

**HOUSE OF REPRESENTATIVES STAFF ANALYSIS**

**BILL #:** HB 1365 Florida Healthy Kids Corporation Act  
**SPONSOR(S):** Davis, M. and others  
**TIED BILLS:** None. **IDEN./SIM. BILLS:** SB 2050

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REFERENCE	ACTION	ANALYST	STAFF DIRECTOR
1) Future of Florida's Families Committee		Davis	Collins
2) Health Care Appropriations Committee			
3) Health & Families Council			
4) _____			
5) _____			

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**SUMMARY ANALYSIS**

HB 1365 amends the Florida Healthy Kids Corporation Act (FHKC) by removing the eligibility criteria presently used to determine which non-Title XXI children are eligible for state and local funded assistance in paying health insurance premiums under the Healthy Kids program. The effect of this change would be to reopen non-Title XXI enrollment under the program. The bill changes the method for calculating the voluntary local county match contributions received by the FHKC to subsidize the premium for non-Title XXI eligible children. The bill proposes that the FHKC calculate a county's local match rate based on the county's enrollment of non-Title XXI eligible children as of March 1, 2004, and requires that a county's local match contribution shall not exceed 30 percent of the monthly premium for the county's non-Title XXI enrollment, after the family premium is deducted, and the remaining 70 percent shall be taken from the General Appropriations Act. The legislation provides FHKC with authority to apply any unspent local match contributions at the end of the fiscal year to the county's local match obligation for the next year. The bill also changes the due date (from May 1 to June 1) that the FHKC must provide written annual notification to the local entities of their local match contribution amounts under the Healthy Kids program.

See Fiscal Comments section of bill analysis for fiscal impact information.

The bill shall take effect on July 1, 2006.

# FULL ANALYSIS

## I. SUBSTANTIVE ANALYSIS

### A. HOUSE PRINCIPLES ANALYSIS:

**Empower Families:** This bill strengthens families as eligibility criteria are expanded for the Florida KidCare program.

### B. EFFECT OF PROPOSED CHANGES:

#### **BACKGROUND**

#### **The Florida KidCare Program**

The State Children's Health Insurance Program (SCHIP) under Title XXI of the Social Security Act is a federal/state partnership, which provides insurance to uninsured children under age 19 whose family income is above Medicaid limits, but at or below 200 percent of the Federal Poverty Level (FPL). Under SCHIP, the federal government provides a capped amount of funds to states on a matching basis.<sup>1</sup> SCHIP expands insurance coverage for low-income children who do not qualify for Medicaid. Florida's SCHIP eligible children are served in the Florida KidCare Program.

Florida KidCare was created in 1998 to provide health benefits to uninsured children through either SCHIP or Medicaid. The statutory framework for KidCare is delineated in sections 409.810 through 409.821, Florida Statutes. KidCare has four components each with its own eligibility standards:

- Medicaid:
  - Birth to age 1, with family incomes up to 200 percent of the FPL.
  - Ages 1 through 5, with family incomes up to 133 percent of the FPL.
  - Ages 6 through 18, with family incomes up to 100 percent of the FPL.
  - Ages 19 through 20, with family incomes up to 24 percent of the FPL.
  - Total enrollment 1,244,304.
- Medikids:
  - Children ages 1 through 4 with family incomes above 133 percent up to 200 percent of the FPL.
  - Total enrollment: 15,980.
- Healthy Kids:
  - Children age 5, with family incomes above 133 percent up to 200 percent of the FPL.
  - Children age 6 through 18, with family incomes above 100 percent up to 200 percent of the FPL.
  - A limited number of children who have family incomes above 200 percent of the FPL are enrolled in the unsubsidized full-pay option in which the family pays the entire cost of the premium, including administrative costs.
  - Total enrollment: 187,212.
- Children's Medical Services (CMS) Network:
  - Children ages birth through age 18 who have serious health care problems. For Title XXI-funded eligible children with special health care needs, the CMS Network receives a capitation payment from the Agency for Health Care Administration to provide services for them. For children who do not qualify for Title XIX- or Title XXI- funded coverage, services are limited and subject to the availability of funds.
  - Total enrollment 8,118.

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<sup>1</sup> The federal allocation for FY 05/06 is \$249,329,871 and the federal matching rate is 71.22%.

## 2006 Federal Poverty Level

Persons in Family or Household	100%	200%
1	\$ 9,800	19,600
2	13,200	26,400
3	16,600	33,200
4	20,000	40,000
5	23,400	46,800

The Agency for Health Care Administration (AHCA) administers Medicaid and Medikids. AHCA is also the lead state agency for the federally funded portion of the KidCare Program. The Florida Healthy Kids Corporation (FHKC), pursuant to a contract with AHCA, administers the Healthy Kids component. FHKC's responsibilities include eligibility determination, collection of premiums, contracting with authorized insurers, and the development of benefit packages. CMS is under the Department of Health and administers the CMS Network. For Title XXI-funded children with special health care needs, the CMS Network receives a capitated payment from the Agency for Health Care Administration of approximately \$518.00 per child, per month. Children's Medical Services also administers a state-funded "Safety Net" program for children who do not qualify for Title XIX- or Title XXI-funded coverage, but services are limited and subject to the availability of funds.

Section 409.814(5), Florida Statutes, allows a child whose family income is above 200 percent of the FPL or a child that is not eligible for premium assistance as delineated in statute<sup>2</sup> to participate in Medikids and Healthy Kids if the family pays the full premium without any premium assistance. In practice, only Healthy Kids has enrolled children from these families. The Healthy Kids full-pay premium is \$110 per child per month. Medikids has not enrolled children from these. Current law limits the participation of families with income above 200 percent of the FPL to no more than 10 percent of total enrollees in the Medikids or Healthy Kids program to avoid adverse selection.<sup>3</sup> Section 409.814(5), Florida Statutes, excludes the Medicaid component of KidCare from the full-pay provision.

There are 15,980 children currently enrolled in Medikids according to the KidCare enrollment report for March 2006. Therefore, the 10 percent cap on full-pay enrollees would limit the number of full-pays in Medikids to 1,598 children.

The differences in the eligibility criteria and ability to offer a full-pay premium option for families with incomes above 200 percent of FPL, has created the potential for confusion. Families may find that they can insure one child but not the other.

Section 624.91(3), F.S., establishes eligibility criteria for state-funded premium assistance in the Healthy Kids program. The following categories are eligible for state-funded premium assistance:

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- <sup>2</sup>Section 409.814(4), F.S., also excludes from premium assistance under KidCare the following children unless they are eligible for Medicaid:
- (a) 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.
  - (b) 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, provided that the cost of the child's participation is not greater than 5 percent of the family's income. This provision shall be applied during redetermination for children who were enrolled prior to July 1, 2004. These enrollees shall have 6 months of eligibility following redetermination to allow for a transition to the other health benefit plan.
  - (c) 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.
  - (d) A child who is an alien, but who does not meet the definition of qualified alien, in the United States.
  - (e) A child who is an inmate of a public institution or a patient in an institution for mental diseases.
  - (f) A child who has had his or her coverage in an employer-sponsored health benefit plan voluntarily canceled in the last 6 months, except those children who were on the waiting list prior to March 12, 2004.
  - (g) A child who is otherwise eligible for KidCare and who has a preexisting condition that prevents coverage under another insurance plan as described in paragraph (b) which would have disqualified the child for KidCare if the child were able to enroll in the plan shall be eligible for KidCare coverage when enrollment is possible.

<sup>3</sup> Adverse selection occurs when too many children who are likely to incur high medical costs join the same health insurance plan. Adverse selection can cause what insurers refer to as a "death spiral." As more sick children join, the health insurance plan must raise premiums to cover cost. As premiums increase, families with healthier children leave to join less costly plans. The plan is left with only sick children and has difficulty spreading risk to cover their cost and ultimately may fail.

- Residents of Florida who are eligible for the Florida KidCare program pursuant to s. 409.814, F.S.
- Legal aliens, who were enrolled in the Healthy Kids program as of January 31, 2004, and who, because of their alien status, i.e., are not “qualified aliens,” do not qualify for Title XXI federal funds.
- Individuals who turned 19 as of March 31, 2004, who were receiving Healthy Kids coverage prior to the enactment of the Florida KidCare program. This provision is repealed March 31, 2005.
- Dependents of state employees who were enrolled in the Healthy Kids program as of January 31, 2004. Such dependents remain eligible until January 1, 2005.

## **Effect**

The bill amends s. 624.91(3), F.S., and removes the eligibility criteria currently used to determine which non-Title XXI children are eligible for state and local funded assistance in paying health insurance premiums under the Healthy Kids program. The bill amends s. 624.91(4), F.S., to remove the authority of the Florida Healthy Kids Corporation to annually establish a local match policy for the enrollment of non-Title XXI eligible children in the Healthy Kids program. The bill provides that the Corporation must calculate a county’s local match rate based upon that county’s enrollment of non-Title XXI eligible children as of March 1, 2004. The local match county contribution must not exceed 30 percent of the monthly premium after the family premium is deducted, and 70 percent of the remaining premium is to be taken from the General Appropriations Act. The legislation provides FHKC with authority to apply any unspent local match contributions at the end of the fiscal year to the county’s local match obligation for the next year. The bill also changes the due date (from May 1 to June 1) that the FHKC must provide written notification annually to the local entities of their local match contribution amounts under the Healthy Kids program.

According to representatives with the Florida Healthy Kids program and AHCA, removing the non-Title XXI eligibility criteria under the Healthy Kids program could be interpreted as expanding the opportunity for non-Title XXI children to receive Healthy Kids coverage. Under s. 624.91(2)(b), F.S., it is the intent of the FHKC to provide coverage to children not eligible for federal matching Title XXI funds. The largest category affected under the bill would be legal aliens who do not qualify for Title XXI federal funds because of their alien status, according to AHCA representatives. By removing the current qualification that these children had to have been enrolled in Healthy Kids prior to January 31, 2004, the bill would allow children who have moved to Florida since February 1, 2004, or have become uninsured, the opportunity to receive Healthy Kids coverage. Also, children from families with incomes within 200 percent of the federal poverty level, but who do not meet all of the other technical eligibility factors, would be able to apply for subsidized state coverage.

Changing the method for calculating the amount of the counties’ voluntary local match amount to no more than 30 percent of the monthly premium after the family premium is deducted, could provide an equitable method for determining the counties’ contribution. However, according to officials with the FHKC, basing these calculations on non-Title XXI enrollment as of March 1, 2004 in every county does not recognize any changes in actual costs since that date. Further, since enrollment of non-Title XXI children has significantly dropped by almost 10,000 children since March 1, 2004 (13,703 to 3,841 children), using this benchmark date would prove to be costly to counties.

Providing the FHKC with the authority to apply unspent local contributions to the next year’s obligation will ensure the counties that their contributions are spent on providing subsidized coverage to non-Title XXI children, either for the current year or the subsequent year. Also, changing the due date from May 1st to June 1st would provide the FHKC sufficient time after the Legislative session ends, in early May, to factor in policy changes and budget requirements when determining the correct local match amounts.

C. SECTION DIRECTORY:

**Section 1.** Amends s. 624.91, F.S., and removes the eligibility criteria currently used to determine which non-Title XXI children are eligible for state and local funded assistance in paying health insurance premiums under the Healthy Kids program.

**Section 2.** Amends s. 409.814, F.S., to remove a statutory reference to s. 624.91(3), F.S., which is removed under this legislation.

**Section 3.** Provides that the act shall take effect July 1, 2006.

**II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT**

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

None.

2. Expenditures:

See Fiscal Comments section.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

None.

2. Expenditures:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

Non-Title XXI children not currently in the Healthy Kids program would benefit under the provisions of this bill because such children could receive benefits under the program.

D. FISCAL COMMENTS:

Representatives with the staff of the FHKC estimate that the fiscal impact of this bill is as set forth below, assuming that new enrollment of non-Title XXI children reaches the same level of enrollment as of March 1, 2004.

**ENROLLMENT RETURNED TO MARCH 1, 2004 LEVEL**

**Projected Expenditures if Enrollment at March 1, 2004 levels (Annualized)**

March 1, 2004 Non-Title XXI Enrollment:	13,703	
Member Months:	164,436	
Estimated Medical Per Member Per Month:		\$105.20
Estimated Dental Per Member Per Month:		\$11.59
Estimated Admin. Per Member Per Month:		\$5.82
TOTAL AMOUNT Per Member Per Month:		\$122.61
<b>TOTAL COSTS:</b>		<b>\$20,161,497.96</b>

LESS FAMILY PREMIUMS:	\$1,442,104.00
<b>NET COSTS TO COVER:</b>	<b>\$18,719,394.24</b>
Local Match -- 30%	\$5,615,818.27
State Match -- 70%	\$13,103,575.97

### III. COMMENTS

#### A. CONSTITUTIONAL ISSUES:

##### 1. Applicability of Municipality/County Mandates Provision:

The bill does not require counties or municipalities to spend funds or to take an action requiring the expenditure of funds. The bill does not reduce the percentage of a state tax shared with counties or municipalities. The bill does not reduce the authority that municipalities have to raise revenue.

##### 2. Other:

None.

#### B. RULE-MAKING AUTHORITY:

The bill does not provide rulemaking authority to FHKC.

#### C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

### IV. AMENDMENTS/COMMITTEE SUBSTITUTE & COMBINED BILL CHANGES