



## Healthy Families

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

Dear Ms. Min DeParle:

We are writing in response to your comments, dated January 9, 1998, regarding California's Healthy Families Title XXI State Plan. We hope the additional information will help you to fully assess and approve our plan. As you know our goal is to begin enrolling children into the Healthy Families Program by July 1, 1998, and thus we appreciate an expeditious review and approval of our State Plan

Your letter raised six areas of particular concern to the Department of Health and Human Services (DHHS): the insurance purchasing credit mechanism, continuous eligibility, the application assistance fee, measures to avoid crowd out, premium and copayment limits, and the plan's administrative costs. We are confident that the information we are providing in our response to your letter sufficiently addresses all of your concerns.

Of note, California is temporarily postponing implementation of the insurance purchasing credit mechanism until it secures state legislation to address a technical flaw in the authorizing statute. Once the clean-up legislation is passed, California will submit a state plan amendment. Although we are temporarily postponing implementation of the purchasing credit, we continue to regard it as an important component of the Healthy Families program that enables families to purchase employer-based coverage and allows children to enroll in same health plan as their parents. We are also modifying our proposal for one month of continued eligibility as a result of HCFA comments and are requesting approval based on this modification. This change will also require state legislation. We would like to mention several areas of particular concern to us. They include:

- The Family Value Package. The structure of Healthy Families has been designed to assure that subscribers have access to a wide variety of plans in the Family Value Package (FVP) which have copayments and premium payments that are within the Title XXI limits, but also to allow the subscribers to choose, and pay the cost differential for, other higher cost plans.

In recognition that many low income families will want to choose a lower priced plan and to ensure that there is wide access to the FVP's, MRMIB recently made two changes in the definition of the FVP plan that will significantly increase the number of plans that will qualify as FVP's. We discuss these changes in detail in our response to your question 14 in the enclosed response document.

MRMIB's regulations guarantee that a FVP will be available to all enrollees, and the recent changes ensure that subscribers will have a significant choice of plans which have costs to the beneficiary under the federal limits.

One of the most important principles of purchasing pools generally, and the Healthy Families model in particular, is allowing people to have a bountiful selection of plans (and, therefore, providers) from which to choose and a fiscal incentive to encourage health plans to seek to be one of the lower cost plans. The incentive that subscribers have to choose the lower cost plan is a prerequisite of the ability of a purchasing pool to contain overall costs of the program. This is because health plans will compete to be among the lower price plans so that they will be chosen.

These principles underlie the creation of the Family Value Package concept in Health Families as well as the structure of the state employees purchasing pool run by Public Employees Retirement System (PERS) and the small employers purchasing pool (HIPC) run by MRMIB.

HCFA has indicated its concern that lower income families may not be able to pay for plans above the FVP limits -- and its view that this program feature is possibly discriminatory toward lower income families. We see the issue quite differently. We believe Congress' intent in placing the non-discrimination language in Title XXI was to prohibit states from offering one set of benefits to those over 150 percent FPL and another set to those below 150 percent -- not to prohibit families from choosing, and paying for, a higher cost plan. We think it would be inequitable to insist that persons of lower income levels not be offered the choice for a plan which costs a bit more, but may have features which they value and would like to purchase. We would agree however, that information regarding plan selection by families could provide insight to this issue. MRMIB is prepared to monitor the choices families make, by income.

If we are compelled to change our program design, we would likely have no choice but to exclude plans that are over the FVP limit. Eliminating choice in this regard is problematic and inconsistent with the policy objectives of consumer choice and plan completion. As evidenced by the President's recent budget proposal, the Clinton Administration has advocated for pooled purchasing, in part because of its features related to choice and cost containment. We are further aware that the basis of the approach taken by the President and Congress with regard to the State Children's Health Insurance Program was state experimentation with a number of different approaches to providing coverage to low income persons. We hope that HCFA will allow California's approach to proceed.

- Start Up Funds. We share President Clinton and Secretary Shalala's publicly stated view that effective outreach is critical to the success of the coverage expansions. We feel the states are faced with unrealistic and unreasonable limits on outreach during the first years of the program because of the 10 percent administrative cap. States, particularly those creating new programs, have certain administrative costs which must be incurred before beneficiaries start enrolling in the programs in sufficient numbers to allow states to manage within the 10 percent cap. Among the most significant of such costs are those related to outreach and education. We encourage the broadest interpretation possible by HCFA of the 10 percent limitation in support of the mutual federal-state interest in marketing and outreach to and the enrollment of eligible children.
- The Vaccine For Children Program. California encourages DHHS to allow the Vaccine For Children (VFC) program to provide no-cost vaccines to all Title XXI programs, whether they are Medicaid expansions or a state insurance program. California does not believe that Congress or the President intended to discriminate against children in states that choose to implement a private insurance model program rather than expand their Medicaid programs. Extending the VFC program to non-Medicaid-based expansion strategies would provide no-cost immunizations for children who were previously uninsured

To meet our July 1, 1998, enrollment deadline, we have already begun our outreach campaign. We will be selecting the Healthy Families administrative vendor in February and will be signing contracts with health plans by mid-March. We believe it is imperative to begin our program at the projected date to ensure that California's uninsured children have access to critical health care needs and services.

Thank you for your assistance and guidance during this review process.

Sincerely,

Sandra Shewry  
Executive Director

Managed Risk Medical  
Insurance Board

S. Kimberly Belshé  
Director  
Department of Health Services

Enclosure

cc: Kathleen Farrell  
Richard Chambers  
Richard Fenton