SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

BILL: SB 622

SPONSOR: Senator Saunders

SUBJECT: The Florida Healthy Kids Corporation

DATE: March 24, 2001 REVISED: ________ ________ ________ ________

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Liem	Wilson	HC	Favorable
2.			GO	
3.			AHS	
4.			AP	
5.				
6.				

I. Summary:

Senate Bill 622 eliminates a requirement for local-matching funds for the Florida Healthy Kids Corporation if funds are appropriated as part of the General Appropriations Act to replace local match. The bill allows the Healthy Kids Corporation to accept voluntary contributions as matching funds to provide coverage for additional children.

The bill creates an undesignated section of law.

II. Present Situation:

Florida=s Kidcare program was created by the 1998 Legislature to make affordable health insurance available to low and moderate-income Florida children. Kidcare is an Aumbrella@ program that currently includes the following four components: Medicaid for children; Medikids; Florida Healthy Kids; and the CMS network, which includes a behavioral health component.

The Florida Healthy Kids program component of Kidcare is administered by the non-profit Florida Healthy Kids Corporation, established in s. 624.91, F.S. The Florida Healthy Kids program existed prior to the implementation of the federal Title XXI child health insurance program. Florida was one of three states to have the benefit package of an existing child health insurance program (Healthy Kids) grandfathered in as part of the Balanced Budget Act of 1997, which created the federal child health insurance program.

Use of Local Matching Funds in the Healthy Kids Program

The Florida Healthy Kids program operates with a combination of local, state, and federal dollars, and family contributions. Section 624.91(2)(b), F.S., states that it is the intent of the Legislature Athat state and local government Florida Healthy Kids funds, to the extent permissible under federal law, be used to obtain matching federal dollars.@ Healthy Kids has required counties to contribute funds to support the health insurance subsidy for families since 1993; in fact, the original concept of the program was that state monies were to be considered Aseed@ funds, which would eventually be supplanted entirely by local funds. Early Healthy Kids Corporation contracts for local programs required counties in which the program operated to develop a plan to gradually increase county matching contributions from a base amount of 5% of total program costs, with a goal of eventually funding local program operations 100% from local funds.

Under early Healthy Kids program requirements, local matching funds could be obtained from any source: local tax dollars, providers who had traditionally provided charity care to indigent individuals, charitable contributions and other sources. In the original implementation of the program in the early 1990s, traditional providers of indigent care, particularly hospitals, often contributed local match using funds which had traditionally supported the provision of care to indigent children, since providing these children with health care coverage and the ability to secure regular preventive care was both a more economical and a more humane way to meet these children=s health care needs.

Meanwhile, in response to concerns about the millions of uninsured children in the nation, Congress allotted, through the Balanced Budget Act of 1997 (P.L. 105-33), approximately $40 billion over 10 years to help states expand health insurance coverage to children. The act, which created Title XXI of the Social Security Act, allows states to expand coverage for children through expanding the existing Medicaid program or creating or expanding a separate program specific to the children=s initiative.

The federal Title XXI program allowed Florida to access an enhanced federal match rate of 69 percent, meaning that every dollar Florida put into coverage under the Title XXI program leveraged an additional $2.23 in federal funds. The 1998 Legislature authorized implementation of Florida=s Title XXI program, Kidcare, and modified operations of the Healthy Kids Corporation to expand the program statewide, and align its operations with the requirements of Title XXI to use Healthy Kids funding to gain the enhanced federal match.

At the time of implementation of Florida=s Title XXI expansion of Healthy Kids, approximately $7,000,000 in local matching funds were committed to the program. Restrictions on provider donations for Title XXI required the Healthy Kids program to review the sources of local matching funds.

Federal Prohibition on Provider Donations

The use of provider-related donations as match for federal funds is controlled by s. 2107(e)(1)(C) of the Social Security Act which requires that, for Title XXI match purposes, states adhere to the requirements of s. 1903(w) of Title XIX of the Act. Federal regulations implementing this provision of the act are in 42 CFR Subpart B, which specify:

> A...Effective January 1, 1992, HCFA will deduct from a states expenditures for medical assistance, before calculating FFP, funds from provider related donations and revenues generated by health care-related taxes received by a State or unit of local government, in accordance with the requirements, and limitations of this subpart...@

As noted earlier, the Healthy Kids Corporation, in its pre-Title XXI operation, had accepted local matching funds from a variety of sources, including health care providers. With the advent of Title XXI, the Healthy Kids Corporation could no longer accept these funds for use as state match to cover children. Between April and July, 1998, the corporation began asking counties to certify that local match contained no provider funds. In October, 1999, the corporation received a confirmation from HCFA, which clarified that funds received from providers of health care or related entities could not be used as match for Title XXI purposes. Beginning in January, 2000, the corporation began auditing local contributions to document that local matching commitments were not provider-related donations. This change has meant that local governments, which have previously relied on provider funds to meet local match commitments, have had to find other sources to fund these commitments.

As of January 1, 2000, Healthy Kids had contracts with health insurance providers in all Florida counties. In addition to its Title XXI-subsidized population, Healthy Kids also covers children who do not qualify for Title XXI subsidies. Of the total Healthy Kids caseload on March 1, 2001, of approximately 182,000 children, about 11 percent are children who are income eligible for Title XXI, but who are non-qualified aliens, children of state employees, or 19 year olds, and therefore are categorically ineligible under Title XXI. Healthy Kids receives no federal Title XXI funding for these children.

AFree Slots@

Section 624.91(4)(b)15, F.S., requires the Healthy Kids board of directors to establish a maximum number of children who may enroll in the program in each county without benefit of local match. The corporation refers to these as Afree@ slots. In 1998, the Healthy Kids board established a policy that in each county where the program operated, the county would receive an allocation of free slots equal to 10% of that county=s enrollment, or 200 slots, whichever was greater. In May, 1999, the corporation increased the base number of free slots to 500. Following HCFA=s disapproval of the Employer Sponsored Dependant Coverage component of the Kidcare program, the state reallocated the funds that had been set aside for this coverage. The Healthy Kids Corporation allocated these funds toward additional free slots to counties, eliminating the Healthy Kids waiting list. Currently, local governments contribute over $11,000,000 to the Healthy Kids program. These funds leverage up to $59,000,000 in federal matching funds, allowing coverage for an additional 50,000 children.

The 2000 Legislature included funding for a dental benefit package in counties that continue their commitment to provide local match in excess of $4,000. The General Appropriations Act for FY 2000-2001 contained proviso language that stated:

> "In the event current local match levels are not met by counties the healthy Kids program shall freeze admissions in those counties which do not meet their local match commitments and requirements and begin reducing enrollment through attrition to reach the equivalent value of lost local, state, and associated federal matching funds."

Legislatively Mandated Review of Local Match Requirements

The 2000-01 General Appropriations Act specific appropriation 192A contained proviso directing the Florida Healthy Kids Corporation to conduct a review of current local match requirements and develop a recommendation for a multi-year proposal related to the reduction of local match. The final report was submitted November 30, 2000, and contained the following recommendations:

- The number of children covered under the program should be maintained.
- Current healthcare and dental benefits levels should be maintained.
- Counties should continue to have the ability to enhance benefits and coverage.
- "Base slots" should be reinstated based on population estimates.
- For those counties that expand coverage above base slots, the local match contribution should be structured in a three-tier fashion that recognizes a county's economic base.
- A three-year schedule for implementing the voluntary local match contribution is recommended.
- By year three the recommended percentage of local match contributions is 2 percent for counties with the lowest economic base, six percent for counties with a moderate economic base, and 10 percent for counties with the highest economic base.

III. Effect of Proposed Changes:

The bill eliminates a requirement for local-matching funds for the Florida Healthy Kids Corporation if funds are appropriated as part of the General Appropriations Act to replace local match. The bill allows the Healthy Kids Corporation to accept voluntary contributions as matching funds to provide coverage for additional children.

The effective date of the bill is upon becoming a law.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

The provisions of this bill have no impact on municipalities and the counties under the requirements of Art. VII, s. 18 of the Florida Constitution.

B. Public Records/Open Meetings Issues:

The provisions of this bill have no impact on public records or open meetings issues under the requirements of Art. I, s. 24(a) and (b) of the Florida Constitution.

C. Trust Funds Restrictions:

The provisions of this bill have no impact on the trust fund restrictions under the requirements of Art. III, s. 19(f) of the Florida Constitution.

V. Economic Impact and Fiscal Note:

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

The elimination of the local match requirement will make it easier to enroll children statewide in the Florida Healthy Kids program. County matching requirements impose a limit on enrollment, depending on the ability and/or willingness of counties to provide the matching funds.

C. Government Sector Impact:

The current local matching requirements under the Healthy Kids Corporation range from 4 percent to 20 percent by county. The estimated local match available in FY 2000-2001 is approximately $11.6 million. If the local match is eliminated, an estimated $11.6 million of state funds will be required to replace the local match. Local match does not currently flow through state accounts.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Amendments:

None.