



July 26, 1999

Ms. Nancy-Ann Min DeParle, Administrator
Health Care Financing Administration
Bureau of Policy Development
Office of Chronic Care and Insurance Policy
7500 Security Boulevard
Baltimore, Maryland 21244-1850

Dear Ms. Min DeParle:

We are writing to submit for your review and approval an amendment to California's Title XXI State Plan (State Plan) to be effective July 22, 1999. California is revising its State Plan to reflect changes made to the Healthy Families Program state statute during the state budget process. The amended State Plan will expand income eligibility for the Healthy Families Program by disregarding income between 200 to 250 percent of the federal poverty level (**FPL**) for children ages 1 to 19, as well as for children under age one with family incomes between 200 and 250 percent FPL. Income eligibility for the Healthy Families Program further will be expanded by applying Medi-Cal income deductions when determining income eligibility for the Healthy Families Program. California also will lengthen the existing State Plan approved Child Health and Disability Prevention (CHDP) provider claiming period for services received prior to enrollment from 30 to 90 days in order to further encourage enrollment of children into a comprehensive health care program.

Expansion of Income Eligibility for Healthy Families

In 1997, approximately 1.85 million children in California were uninsured. Approximately 766,600 children potentially meet federal eligibility standards for Title XXI funding if HCFA were to allow coverage under the Children's Health Insurance Program (CHIP) with no maximum income level limit. At the present eligibility level of 200 percent FPL, approximately 328,000 children are estimated to be eligible for the Healthy Families Program. In order to reduce further the number of uninsured children in the state, California is expanding the Healthy Families Program from 200 to 250 percent of the FPL. Income over 200 percent FPL but less than or equal to 250 percent FPL will be disregarded when annual or monthly household income is calculated. As a result of this change, 116,000 additional children are projected to become eligible for the Healthy Families Program.

Application of Medi-Cal Income Deductions

California's Medi-Cal program applies specific deductions from income to arrive at countable income when determining eligibility, as is detailed in the State Plan. These deductions include a specified amount for work expenses, childcare, and disabled

dependent care, as well as the amount of child support or alimony a family pays. If a child is ineligible for Medi-Cal, the child's gross family income is used to determine whether he or she is eligible for the Healthy Families program. However, net income derived by applying Medi-Cal income deductions is used to determine family premium contributions for the Healthy Families program.

The State will continue to use Medi-Cal income deductions to calculate income eligibility for Medi-Cal and to determine family premium contributions for the Healthy Families Program. Additionally, California is amending the State Plan to apply Medi-Cal income deductions when determining income eligibility for the Healthy Families Program. Under the revised State Plan, upon receipt of an application the State will apply Medi-Cal income deductions to a family's gross income and screen for Medi-Cal eligibility. If a family's income is above 200 percent FPL, income over 200 percent FPL but less than or equal to 250 percent FPL will be disregarded. The family's net income will then be compared to the poverty level for the appropriate family size in order to determine eligibility for the Healthy Families Program. An additional 16,000 children will become eligible for the Healthy Families Program as a result of applying Medi-Cal income deductions when determining eligibility for the Healthy Families Program.

Coverage of Children under 72 Months in Healthy Families

As is detailed in the State Plan, children under age one with family incomes below 200 percent FPL are eligible for Medi-Cal coverage. Children under age one with incomes between 200 to 250 percent FPL who are born to mothers enrolled in the Access for Infants and Mothers (AIM) program receive Title XXI coverage through AIM. In accordance with the expansion of the Healthy Families Program to 250 percent FPL through the income disregard, California is amending its State Plan to provide Healthy Families Program coverage for children under age one with incomes between 200 to 250 percent FPL. In addition to further decreasing the number of uninsured children in the State, this change will promote seamless coverage in California's health programs by enabling all children under age one with incomes between 200 and 250 percent of FPL to receive Title XXI coverage, instead of only those born to mothers enrolled in AIM. As described in the previous section, Medi-Cal income deductions also will be applied to this group in the income eligibility determination process.

On behalf of a child not yet born, families may apply for Healthy Families Program coverage up to three months prior to the expected date of delivery. Health coverage for the child will begin within 13 days after the Managed Risk Medical Insurance Board (MRMIB) receives notice of the child's birth. The 13-day period will provide the time needed for MRMIB to establish coverage for the child under the health plan selected by the applicant. California will not begin covering children under age 1 in Healthy Families until October 1, 1999, or 90 days after the enactment of the 1999 – 2000 state budget. During the period of time between the enactment of the state budget and the implementation of this change, MRMIB will negotiate rates with participating health plans to account for the added cost of covering children under 12 months.

Increase in CHDP Retroactive Eligibility Period

Under the current State Plan, a child is provided 30 day retroactive eligibility, once enrolled in the Healthy Families Program, to the date of a CHDP screening visit for payment of services related to health, dental or vision care needs identified at the initial CHDP visit. The CHDP Program, which provides early and periodic health screenings and immunizations, serves as a major entry point for Healthy Families Program enrollment. The State is amending the State Plan to extend the CHDP retroactive eligibility period from 30 to 90 days in order to better serve Healthy Families Program applicants. Experience from the past year has indicated that families generally take longer than 30 days from the time of a CHDP screening visit to apply for and enroll in the Healthy Families Program. Expanding the retroactive eligibility **period** to 90 days will enable children to obtain needed health screenings, diagnoses, immunizations, and follow-up treatment while maintaining the incentive for families and providers to work to enroll children in Healthy Families, which provides children with a medical home.

Coverage of Recent Qualified Alien Children in Healthy Families

California will use state funds to expand Healthy Families coverage to **include** qualified alien children who arrived in the United States after August 22, 1996. This change **only** will apply to qualified alien children whose effective date of eligibility is established in the 1999 - 2000 state **fiscal** year. As a result of this change an additional 6,440 children are expected to enroll in the Healthy Families Program. At this time California is not amending the State Plan to reflect this change since Federal Financial Participation (FFP) is not available for these children. If the Federal government revises Title **XXI** to include qualified alien children who arrived after August 22, 1996, in CHIP, California will immediately amend its State Plan to claim FFP for these children.

Third Party Payment of Premiums

State statute was **also** revised in the budget process to allow third party payment of premiums. A family contribution sponsor will be permitted to pay the family premium contribution on behalf of an applicant for a period of 12 months from the month eligibility is established. MRMIB plans to release draft regulations in August 1999 that detail who may be a family contribution sponsor and the mechanism for sponsorship. California anticipates that it will submit a state plan amendment on third party payment of premiums after the public comment period on the draft regulations.

Public notice of the State Plan amendment being submitted at this time will be provided at the August 16, 1999, MRMIB meeting. Enclosed with this letter you will find the applicable revised pages of California's Title **XXI** State Plan: pages 10, 1 **■**, and 16 from Section 3.1, page 23 from Section 4.1, page 25 from Section 4.3, and page 36 from Section 5.2. We **also** have provided a revised budget.

We look forward to your approval of this amendment so that California may quickly expand Healthy Families and further reduce the number of uninsured children in the state.

Sincerely,

Diana M. Bonta, R.N., Dr. P.H.
Director
Department of Health Services

Sandra **Shewry**
Executive Director
Managed Risk Medical Insurance Board

Enclosure

cc: Mr. Richard Chambers
Associate Regional Administrator
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Health Care Financing Administration
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Ms. Kathleen Farrell
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Section 3. General Contents of State Child Health Plan (Section 2102)(a)(4))

Check here if the state elects to use funds provided under Title XXI only to provide expanded eligibility under the state's Medicaid plan, and continue on to Section 4.

3.1. Describe the methods of delivery of the child health assistance using Title XXI funds to targeted low-income children: (Section 2102)(a)(4)

Overview of the Comprehensive Healthy Families Delivery System

The state's approach is to serve targeted low income children through an integrated system of care. The central component of this system is a new program to provide creditable health insurance coverage through managed care, a program which will be administered by MRMIB. MRMIB will ~~use two mechanisms to~~ provide managed care to targeted low-income children between ages 1 and 19, **and children under age 1 with incomes between 200 and 250 percent FPL through** a health insurance purchasing pool ~~and an insurance purchasing credit for children whose families have access to (but do not have) employer sponsored coverage.~~ Through the purchasing pool ~~and the insurance purchasing credits,~~ the state will deliver a comprehensive range of health services to targeted low income children. The state will use the power of pooled purchasing not only to obtain affordable coverage for uninsured children but also to demand high quality services for children.

Many children will come to Healthy Families through a "gateway" program, the CHDP program. CHDP offers preventive health services to children under 200 percent of poverty. When children receive services from a CHPP provider, they will either be referred to Medi-Cal or to the Healthy Families insurance program. Should follow up treatment be required for a condition identified in the CHDP screen, Medi-Cal or the insurance program (depending on which program the child qualifies for) will cover the cost of care provided to children for ~~30~~ **90** days prior to enrollment. Low income children who are ineligible for Medi-Cal or the insurance program will be referred to counties for treatment.

To meet the special needs of children, the Healthy Families program will also ensure the provision of necessary specialized services beyond those offered through the comprehensive insurance package in a coordinated manner. The CCS program and county mental health departments will address the significant needs of the minority of children whose needs may not be fully met under ~~an~~ insurance benefit package. The CCS program will provide case management and treatment for chronic, serious, and complex physically handicapping conditions, while county mental health departments will provide appropriate services to meet the needs of seriously emotionally disturbed children. Both programs will reimburse providers for these specialized services. Children receiving such services will continue to have their primary health needs served through the insurance program. Allowing those specialized services to be provided as a complement to, but outside of, the managed care setting is consistent with recent actions in the Federal budget reconciliation act which prohibit mandatory enrollment of children with special

medical needs in managed care.

To promote a smooth interface between Healthy Families and Medi-Cal, Medi-Cal will be enhanced through a resource disregard for children in the federal poverty level program, accelerated coverage for all children under 100 percent of the federal poverty level, and an additional one month of continued eligibility to allow children whose families become ineligible for Medi-Cal time to become enrolled in the insurance programs. In addition to program integration, these features will promote greater coverage of children who are already eligible for, though not enrolled in, Medi-Cal. Under this Medicaid expansion, children without health insurance will receive their coverage under Title XXI funding. Children with health insurance will receive their coverage under Title XIX funding with the applicant's other health coverage requirements being applied.

Targeted low income children under age 1 **whose mothers are enrolled in AIM and** whose families have incomes between 200-250% of federal poverty level will be served through the AIM program, under a purchasing pool arrangement similar to the Healthy Families purchasing pool, **or through the Healthy Families Program.**

The authorizing statute for Healthy Families also requires the state to assess the need for specialized services in two additional areas: rural health and substance abuse.

Rural health. The Department of Health Services (DHS) is authorized to operate up to five pilot programs in rural areas should the coverage provided through the insurance programs be insufficient in particular rural areas or for particular populations, such as migrant workers or American Indians. DHS will be meeting with stakeholders in rural areas as well as holding a public hearing in the fall of 1997 to begin to assess these issues. A final determination will be made in early 1998, after MRMIB has finished negotiations with plans for the purchasing pool and, thus, are aware of the extent of the coverage in rural areas. Should DHS, relying on the advice of the Rural Health Policy Council and the County Medical Services Program Board in evaluating the need for supplemental services, determine that supplemental services are needed, California will submit an amendment to this plan.

Substance abuse. The authorizing statute directs MRMIB, in consultation with the Department of Alcohol and Drug Programs, to assess the feasibility of providing supplementary services for substance abusers. The core benefit package includes those services made available to state employees, but some have argued that additional services are necessary for the target population. MRMIB will report to the legislature on the need for additional services by April 15, 1998. The state will submit an amendment to this plan if it wishes to expand substance abuse services.

Healthy Families Purchasing Pool

Delivery System. For the majority of eligible families, MRMIB will offer access to health

~~under the purchasing pool component of the Healthy Families program.~~

~~Administration/Coordination/Outreach. These features of the purchasing credit are like those described in the above section on the purchasing pool.~~

Child Health and Disability Prevention Program

To maximize access, continuity of care, and ease of administration, the existing CHDP program which provides preventive health screening examinations for children with family incomes of less than 200 percent of the federal poverty level will be integrated into the design of the Healthy Families program. CHDP is a logical point of entry for the target population to be served for many reasons:

- Targeted low income children eligible under Title XXI currently access preventive health services offered through CHDP;
- CHDP providers are likely to be the providers in the child health insurance plans and serve as the “medicalhome” for children enrolled in plans; and
- Integrating CHDP as a component of Healthy Families provides the new program with acceptability and credibility for providers and families.

To assure that uninsured children in the target population move smoothly into enrollment in either the Healthy Families or Medi-Cal programs, California will adopt a form of limited retroactive eligibility. Once enrolled in one of the programs, a child will be provided ~~30~~ **90** day retroactive eligibility to the date of the screening visit for payment for services related to health, dental or vision care needs identified at the initial visit. The cost of these services will be reimbursed on a fee for service basis (at Medi-Cal rates) during the period from application to enrollment and will be paid by Medi-Cal for children enrolled in Medi-Cal and by MRMIB for children enrolled in the insurance program.

A streamlined system will be developed which will provide for identification of eligibility for Healthy Families or Medi-Cal at the time of a health screening so that providers have a mechanism for delivering care and receiving payment. **The** services available during this period of retroactive eligibility will be specified in regulation. Appropriate referral will also be made to the CCS program if the problem identified through the screening examination appears to be a CCS eligible condition. To ensure continuity of care whenever possible, referrals for treatment services will be made to providers in the Healthy Families insurance plan which the family has chosen. During the **month period** between application and enrollment, the county CHDP program can assist with identification of providers, scheduling appointments for identified health care needs, coordination of services, and completion of the application form.

Section 4. Eligibility Standards and Methodology. (Section 2102(b))

Check here if the state elects to use funds provided under Title XXI only to provide expanded eligibility under the state's Medicaid plan, and continue on to Section 5.

4.1. The following standards may be used to determine eligibility of targeted low-income children for child health assistance under the plan. Please note whether any of the following standards are used and check all that apply. If applicable, describe the criteria that will be used to apply the standard. (Section 2102(b)(1)(A))

- 4.1.1. Geographic area served by the Plan: The plan is available statewide.
- 4.1.2. Age: Children from ages ~~1~~ 0 to 19 will be served within the insurance program **and** infants ages 0-1 within the AIM program if they are born to mothers enrolled in AIM. Children ages 14-19 with family incomes **85%** to 100% FPL will be eligible for Medi-Cal through a Title XXI expansion.
- 4.1.3. Income: Between 100-200% FPL for the insurance program and 200-250% for AIM. Medi-Cal uses specific exemptions **from** income, **as** is detailed in California's Title XIX State plan. In determining eligibility for Healthy Families, Medi-Cal income exemptions will be applied and all income over 200% FPL but less than or equal to 250% FPL will be disregarded in calculating household income. If the income exemptions and income disregard reduce income to 200% or less FPL, the child will meet the Healthy Families Program income criteria. The insurance programs will use exemptions, such as agent orange payments, that are required for federally means tested programs.
- 4.1.4. Resources (including any standards relating to spend downs and disposition of resources): The insurance program has no resource requirements. Consistent with this approach, California will waive the resource Medicaid requirements for all children in the Federal Poverty Level program under Medi-Cal.
- 4.1.5. Residency: Children must be residents of California. They must also meet the citizenship and immigration status requirements applicable to Title XXI.
- 4.1.6. Disability Status (so long **as** any standard relating to disability status does not restrict eligibility):
- 4.1.7. Access to or coverage under other health coverage: Children are ineligible for the insurance program if they have been covered under employer sponsored coverage within the prior 3 months (with certain exceptions described in Section 4.4.3) or if they are eligible for (no cost) Medi-Cal or Medicare coverage. To participate in AIM, pregnant women must not have employer sponsored coverage or no cost Medi-Cal at the time of application.
- 4.1.8. Duration of eligibility: Annual eligibility determination for Healthy Families. Medi-Cal will extend one month of continued eligibility for children whose family income increases beyond Medi-Cal's eligibility threshold for no-cost

4.3. Describe the methods of establishing eligibility and continuing enrollment.

(Section 2102)(b)(2)

Insurance Program

MRMIB will contract with a private company to conduct eligibility determinations, premium collection, payment of the application assistance fee and other enrollment functions. This is the same process that it uses for MRMIB's three existing programs.

Families will fill out a simple application and mail it with accompanying supporting documents to MRMIB's enroller. The application/enrollment brochure will be published in English, Spanish, and any other languages designated by the Department of Health Services as a "threshold" language for the Medi-Cal program. Families with questions about the form will be able to call the administrative vendor through a toll free number. Families will be able to speak to the administrative vendor's staff in English or Spanish, and may communicate via other languages through a telephone translation service. MRMIB is authorized to pay certain agencies and individuals such as insurance agents and parent-teacher organizations an application assistance fee for assisting a family with a successful application. The supporting documents that families send to the enroller will include documentation of income eligibility which the administrative vendor will verify using copies of the past year's federal income tax forms, or current year wage stubs. The administrative vendor will audit a random sample of applications on an ongoing basis using the IEVS system to confirm income information. The Systematic Alien Verification System (SAVE) or an appropriate alternative will be used to verify immigration status.

The administrative vendor will review the application within a 10 day time frame and either return it to the applicant for additional information or enroll the child(ren) in a purchasing pool health plan. Coverage under the purchasing pool plan will begin 10 days after the application has been determined complete.

On behalf of a child not yet born, families may apply for Healthy Families Program coverage up to three months prior to the expected date of delivery. Coverage will begin within 13 days after MRMIB receives notice of the birth. California will not begin covering children under age 1 in Healthy Families until October 1, 1999, or 90 days after the enactment of the 1999 - 2000 state budget.

Eligibility will be continuous for 12 months and reestablished annually, unless a child is otherwise made ineligible.

Enrollment in a Health Plan. Families will select their children's health plans when applying for the program. They will choose from among the plans participating in their geographic area. The number of plans from which families can choose will vary depending on the geographic area, as there are fewer managed care plans available in rural areas. In the state's population centers, MRMIB expects families to be able to choose from between 10-15 health plans, dropping down to one or two plans in the most rural parts of the state.

Outreach Time Line:

October 1997:	Begin public comment on regulations
November 1997:	Release RFP for outreach contractor
December 1997:	Release of Medi-Cal quarterly newsletter
January 1998:	Initial release of monthly Medi-Cal bulletin
February 1, 1998:	Award contracts to outreach contractor
February 1, 1998:	Toll free information launched
February 18, 1998:	Radio, collateral and outdoor advertising launched
March 1, 1998:	Medi-Cal enhancements in place (resource disregard, 100% expansion)
June 1, 1998:	Program enrollment materials available
June 1, 1998:	Medi-Cal enhancement in place (one month continued eligibility)
July 1, 1998:	First children enrolled in insurance program

*MRMIB's pre-enrollment process occurs from now until enrollment begins.

5.2. Coordination of the administration of this program with other public and private health insurance programs: (Section 2102(c)(2))

Healthy Families' outreach efforts will focus on both targeted low income children who would be eligible for the new insurance program and Medi-Cal eligible children who are not yet enrolled in Medi-Cal. The outreach efforts described above will be coordinated as often as possible with other public health programs such as maternal and child health programs, WIC, CHDP, and others.

Outreach for the new insurance program is designed not only to be performed by community-based organizations, but by CHDP providers, county health agencies, and other entities serving targeted population groups. CHDP providers will provide early medical screens and immunizations (following EPSDT guidelines) for children under **200%** of FPL and will perform a critical eligibility screening and referral function for the new insurance program. The insurance program is designed to closely coordinate with the CHDP program. Upon screening a child and identifying any needed follow-up services, a CHDP provider will be reimbursed at Medi-Cal rates for services rendered in the subsequent ~~30~~ 90 days, as long as that child is enrolled in the insurance program.

California will also closely coordinate with programs offering specialized services beyond the insurance program's benefits scope, such as CCS and county mental health departments. MRMIB will work with these programs on the front end to identify targeted low income children who, while covered for their special needs, may lack access to a medical home and would benefit by enrolling in the insurance program. MRMIB will also work with the health plans it oversees to ensure that children needing specialized services are referred to CCS or county mental health departments in a coordinated fashion.

HEALTHY FAMILIES PROGRAM
FFY 1999-2001 ESTIMATES

BENEFIT COSTS	FEDERAL FISCAL YEAR		FEDERAL FISCAL YEAR		FEDERAL FISCAL YEAR	
	1999	2000	2000	2001	2001	2001
PRIVATE INSURANCE PAYMENTS						
Payment to Health, Dental and Vision Plans	\$ 80,899,962	\$ 241,840,527	\$ 241,840,527	\$ 384,236,796	\$ 384,236,796	\$ 384,236,796
Offsetting Premium Payments	\$ (5,752,405)	\$ (15,490,499)	\$ (15,490,499)	\$ (24,250,819)	\$ (24,250,819)	\$ (24,250,819)
Case Management Cost	\$ 66,955	\$ 564,259	\$ 564,259	\$ 1,107,642	\$ 1,107,642	\$ 1,107,642
Payments to AIM health plans	\$ 4,983,500	\$ 5,858,000	\$ 5,858,000	\$ 5,858,000	\$ 5,858,000	\$ 5,858,000
SUBTOTAL	\$ 80,198,012	\$ 232,772,286	\$ 232,772,286	\$ 366,951,619	\$ 366,951,619	\$ 366,951,619
OTHER COVERED BENEFITS						
California Children's Services (CCS)	\$ 3,464,250	\$ 8,758,000	\$ 8,758,000	\$ 17,58,000	\$ 17,58,000	\$ 17,58,000
Child Health Disability Prevention (CHDP)	\$ 2,261,000	\$ 2,072,000	\$ 2,072,000	\$ 2,072,000	\$ 2,072,000	\$ 2,072,000
Child Health Demonstration Project	\$ 6,000,000	\$ 6,000,000	\$ 6,000,000	\$ 6,000,000	\$ 6,000,000	\$ 6,000,000
Rural Health Demonstration Project	\$ 8,219,750	\$ 21,354,324	\$ 21,354,324	\$ 34,858,520	\$ 34,858,520	\$ 34,858,520
Mental Health (FFP shifted to DHS)	\$ 558,000	\$ 2,128,000	\$ 2,128,000	\$ 2,128,000	\$ 2,128,000	\$ 2,128,000
One month bridge	\$ 20,503,000	\$ 40,312,324	\$ 40,312,324	\$ 53,816,520	\$ 53,816,520	\$ 53,816,520
SUBTOTAL	\$ 20,503,000	\$ 40,312,324	\$ 40,312,324	\$ 53,816,520	\$ 53,816,520	\$ 53,816,520
MEDICAL CONFORMING COSTS						
Accelerate coverage of children under 100% FPL	\$ 13,530,000	\$ 16,894,000	\$ 16,894,000	\$ 16,894,000	\$ 16,894,000	\$ 16,894,000
Asset waiver for children	\$ 628,000	\$ 2,573,000	\$ 2,573,000	\$ 2,573,000	\$ 2,573,000	\$ 2,573,000
SUBTOTAL	\$ 14,158,000	\$ 19,467,000	\$ 19,467,000	\$ 19,467,000	\$ 19,467,000	\$ 19,467,000
ADMINISTRATION COSTS						
Payments to Admin. Vendor (Inc Prem trans fees)	\$ 005,87,896	\$ 21,333,886	\$ 21,333,886	\$ 32,785,980	\$ 32,785,980	\$ 32,785,980
Statewide Outreach Campaign	\$ 772,00,000	\$ 7,200,000	\$ 7,200,000	\$ 7,200,000	\$ 7,200,000	\$ 7,200,000
DMH County Administration	\$ 8,21,975	\$ 2,135,432	\$ 2,135,432	\$ 3,485,852	\$ 3,485,852	\$ 3,485,852
EDS Costs-Fiscal Intermediary	\$ 8,88,000	\$ 748,000	\$ 748,000	\$ 748,000	\$ 748,000	\$ 748,000
One month Bridge	\$ 2,31,000	\$ 881,000	\$ 881,000	\$ 881,000	\$ 881,000	\$ 881,000
STATE ADMINISTRATION -MIRMI	\$ 2,707,250	\$ 3,314,000	\$ 3,314,000	\$ 3,314,000	\$ 3,314,000	\$ 3,314,000
STATE ADMINISTRATION -DHS	\$ 4,47,250	\$ 1,279,000	\$ 1,279,000	\$ 1,279,000	\$ 1,279,000	\$ 1,279,000
SUBTOTAL	\$ 23,883,371	\$ 36,891,319	\$ 36,891,319	\$ 49,693,832	\$ 49,693,832	\$ 49,693,832
TOTAL BENEFIT COSTS	\$ 114,859,012	\$ 292,551,610	\$ 292,551,610	\$ 440,235,139	\$ 440,235,139	\$ 440,235,139
ADMINISTRATION COSTS	\$ 23,883,371	\$ 36,891,319	\$ 36,891,319	\$ 49,693,832	\$ 49,693,832	\$ 49,693,832
TOTAL PROGRAM COSTS	\$ 138,742,383	\$ 329,442,928	\$ 329,442,928	\$ 489,928,971	\$ 489,928,971	\$ 489,928,971
ADMINISTRATION % (ADMIN/TOTAL PROG COSTS)	0.17	0.11	0.11	0.10	0.10	0.10
ADMINISTRATIVE COST LIMIT	12,762,112	32,505,734	32,505,734	40,915,015	40,915,015	40,915,015
AMOUNT IN EXCESS OF COST LIMIT	11,121,259	4,385,584	4,385,584	778,817	778,817	778,817
STATE AND LOCAL MATCH	\$ 47,535,906	\$ 117,076,719	\$ 117,076,719	\$ 179,041,169	\$ 179,041,169	\$ 179,041,169
FEDERAL MATCH	\$ 91,206,477	\$ 212,366,209	\$ 212,366,209	\$ 310,887,802	\$ 310,887,802	\$ 310,887,802
FEDERAL SHARE RATIO	66.09%	66.17%	66.17%	66.17%	66.17%	66.17%

Healthy Families Program Title XXI State Plan Amendment Enrollment and Cost Assumptions Federal Fiscal Years 1999, 2000 & 2001

CASELOAD ESTIMATE ASSUMPTIONS

HFP Monthly Enrollment — Base Program

At the time the State Plan was submitted in November 1997, Current Population Survey (CPS) data estimated that, for children ages 1 to 18 between 100 percent and 200 percent of the federal poverty level, as many as 580,000 may be uninsured, and thus could be potentially served by the Healthy Families Program (HFP). The UCLA Center for Health and Policy Research provided this estimate. An aggressive goal of 34.5% of all eligible children was adopted for the 1st year of program operation. Based on this goal, estimated monthly enrollment by the end of Federal Fiscal Year (FFY) 1998, 1999 and 2000 was 57,000, 261,000, and 501,000 respectively,

Subsequently, the UCLA Center for Health and Policy Research revised (May 1998) its estimate of the total number of eligible children to 400,300; a 31% reduction. After reviewing the following years CPS data, UCLA has again revised (January 1999) the estimated number of eligible children to 328,090: Based on this revision and on the actual monthly enrollment through February 1999, estimated monthly enrollment is projected as follows:

	<u>Base Program</u>	<u>cost</u>
FFY 1999	156,250 by 10/1	\$ 84,886,683
FFY 2000	281,251 by 10/1	\$213,608,109
FFY 2001	328,000 by 10/1	\$309,040,744

DMH FOR SED) SERVICES

- Assumes 3% of the average annual HFP enrollment.

	<u>cost</u>
FFY 1999	\$ 8,541,844
FFY 2000	\$20,319,937
FFY 2001	\$30,535,090

HFP EXPANSION ENROLLMENT ASSUMPTIONS:

Use of Income Disregards UD to 250% FPL and Income Deductions

- Caseload estimates assume enrollment will begin in 7/99.
- Assumes 132,000 potentially eligible children with net family income under 250 percent of fpl, in addition to above estimated eligible children.
- Of the 132,000 identified as potentially eligible, assumes 129,370 children will be enrolling in the HFP. This estimate is based on the January 1999 UCLA estimate of 132,000 children between 0-19 years old that would be eligible if income deductions and income disregards were used to determine income eligibility reduced by MRMIB's estimate of 2,630 children between 0-1 years old. The exclusion of the 0-1 age band was made because the 0-1 years children whose net family incomes (when using Medi-Cal income deductions) are below 200% fpl are eligible for free Medi-Cal and therefore are ineligible for HFP.
- Estimated monthly enrollment is projected as follows:

	<u>250% Expansion</u>	<u>cost</u>
<u>FFY 1999</u>	<u>5337 by 10/1</u>	<u>\$ 815.139</u>
<u>FFY 2000</u>	<u>48,514 by 10/1</u>	<u>\$ 29,557.097</u>
<u>FFY 2001</u>	<u>87,325 by 10/1</u>	<u>\$ 71,346.890</u>

Department of Mental Health (DMH) Services for Treatment of Serious Emotional Disturbance (SED)

- Assumes enrollment will begin 7/99.
- Assumes 3% of the average annual HFP enrollment.

	<u>cost</u>
<u>FFY 1999</u>	<u>\$ 428.038</u>
<u>FFY 2000</u>	<u>\$ 2,689.752</u>
<u>FFY 2001</u>	<u>\$ 6,533.562</u>

Only MRMIB and DMH estimate costs for this proposal. The DHS estimates no additional costs for Child Health Disability Program (CHDP) because the program eligibility ceiling is 200% FPL and does not use income deductions in eligibility determinations. DHS also estimates minimal costs for California Children's Services (CCS).

LEGAL IMMIGRANTS POST 8/22/96

(100% State-Funded program)

- Caseload estimates assume enrollment will begin 7/99,
- Assumes 40,000 potentially eligible legal immigrant children will enter the United States in a five year period (or 8,000 legal immigrant children annually) based on the revised UCLA report dated 1/99.
- Assumes the 40,000 potentially eligible children will enroll over a seven year period.
- Assumes 8,000 eligible children for every 12-month period beginning 8/22/96.
- Assumes a cumulative backlog of 22,667 eligible children for the 34-month period ending 7/1/99,
- Estimated monthly enrollment is projected as follows:

	<u>Legal Immigrants</u>	<u>cost</u>
<u>FFY 1999</u>	<u>920 by 10/1</u>	<u>\$ 133,632</u>
<u>FFY 2000</u>	<u>8,520 by 10/1</u>	<u>\$ 4,518,707</u>
<u>FFY 2001</u>	<u>17,799 by 10/1</u>	<u>\$12,384,323</u>

This expansion program will be 100% State-funded (requiring no federal matching Title XXI funds) unless federal matching funds are made available by Congress.

DMH FOR SED SERVICES

- Assumes enrollment will begin 7/99.
- Assumes 3% of the average annual HFP enrollment.

	<u>cost</u>
<u>FFY 1999</u>	<u>\$ 71,844</u>
<u>FFY 2000</u>	<u>\$ 480,067</u>
<u>FFY 2001</u>	<u>\$1,275,720</u>

Only MRMIB, CCS and DMH estimate costs for this proposal. Estimated CCS costs are \$137,000 total funds. The DHS estimates no additional costs for Child Health Disability Program (CHDP).

HFP COST ASSUMPTIONS

MRMIB Payments to Health, Dental, and Vision Plans. ~~Current Population Survey (CPS) data estimated that, for children ages 1 to 18 between 100 percent and 200 percent of the federal poverty level, as many as 580,000 may be uninsured, and thus could be potentially served by the Healthy Families Program (HFP).~~ These health services costs reflect estimated insurance premium costs as the program population **grows** over time.

Estimated payments ~~(or premiums)~~ for health, dental, and vision per month is ~~\$70.25~~ are: ~~\$71.50 per enrolled child per month (ncpm) for October 1998 through June 1999 and \$80.08 pcpm for the period July 1999 through September 2001.~~ For children under **age 1** estimated premiums are ~~\$230.00 pcpm.~~ **Estimated monthly enrollment by the end of Federal Fiscal Year (FFY) 1, 2, and 3 is 57,000, 261,000, and 501,000 respectively.**

MRMIB Offsetting Premium Payments. The total health services costs ~~will be~~ **are** offset by a monthly premium (or contribution) payment per child paid by the family. ~~The administrative vendor, on behalf of MRMIB collects these premiums.~~ These Premiums will be collected by the health plan.

Estimated offset of premium payments per child per ~~month~~ is ~~\$6.00~~ **5.00**; ~~estimated monthly enrollment by the end of Federal Fiscal Year (FFY) 1, 2, and 3 is 57,000, 261,000, and 501,000 respectively.~~

~~Payments to Enrollment Contractor~~ Refer to Payments to Administrative Vendor - page 8.

Case Management Costs. The cost of paying qualified application assistants to assist families in their ~~first~~ annual eligibility review for HFP enrollment will be \$66,995 **in FFY 1999**. Each HFP subscriber is re-evaluated annually prior to their anniversary date in the program to determine continued eligibility for the program. The provision of case management services by qualified application assistants helps to **assure** continuity of coverage for enrolled children.

MRMIB Payments to Access for Infants and Mother (AIM) Health Plans. AIM is administered by the MRMIB, which contracts with the private sector to ~~provide subsidized coverage for beneficiaries uninsured and underinsured women and their newborn infants through two years of age.~~ To cover the full

cost of care, California uses Cigarette and Tobacco Products Surtax Funds (Proposition 99) to subsidize subscriber co-payments and contributions, while the subscriber pays a premium amount equal to two percent of the family's average annual income. **Roughly four percent of AIM enrollees have access to high deductible insurance coverage, or have insurance coverage for their children. Based on HCFA's technical guidance, MRMIB agreed not to claim Title XXI matching funds for infants enrolled with access to high deductible insurance coverage (identified through the application process), since their insured status excludes them from the definition of Title XXI's target population.**

~~Estimated payments to AIM health plans average \$4,888,190 per year~~

California Children's Services (CCS). The CCS Program component of the HFP reflects estimated costs of providing services for the eligible children (under 200 percent of poverty) enrolled in CCS. CCS provides specialty and sub-specialty services to children with special health care needs, which require case management and authorization of services to ensure that appropriate treatment and services are provided. CCS will be responsible for all medical, dental, and vision services necessary to treat an enrolled child's CCS eligible condition in coordination with the HFP plan delivery of primary and preventive health care services.

Average cost per eligible per month estimate is ~~\$180.50~~; **\$124.00**. ~~estimated monthly enrollment by the end of FFY 1, 2, and 3 is 2,048, 9,377, and 18,000 respectively.~~ It is also assumed that the county and the state will participate equally in the match requirement.

Child Health & Disability Prevention (CHDP)(Without EDS processing costs).

The CHDP estimate reflects payment to CHDP providers for screening exams and initial follow-up treatment for new HFP enrollees during a period of up to **30 90** days during which ~~their~~ application to the Program is pending. It was anticipated the CHDP providers would be a significant source of referral for the Program.

- a) Average cost of a CHDP screening for age 1 **through** 18, per eligible per month is ~~\$65.96~~ **\$64.38**.
- b) Average cost of a 30-day follow-up treatment is \$18.50.
- c) **Estimated average one time cost per case is \$82.88 for screening and treatment combined.**

~~It is estimated that 12,500 enrolled first month and 8,000 each additional month through June 1998; thereafter, 10,000 enrolled each month through June 1999.~~

Rural Health Demonstration Projects - MRMIB & DHS. The Health Families rural demonstration projects were established to improve access to health care services for medically under-served and uninsured populations in rural areas, and special populations who have rural occupations (farm workers, loggers, etc.).

The MRMIB's \$6.1 million (\$2.038 million GF and \$3.962 million FFP) augmentation is to develop and enhance existing health care delivery networks through a series of amendments with participating HFP health, dental and vision plans. This augmentation addresses geographic access barriers and access barriers for special population subscribers enrolled in the HFP (seasonal and migrant farm workers, and American Indians).

Mental Health - For SED Services. The mental health component of the Healthy Families Program (HFP) represents the total estimated costs of providing mental health services to ~~children who are under 200% of poverty~~ eligible children with serious emotional disturbance (**SED**) consistent with the Bronzan/McCorkadale Act. These services are provided through a single, local, public entity because the expertise and resources for serving this special needs population is currently in the county mental health programs. The HFP health plans are responsible to provide psychiatric inpatient hospital services to this population up to the limit of the benefit, which is 30 days on an annual basis. The costs associated with the basic benefit have not been included here. Medically necessary mental health services for the SED population beyond the basic inpatient benefit are the responsibility of the county mental health programs. The proportion of SED children enrolling is estimated to be three percent of the average annual HFP enrollment. Three percent is a conservative estimate of the incidence of SED based on national and state prevalence and usage data used by the Department of Mental Health (DMH) when estimating services and funding needs for the Medi-Cal population ages 0 to 21.

The estimated average cost per child per month is ~~\$220.00~~ **\$229.00**. The estimated monthly enrollment of children with SED in HFP for ~~FFY1, 2, and 3 is 1,1710, 7,830, and 15,030~~ **1999, 2000 and 2001 is 2,965, 7,510 and 11,840** respectively.

Accelerate Coverage of Children Under 100 Percent of Federal Poverty Level (FPL). The DHS 100 percent program ~~currently~~ previously provided coverage to children whose families have income in excess of the maintenance need but less than 100 percent of poverty if they were born after September 30, 1983. In March 1998, the program is being expanded was expanded to cover children under the age of 19.

The estimated average cost per child is \$89 per month and the estimated number of eligible children is 15,818 average monthly. Eligibles are expected to phase-in over 19 months. The cost estimates reflect Title XXI federal funding available for these eligibles in excess of the Title XIX federal funding. The full costs for these eligibles are included in the Medi-Cal base estimate.

Asset Waiver for Children. Resources will not be counted in determining Medi-Cal eligibility for children eligible under the national asset limits.

The estimated average cost per child under 15 years of age is \$48, and per child from 15 through 18 years of age is \$89; estimated number of children eligible is 33,935 per month. There were 592 eligibles in February 1999. It is assumed that this population will continue to grow at a rate of 250 per month.

~~One Month Extended Eligibility When Income Increases.~~ All Medi-Cal Only children discontinued from Medi-Cal or given a share of cost will be given an additional month of zero share of cost Medi-Cal in order to give them time to apply for the Healthy Families Program.

~~Average cost per child is \$43 per month; estimated number of children eligible is 52,391 per month.~~

One Month Bridge from Medi-Cal to Healthy Families. A federally acceptable One Month Bridge Program of Title XXI funded health care for children ~~is~~ ing ineligible for free Medi-Cal. ~~27~~ te 310 Statutes of 1998. This program (which covers one month only) was implemented on November 1, 1998. ~~To be eligible, the families' income must~~ be between 100 percent and 200 percent of the federal poverty level. The estimated average cost per child is \$43 per month and the estimated number of eligible children, once the program is fully implemented, is 8,036 per month. In February 1999 there were 471 children eligible. It is assumed that the caseload will grow at a rate of 250 per month to the total 8,036.

~~MRMIB Payments to Administrative Vendor.~~ The Managed Risk Medical Insurance Board (MRMIB) will contract with a private company to conduct the eligibility and enrollment process. This is the same process that it uses for its three existing programs.

~~Estimated payment to enrollment contractor per child per month is \$3.50; estimated monthly enrollment by end of FFY 1, 2, and 3 is 57,000, 261,000, and 501,000 respectively.~~

MRMIB payments to the HFP administrative vendor for eligibility determinations and enrollment services are classified as administrative costs in accordance with Health Care Financing Administration (HCFA) guidelines for claiming Title XXI funds. The administrative vendor contract (contract) with Electronic Data Systems (EDS) includes final negotiated per child per month (PCPM) costs of \$52.00 for the first 10,000 subscribers and \$3.85 thereafter. Also included are minimal costs for the state share of transaction fees for families' cash and credit card payments, and bad check fees from the families' first month premium payment.

Statewide Outreach Campaign. The ~~Department~~ **State** ~~will implement~~ **has implemented** various activities to provide information to families regarding both Medi-Cal and HFP, and to encourage and increase enrollment of children in both programs. Full year outreach activities are estimated at \$12 million annually.

Note: The Outreach budget includes the one-time application assistance fees. ÷ Payments for Application Assistance Fee (One time). The application assistance fee which MRMIB will pay for referrals of eligible subscribers is another feature which will facilitate coordination with public and private entities. MRMIB will specify those agencies and persons in regulation after public hearing, but anticipates authorizing a wide range of entities including insurance agents, county health and disability prevention program providers, clinics, and hospitals.

~~Estimated payment for application assistance fee per family is \$50.00; estimated monthly enrollment by the end of Federal Fiscal Year (FFY) 1, 2, and 3 is 57,000, 261,000, and 501,000 respectively.~~

Mental Health County Administration. This is the administrative cost portion of the Healthy Families Program county mental health funding.

Medi-Cal Conforming Costs - County Administration. This represents the total estimated cost for counties to determine eligibility for a) Accelerated Coverage of Children Under 100 percent FPL; b) Asset Waiver for Children.

EDS Costs - Fiscal Intermediary (FI). Provider reimbursement for all fee-for-service elements of expanded access is processed by EDS, the Medi-Cal Fiscal Intermediary (FI) through an automated payment system integrated with the California-Medi-Cal Management Information System (CA-MMIS). It is assumed that all providers would utilize the HCFA 1500 and UB92 standardized Medi-Cal claim forms, as well as the CHDP PM 160. The current CA-MMIS

system, as well as the CHDP system will be used as the most cost-effective models for expanded access for HFP. The CHDP system will allow assessments and the CA-MMIS will accommodate any treatment claims. ~~While this system will require some level of enhancement and will be contingent upon the final parameters identified for implementation, it is anticipated that these modifications can be accommodated on a timely basis.~~ Both systems require enhancements to comply with Title XXI requirements.

~~Ongoing operational costs are estimated to be \$1,441,160 annually.~~

One Month Bridge. This is the county administration cost associated with implementation of the One Month Bridge Program described in Section **I.B.5.**

State Administration - MRMIB. MRMIB will administer the HFP, and will provide estimates health care for approximately ~~580,000~~ **497,000** children of moderate income working individuals through subsidized private health insurance plans. ~~MRMIB is requesting 18 positions and \$1.600 million (\$560 thousand General Fund) in the current state fiscal year; and 21 positions and \$2.156 million (\$155 thousand General Fund) for the state fiscal year 1998-99.~~ The current state fiscal year 1999/00 budget includes authority for 28.0 positions and \$3.314 million total funds (\$1.342 million General Fund).

State Administration - DHS. The Department of Health Services ~~is requesting 19 positions and \$2.679 million (937 thousand General Fund) in the current state fiscal year; and 19 positions and \$2.836 million (\$993 thousand General Fund) for the state fiscal year 1998-99.~~ has, in the current state fiscal year 99/00, budget authority for 12 positions and \$1.268 million (\$387 million General Fund). These resources are necessary to meet requirements of the HFP legislation, conduct the activities necessary to expand Medi-Cal health coverage for low-income uninsured children, and provide education and outreach activities.