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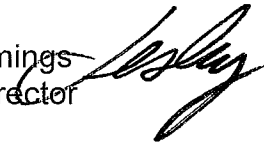
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M E M O R A N D U M

DATE: November 7, 2008

TO: Managed Risk Medical Insurance Board Members

FROM: Lesley Cummings
Executive Director 

SUBJECT: Healthy Families Program Current Year Deficiency and the Need to Establish a Waiting List

This last month, the Healthy Families Program (HFP) experienced another notable enrollment milestone. There were 900,000 children enrolled. It is an honor and privilege to provide health, dental, and vision coverage to 900,000 children who otherwise would have no coverage. Research has shown that having coverage is of enormous importance in children's school performance, future success and long term health status. California has the largest SCHIP enrollment of any state in the country, with a greater enrollment level than the second and third largest states combined.

However, the program is, in some ways, a victim of its success. California, like a number of states, is in the midst of a severe economic downturn. Obtaining sufficient state funds to match federal funds has become very challenging. In fact, HFP does not have sufficient state funds in the current year to fund projected enrollment.

Current Year Budget Deficiency

To say this in a more direct way, staff projects a General Fund shortfall of \$17.2 million in the current year. This consists of \$14.1 million GF due to the fact that the enacted budget assumed that departments would implement budget balancing reductions (BBR's) on November 1, 2008. However, MRMIB is implementing the HFP BBR's for HFP on February 1, 2009. This is the first day of the fifth month following signature of the budget, the timeframe specified for HFP BBR implementation in the budget trailer bill. Additionally, the budget assumes \$3.1 million in GF savings due to a project caseload decrease attributable to the HFP premium increases. Given the severe decline in the economy and the need to assure that the program does not overspend GF dollars, we do not feel confident assuming these savings.

The five month timeframe results from the fact that to implement program changes, HFP must modify contracts with plans, negotiate final plan rates, and finalize plan coverage areas. Then MRMIB conducts an open enrollment process in which it notifies 900,000 subscribers of program and coverage area changes (with notices in five languages), offers subscribers the opportunity for an income re-evaluation, and transfers subscribers whose plans have left their coverage area and transfers any other subscribers that want to change plans. See Attachment 1 for more detailed information on caseload.

Legally Required Response

As you know, the HFP statute requires that the Board operate the program within the funding available. Insurance Code Section 12693.21(n) says that the Board is to “maintain enrollment and expenditures to ensure that expenditures do not exceed amounts available in the Health Families Fund and, if sufficient funds are not available to cover the estimated cost of program expenditures, the Board shall institute appropriate measures to limit enrollment.”

Limited and Difficult Options

The Board’s options for responding to the deficiency are limited. The Legislature can provide additional funding for the program or make changes to HFP benefits or eligibility income criteria. Implementing any program changes, however, would require the implementation time period detailed above. It is impractical to expect any additional savings in the current year.

The only tool in the Board’s control to manage costs in the current year is to limit enrollment. If the Board does not cap enrollment, it would have to take other, more catastrophic actions later. As you know, the Board is authorized to disenroll children at Annual Eligibility Review if needed to manage within existing funds. Capping enrollment, rather than eliminating coverage that a child currently has, seems the preferable path. Staff estimate that the waitlist would have to be established on December 18th, the day after the December 17th Board meeting, to live within the General Fund appropriation the Budget Act provided for the current year. The December 18th date takes into consideration a series of complex assumptions, including the fact that there are twenty days that can elapse between receipt of an application and enrollment.

The number of children to be waitlisted is significant. HFP has been experiencing 27,125 new enrollments per month, not including AIM-linked babies who will continue to be enrolled. If that level of new enrollment continues for the six month period, 162,750 would be waitlisted. The BBR that increased premiums for families with incomes above 150 percent of Federal Poverty Level also assumed that fewer families would enroll or remain in coverage. If that occurs, the figure would be 100,000. Of course, if financial circumstances improve and it were financially possible to enroll children from the waitlist, we would do so, consistent with HFP regulations.

Possible Response by the Administration, Legislature, and the Federal Government

The Governor just convened a special session of the legislature to address a deficit of immense proportions. HFP has been blessed through the years to have been a high priority for both the Governor and the Legislature. But, in the context of the state's fiscal emergency, policymakers also have limited choices. Thus, the Board cannot presume that it will receive funding to offset the deficit. What is clear is that the Board is required by law to manage the program within the funds provided.

Federal Funding Issues. Another fiscal pressure on the program is that the amount of federal SCHIP funds available after March 30, 2009 is unknown. Congress and the Bush Administration were at an impasse over the purpose and the funding for SCHIP and the issue was pushed to the next Congress and Administration. The program is dependent on quick action by the federal government.

California is not alone in having a difficult time putting up state matching funds for SCHIP. The federal government is considering steps it could take as an economic stimulus for states hard hit by the national economic downturn. It would be extremely helpful if as part of the economic stimulus package, the federal government would 1) provide funding for the remainder of the federal fiscal year so that state's don't have to guess how much federal funding will be provided past March 09 and 2) increase the federal matching rate for SCHIP, at least for a year or so.

Board Determination. Staff suggests that the Board discuss the HFP deficiency at two Board meetings, November 19th and December 17th, to provide the public with the opportunity to comment. The Board can make its determination about the need for a waiting list at the December meeting. But, as noted above, the waitlist would have to go into effect the next day, December 18th, to achieve adequate savings.

Attachments. There are two attachments to this email. Attachment 1 shows the caseloads and expenditures for the current year under various scenarios. Attachment 2 describes how MRMIB would manage the waitlist, consistent with the regulations adopted a year ago.

The MRMIB staff is deeply sorry to have to bring this issue to the Board. We are well aware that establishing a waiting list is antithetical to the Board's mission and desires. But, it is consistent with the Board's obligation.

HFP Caseload Scenarios

Attachment 1

	1	2	3
	2008 Budget Act BBRs 11/1/08	2008 Nov Estimate BBRs 2/1/09	2008 Nov Estimate Waitlist as of 12/17/08 BBRs 2/1/09
Jul-07	825,425	825,425	825,425
Aug-07	832,204	832,204	832,204
Sep-07	836,505	836,505	836,505
Oct-07	839,793	839,793	839,793
Nov-07	853,538	853,538	853,538
Dec-07	865,785	865,785	865,785
Jan-08	845,909	845,909	845,909
Feb-08	845,323	845,323	845,323
Mar-08	858,026	858,026	858,026
Apr-08	861,661	861,661	861,661
May-08	872,589	872,589	872,589
Jun-08	877,400	877,400	877,400
Jul-08	879,559	879,559	879,559
Aug-08	883,332	883,332	883,332
Sep-08	895,320	895,320	895,320
Oct-08	899,626	899,626	899,626
Nov-08	897,955	904,389	904,389
Dec-08	895,985	908,916	908,916
Jan-09	894,755	913,340	887,972
Feb-09	893,774	911,502	867,262
Mar-09	892,331	909,144	846,776
Apr-09	892,249	908,005	826,538
May-09	891,861	906,760	806,509
Jun-09	891,604	905,586	786,719

Expenditures

	2008 Budget Act	BBRs 2/1/09	Waitlist as of 12/17/08
2008-09			
GF	\$397,461,000	\$411,555,000	\$397,333,000
TF	\$1,102,852,000	\$1,145,310,000	\$1,105,470,000

Scenario Assumptions

	Scenario 1	Scenario 2	Scenario 3
	Budget Balancing Reductions Implemented November 2008	Budget Balancing Reductions Implemented February 2009	Budget Balancing Reductions Implemented February 2009 and Wait List on December 17, 2008
Estimate Version	2008 Budget Act Updated November 2008	November 2008	November 2008
Average Monthly Disenrollments	26,000 until 10/30/2008 30,500 after 11/1/2008	26,000 until 1/31/2009 30,500 after 2/1/2009	26,000 until 12/31/2008 17,443 after 1/1/2009
Average Monthly New Enrollments	28,000 until 10/30/2008 24,300 after 11/1/2008	28,000 until 1/31/2009 24,300 after 2/1/2009	28,000 until 12/31/2008 875 (AIM-linked babies) after 1/1/2009
BBR: Premium Increase:	Assumes premium increase for certain income categories effective 11/1/2008 which would result in increased disenrollments and decreased enrollments reflected above	Assumes premium increase for certain income categories effective 2/1/2009 which would result in increased disenrollments and decreased enrollments reflected above	Assumes premium increase for certain income categories effective 2/1/2009 which would result in increased disenrollments and decreased enrollments reflected above
BBR: Plan Rate Reductions	Assumes 5 percent plan rate reduction to 07/08 rates effective 11/1/2008	Assumes 5 percent plan rate reduction to 07/08 rates effective 2/1/2009	Assumes 5 percent plan rate reduction to 07/08 rates effective 2/1/2009
Changes in Plan Coverage Areas	Assumes plans will change coverage areas resulting in net increased costs of \$0.8 million GF in CY due to subscribers changing plans	Assumes plans will change coverage areas resulting in net increased costs of \$0.5 million GF in CY due to subscribers changing plans	Assumes plans will change coverage areas resulting in net increased costs of \$0.5 million GF in CY due to subscribers changing plans
BBR: Dental Cap	Assumes that dental cap will not be implemented until BY	Assumes that dental cap will not be implemented until BY	Assumes that dental cap will not be implemented until BY
Mandatory Disenrollments at AER	None	None	None
Number of enrollees on June 30, 2009	891,604	905,586	786,719

Healthy Families Program (HFP) Waiting List Process and Administration

As explained in the memo to the Board from the Executive Director, the Board will be deliberating at its November and December meetings on the need to establish a waiting list for enrollment into HFP. The Board must curtail enrollment if "sufficient funds are not available to cover the estimated costs of program expenditures and that it is necessary to limit enrollment in the program to ensure that expenditures do not exceed amounts available for the program, the program shall establish a waiting list." (Title 10, California Code of Regulations, Section 2699.6603 (a)) While the Board has the authority to also require disenrollments of children at Annual Eligibility Review (AER), staff do not think such action is necessary at this time.

This document sets forth how MRMIB would administer the waitlist.

Wait List Administration

The Single Point of Entry (SPE) will continue to income screen children whose applications are submitted on the joint applications for potential Medi-Cal or HFP eligibility.

Medi-Cal. If an income screening indicates that a child would be eligible for Medi-Cal, the child will be temporarily enrolled in Medi-Cal (accelerated enrollment, if eligible) and the application will be forwarded to the county welfare department in the child's county of residence for a final eligibility determination. This is the same process that occurs today.

HFP. If an income screening indicates that a child would be eligible for HFP:

Applications (and add-a person forms) received at the HFP prior to the Board's finding, will be processed until an eligibility determination has been made. A child will be enrolled if determined eligible.

Applications (and add-a-person forms) received after the Board has made its finding (12/17/08), will be placed on a waiting list in the order in which the application is received. List order will be based on the date the application was received. HFP will not make an eligibility determination prior to a child being placed on the wait list.

The HFP will provide a written notification to the applicant advising them of the child's placement on the waiting list and indicating that the applicant will be notified when sufficient funds are available. This notice will be provided in 5 languages (English, Spanish, Chinese, Korean and Vietnamese).

Exceptions to the waiting list: AIM linked infants; current HFP subscribers who successfully requalify during their AER period; and HFP subscribers that successfully appeal an incorrect decision will be enrolled in the program and are not subject to the wait list.

Admissions from the Wait List

When MRMIB's Executive Director determines that sufficient funds are available to enroll some or all of the wait listed children, the program will enroll the number of eligible wait listed children for whom sufficient funds are available, based on the order of the wait list.

HFP will notify applicants of wait listed children in writing that their children may be able to be enrolled. The notice will request any necessary information to complete the initial application, including updated income documentation, so that a final eligibility determination can be made. A child will be enrolled if HFP makes a final determination of eligibility.

Applicants of wait listed children will have twenty (20) calendar days (the established regulatory time frame) to provide information needed to complete the application.

Questions or Inquiries

Any questions regarding the HFP wait list process can be sent to www.HFPwaitlist@MRMIB.ca.gov.