s. 409.814 (5) to state that full-pays may participate in Medikids or the Florida Healthy Kids program. This eliminates the possibility for children to participate in the CMS network as a full-pay, although there has never been a full-pay in the CMS network because of the premium that a family would have to pay.

The Florida Healthy Kids program, which serves children ages 5 -18, is the only component that has enrolled full-pays. The Agency for Health Care Administration administers the Medikids component that serves children ages 1 – 4, and they have chosen not to enroll any children as full-pays.

This has led to a situation where children from the same family are treated differently. The family can purchase health insurance for their child who is old enough for the Florida Healthy Kids program but not for their child who is in the Medikids age group. This bill requires AHCA to begin enrolling full-pays by July 1, 2006.

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 basis¹. 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 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 to 200 percent of the FPL.
- Healthy Kids:
 - Children age 5, with family incomes above 133 percent to 200 percent of the FPL.

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

- 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 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 or a child who 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 families. 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 in order to avoid adverse selection³. Section 409.814(5), F.S., excludes the Medicaid component of KidCare from the full-pay provision.

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 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.

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.

Summary of Current 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

C. SECTION DIRECTORY:

- Section 1. Amends subsection (5) of section 409.814, F.S.
- Section 2. Requires the Agency for Health Care Administration to begin enrolling full-pays by July 1, 2006.
- Section 3. 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, should realize an increase in revenue as a result of increased enrollment by families that are willing to pay the full premium.

Children with families above 200 percent of the FPL or who are not otherwise eligible for premium assistance must pay the full premium, including administrative costs, without any premium assistance to participate in Medikids or Healthy Kids.

D. FISCAL COMMENTS:

AHCA would need to obtain actuarial services to calculate an appropriate Medikids premium for the full-pay option that would support the cost of services, reinsurance, and other administrative costs.

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:

None.

IV. AMENDMENTS/COMMITTEE SUBSTITUTE & COMBINED BILL CHANGES

On February 22, 2006, the Health Care General Committee adopted one amendment to the bill. The amendment:

- Amends s. 409.814, F.S., to allow a family with a child who is not eligible for the Medikids or Healthy Kids program because the family income is above 200 percent of the Federal Poverty Level (FPL) or because the child is not eligible for other reasons delineated in statute to participate in these programs, if the family pays the full premium without any premium assistance.
- Requires AHCA to begin enrollment of children from families with income above 200 percent of the FPL or children not eligible for premium assistance in Medikids by July 1, 2006.

As amended, the bill was reported favorably as a committee substitute.

This analysis reflects the bill as amended.