

# 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.)

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Prepared By: Health Care Committee

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BILL: SB 972

INTRODUCER: Senator Rich

SUBJECT: Florida KidCare Program/Eligibility

DATE: February 6, 2006

REVISED: \_\_\_\_\_

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Garner	Wilson	HE	<b>Favorable</b>
2.	_____	_____	HA	_____
3.	_____	_____	WM	_____
4.	_____	_____	_____	_____
5.	_____	_____	_____	_____
6.	_____	_____	_____	_____

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## I. Summary:

This bill modifies the eligibility criteria for the Florida KidCare Program. The bill allows a child whose family income exceeds 200 percent of the federal poverty level to participate in the Medikids program, or if the child is ineligible for the Medikids program due to age, to participate in the Florida Healthy Kids program, if the family pays the entire cost of the premium, including administrative costs, and such enrollees do not exceed 10 percent of total enrollees in either the Medikids program or the Florida Healthy Kids program.

This bill amends s. 409.814, Florida Statutes, and creates an unnumbered section of law.

## 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. The State Children's Health Insurance Program 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. The State Children's Health Insurance Program is the single largest expansion of health insurance coverage for children since the initiation of Medicaid in the mid-1960s.

## **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 (\$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.

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.

Enrollment was initiated on October 1, 1998, and 1,465,678 children are enrolled in the various components of the KidCare Program as of January 2006. Of this total, 186,080 children are Title XXI eligible, 26,361 children are non-Title XXI eligible, and 1,253,237 children are eligible under the Medicaid Title XIX program.

### **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 the Department of Children and Family Services 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.

Medicaid for children and Medikids are administered by AHCA. 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 federal poverty level pay \$15 per month and families between 150 percent and 200 percent of the federal poverty level 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 received \$38,256,995 in redistributed dollars from unspent funds from other states for FY 2002.

### **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.
- CMS Network - for children ages birth through age 18 who have serious health care problems.

In addition, the Department of Health contracts with the Department of Children and Family Services to provide behavioral health services to non-Medicaid eligible children with special health care needs as part of the KidCare umbrella.

Federal and state law, however, have a number of explicit restrictions on eligibility in SCHIP programs funded by federal dollars. In Florida, these restrictions are found in s. 409.814(4), F.S., which specifies the following groups may not receive premium assistance for any component of the Florida KidCare program:

- 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.
- 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, F.S., provided that the cost of the child's participation in the group health plan or employer health insurance coverage is not greater than 5 percent of the family's income.
- 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.
- A child who is an alien, but who does not meet the definition of qualified alien, in the United States.
- A child who is an inmate of a public institution or a patient in an institution for mental diseases.
- A child who has had his or her coverage in an employer-sponsored health benefit plan voluntarily canceled in the last 6 months.

Children who are ineligible for premium assistance for any of the above reasons may still participate in the Healthy Kids program if they are enrolled in the unsubsidized full-pay category in which the family pays the entire cost of the premium, including administrative costs.

The agency is currently authorized to place limits on enrollment in Medikids by these children in order to avoid adverse selection. The number of children participating in Medikids whose family income exceeds 200 percent of the federal poverty level must not exceed 10 percent of total enrollees in the Medikids program.

The board of directors of the Florida Healthy Kids Corporation is authorized to place limits on enrollment of these children in order to avoid adverse selection. In addition, the board is authorized to offer a reduced benefit package to these children in order to limit program costs for such families. The number of children participating in the Florida Healthy Kids program whose family income exceeds 200 percent of the federal poverty level must not exceed 10 percent of total enrollees in the Florida Healthy Kids program.

### **III. Effect of Proposed Changes:**

**Section 1.** Amends s. 409.814(5), F.S., to expressly allow children in families with incomes above 200 percent of the federal poverty level or a child excluded from eligibility under s. 409.814(4), F.S., to participate in the Medikids program as provided in s. 409.8132, F.S., or in the Florida Healthy Kids program, if the family pays the entire cost of the premium, including administrative costs, and such enrollees do not exceed 10 percent of total enrollees in either the Medikids program or the Florida Healthy Kids program.

**Section 2.** Requires the Agency for Health Care Administration to begin enrollment under s. 409.814(5), F.S., as amended by this act, by July 1, 2006.

**Section 3.** Provides an effective date of July 1, 2006.

**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 Art. VII, s. 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 Art. III, Subsection 19(f) of the Florida Constitution.

**V. Economic Impact and Fiscal Note:****A. Tax/Fee Issues:**

None.

**B. Private Sector Impact:**

This bill could reduce the pressure for some employers to offer dependent health care coverage as these children would now be eligible for Medikids or the Healthy Kids program. This would likely result in lower health care expenditures by the employers.

**C. Government Sector Impact:****Agency for Health Care Administration (AHCA)**

Requiring MediKids to offer a full pay option for children whose family income exceeds 200 percent federal poverty level would require AHCA to obtain actuarial data to determine the full pay monthly premium. An actuarial study of this kind would cost at least \$9,000. This is a one-time expenditure that could be funded from the current Children's Health Care budget; however, 100 percent of the funding would come from General Revenue, as the expenditure would not be eligible for a federal match. An actuarial determination would be needed to determine the risk pool, the monthly premium, and administrative costs.

Florida Healthy Kids has experienced adverse selection, meaning families with children requiring more medical care are more apt to insure their children even though the cost is higher. Families with relatively healthy children may be more likely not to insure their children and take a chance that they will not incur costly medical expenses. Florida Healthy Kids spreads the risk pool for insuring full pay children to include the entire Healthy Kids population. If MediKids was required to offer a full pay option as

previously described, AHCA would need to determine what risk pool to use. The smaller the risk pool, the higher the cost per member.

Since the CMS Network does not offer a full pay option, AHCA will need to decide if the MediKids full pay component will accept children with special health care needs between the ages of 1 and 5, who would have otherwise been enrolled in the CMS Network except that their family income exceeds 200 percent federal poverty level. Accepting children with special health care needs in the MediKids full pay component would increase the full pay cost to all enrolled and the increased cost to the family could translate to adverse selection.

Florida Healthy Kids Corporation is currently facing the situation of adverse selection in their full pay population. They are researching the feasibility of either offering fewer services to this population or increasing the monthly full pay premium. The Florida Healthy Kids Corporation has recently contracted with Ross Health Actuarial to prepare an actuarial analysis of full pay enrollees in the Florida Healthy Kids Program.

### **Department of Health**

The Department of Health states that this bill would have no effect on the department or its programs.

#### **VI. Technical Deficiencies:**

None.

#### **VII. Related Issues:**

None.

## **VIII. Summary of Amendments:**

None.

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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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