



To: First 5 Alameda County Commission
From: Mark Friedman, Chief Executive Officer
Date: January 22, 2009
Subject: Contribution to MRMIB for Healthy Families Coverage

REQUESTED ACTION

To review and approve the request from MRMIB.

BACKGROUND

The Healthy Families Program (HFP) provides low cost health, dental, and vision insurance coverage to children ages 0 – 18 living in families with income up to net 250% of the federal poverty level (FPL) who are otherwise ineligible for no-share of cost Medi-Cal. The Managed Risk Medical Insurance Board (MRMIB) administers the HFP. Families pay a monthly premium, which is determined by family size, and family income to the health plan selected by the family. At present, monthly premiums range from \$4 to \$15 per child, up to a maximum of \$45 for all children in a family. Families are also responsible for a co-payment of \$5 at the time of services; no individual co-payment exceeds \$5 and the maximum co-payment amount per benefit year is \$250 per family. Eligibility for the program is reviewed on an annual basis.

The HFP faces a \$17.2 million General Fund (GF) deficit for the 2008-09 fiscal year. The deficit is caused by the delay in the adoption of the budget and related cost savings and a change in the assumption that the increase premiums for families with income over 150% FPL included in the budget trailer bill would result in a slight reduction of enrollment. Out of the \$17.2 million shortfall, \$14.1 million GF is due to the delay in the adoption of the budget. The \$3.1 million GF portion of the deficit represents the amount that was assumed as a result of the caseload reduction. Because the HFP receives approximately two federal dollars for every one dollar of state funds, the reduction to the program would be over \$50 million between December 19, 2008 and June 30, 2009.

MRMIB has determined that instituting a freeze on new enrollments and a waiting list that as many as 163,000 children would not have access to Healthy Families coverage. Approximately 40% of those children would be under age 5.

Based upon the experience of other states, the consequences of such an enrollment freeze would have long-term negative effects. According to the MRMIB, it could take up to two years to regain the momentum achieved in outreach and enrollment. Moreover, by refusing enrollment of eligible Californian children, the state faces greater costs, including avoidable expensive emergency room and hospital costs (which would be paid under emergency Medi-Cal).

Thus MRMIB is asking First 5 Commissions throughout the state to commit to funding all new enrollments for children from birth to five until the end of the fiscal year (June 30, 2009). The total cost is projected to be \$16.5 million. Each County Commission's share of that cost was determined based upon the number of children 0 to 5 currently enrolled in Healthy Families from each county. The amount requested from First 5 Alameda County is \$375,635.35.

MRMIB says that this is a one time only request to make up the shortfall for this fiscal year, but it is reasonable to expect that once our money is in play, given the budget challenges California faces for the foreseeable future, that similar "one-time only" requests will occur in future years. It is anticipated that the new Obama administration will be able to advance a system of expanded health coverage early in the coming term of office. At least an expansion of SCHIP (State Children's Health Insurance Program) is projected to take place in the first month of the new administration.

Also the recently installed President Pro Temp, Senator Daryl Steinberg, has made children's health insurance a major priority. It is likely that he will look to First 5 to be part of the solution.

First 5 California has committed to fronting the \$16.5 million so that MRMIB will not have to institute a cap on new enrollments. However First 5 California expects that local First 5 Commissions will contribute their share as the coverage funded will go to children within each county. Among the county commissions that have already committed to providing their share are Santa Clara, Marin, Contra Costa, Solano, San Mateo, and many others throughout the state. As usual by far the largest share will come from First 5 LA and although their Commission has not yet voted all indications are that they will participate.

Among issues to consider is whether agreeing to this request would violate the prohibition against supplantation. Since the funding will only be for new enrollments attorney James Harrison who advises our Commission as well as the First 5 Association has determined that we are not violating the supplantation prohibition.

FISCAL IMPACT

Agreeing to this request from MRMIB would cost our Commission \$375,635.35 for this current fiscal year which would come from our Sustainability Fund. The funds will actually be given to First 5 California.

RECOMMENDATION

To review and approve the request from MRMIB for Healthy Families funding of \$375,635.35.

Submitted by:

Reviewed by:

Mark Friedman,
Chief Executive Officer

Rebecca Gebhart
Finance and Administration Director