Testimony to the Little Hoover Commission

MRMIB's Programs

Healthy Families
Access for Infants and Mothers
Major Risk Medical Insurance Program

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MRMIB

The Managed Risk Medical Insurance Board (MRMIB) is a 5 member volunteer Board with appointees by the Governor (3), the Assembly (1) and the Senate (1). The Secretaries of the California Health and Human Services Agency and Business, Transportation and Housing serve ex-officio as does the chair of the Health Families Advisory Panel.

MRMIB

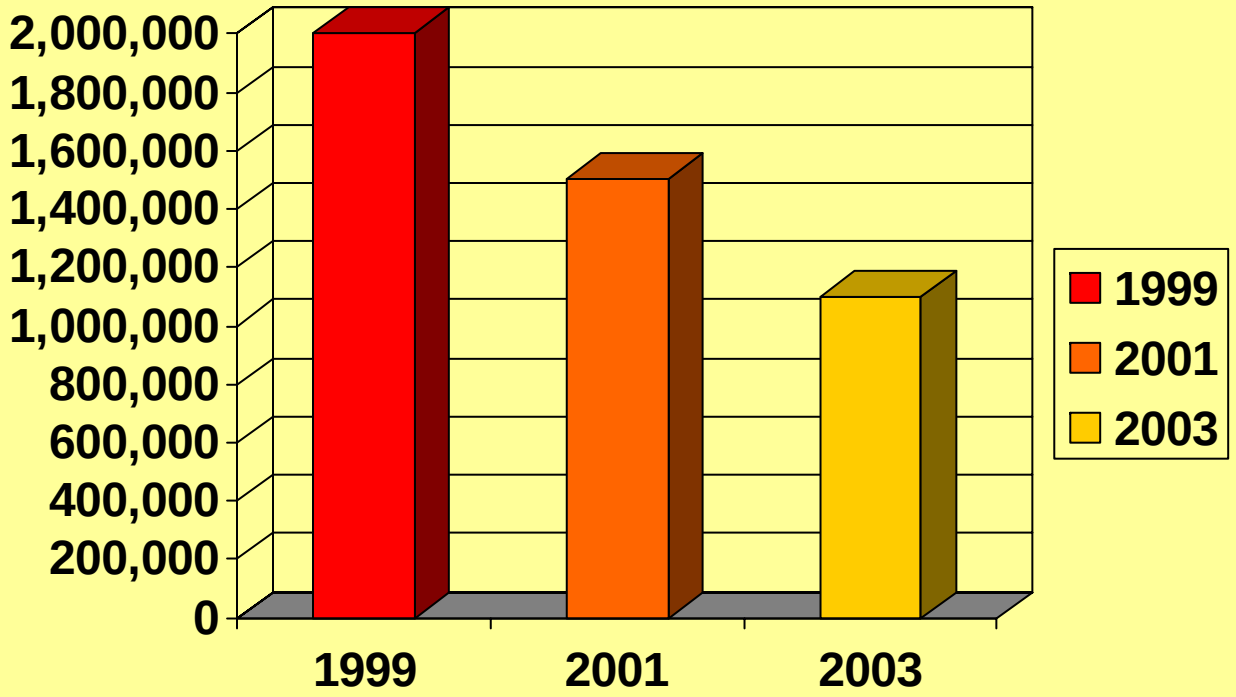
- The Board runs the state's high risk pool (MRMIP), the Healthy Families program, and the Access for Infants and Mothers program. In the past, it also developed and operated a small employer purchasing pool (the HIPC) which was turned over to the Pacific Business Group on Health. PBGH operated it as Pac-Advantage and recently decided that it would have to cease operations at the end of this year.
- The Board sometimes takes independent positions on legislation. Its views thus do not necessarily reflect those of the administration.

HFP Successes: Cost and Coverage

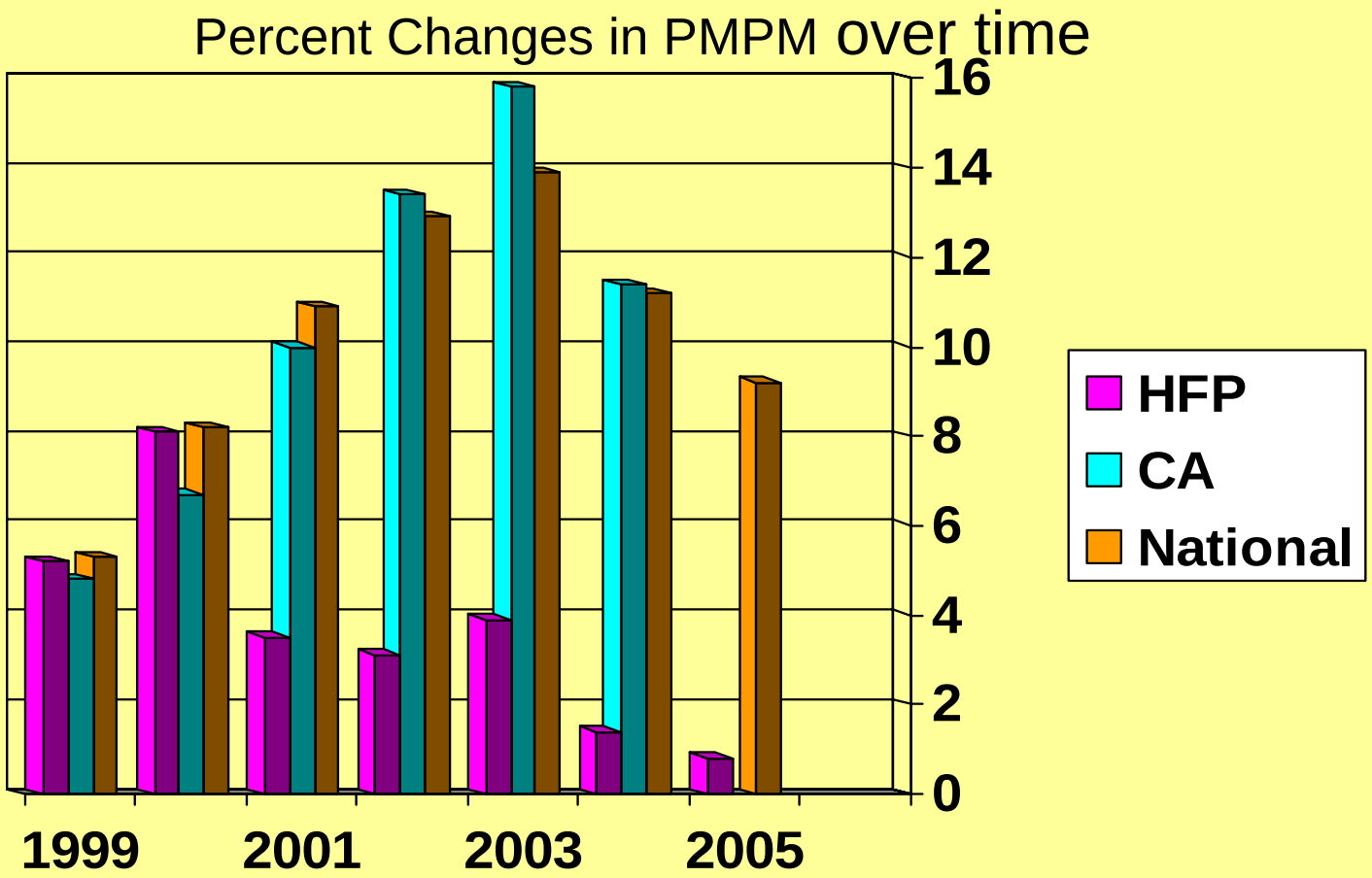
- **Enrolled millions of uninsured children in health coverage. Over 780,000 in California presently (the nation's largest program).**
- **Improved access to care which improved children's health status.**
- **Flexibility allowed for approaches tailored to state needs**
  - **Medicaid expansion vs. separate program (federal entitlement vs. state control)**
  - **Innovations in eligibility determination, benefit design, cost-sharing**

- **Driven new thinking and changes in Medicaid**
- **Enrollment handled by administrative vendor**
  - **Cost effective**
  - **Performance requirements to ensure excellent customer service and accurate determinations**
- **Has popular appeal**
  - **Focus on children**
  - **Focus on coverage for working families**

HFP and MC have reduced the number of uninsured children



HFP's rate negotiation model results in happier plan partners and controlled costs



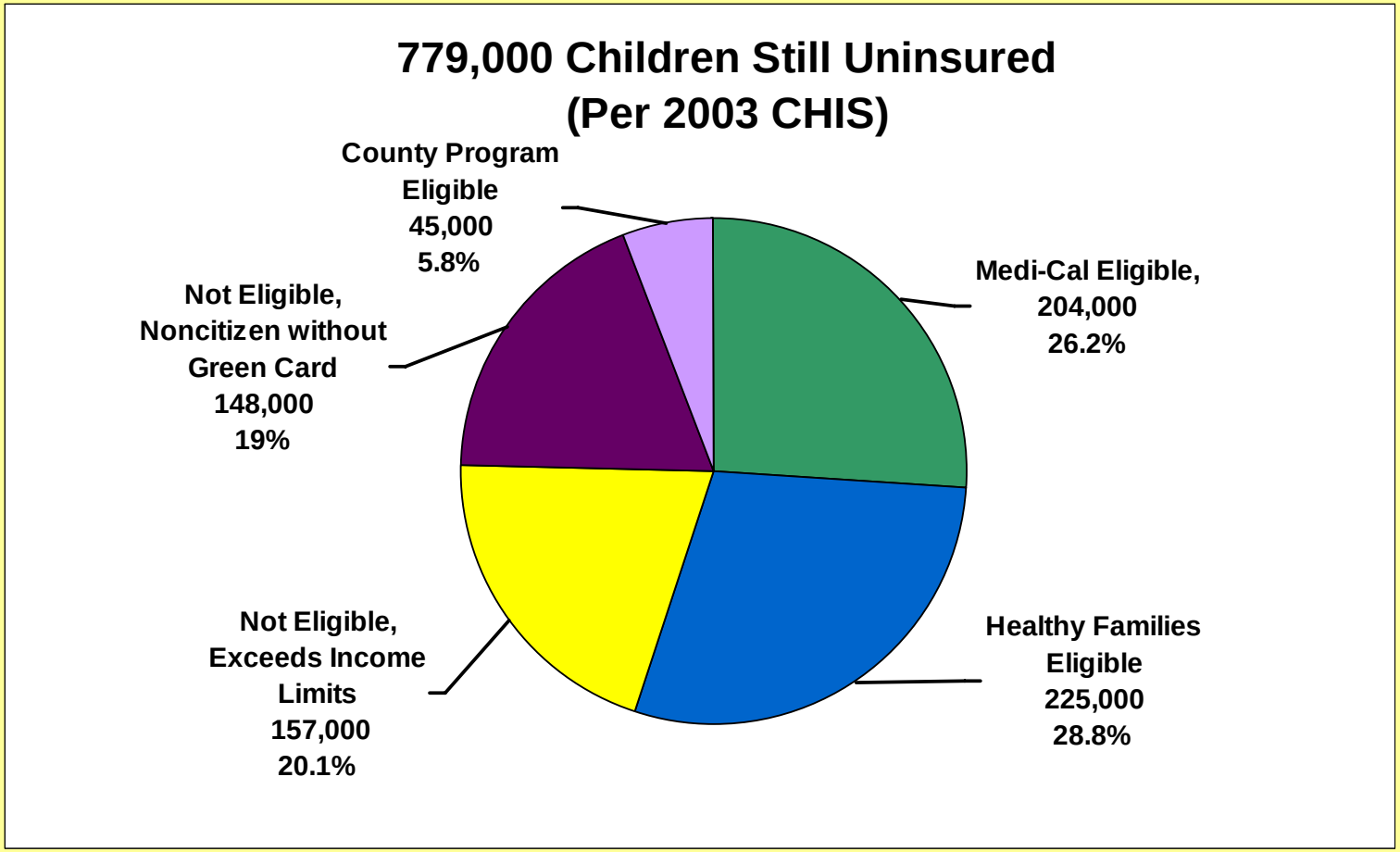
HFP's Innovative Enrollment Approach

- **Use administrative vendor to determine eligibility and collect premium**
- **Cost effective: HFP PMPM is $4.10**
- **New vendor in 2004**
  - **Negotiated savings of $126 million from prior contract over 5 year contract term**

Negotiated service improvements in the new contract

- **Enhanced services**
  - **State of the art system**
  - **More contacts with families on enrollment & billing issues**
  - **Website in Spanish**
  - **Development of on-line training for application assisters**
  - **Development of electronic application for the public**
  - **Review of all program materials for clarity, reading level, and translation accuracy**

Not all children are covered



HFP and MC have inspired efforts for “universal” children’s coverage

- Twenty two counties have established such programs
- Proposition 86 on the November ballot would create a state program – through Healthy Families – for children presently ineligible for coverage

Background on The Healthy Families Program

- Federal government provides 2/3 of funding. State GF provides remainder
- Governor's budget provided $ 1.1 billion ($368 million GF) for HFP
- Despite grave financial problems, state policy makers have been consistently committed to sustaining eligibility levels and benefits.

Background on HFP

Family Income of HFP Subscribers

- **The maximum family income is 250% of the federal poverty level (FPL).**
  - **$ 3,459/month for a family of three**
  - **$ 4,167/month for a family of four**

- **The average family income of an HFP subscriber is 171% of the federal poverty level.**
  - **$ 2,366/month for a family of three**
  - **$ 2,850/month for a family of four**

Background on HFP

Monthly Premiums

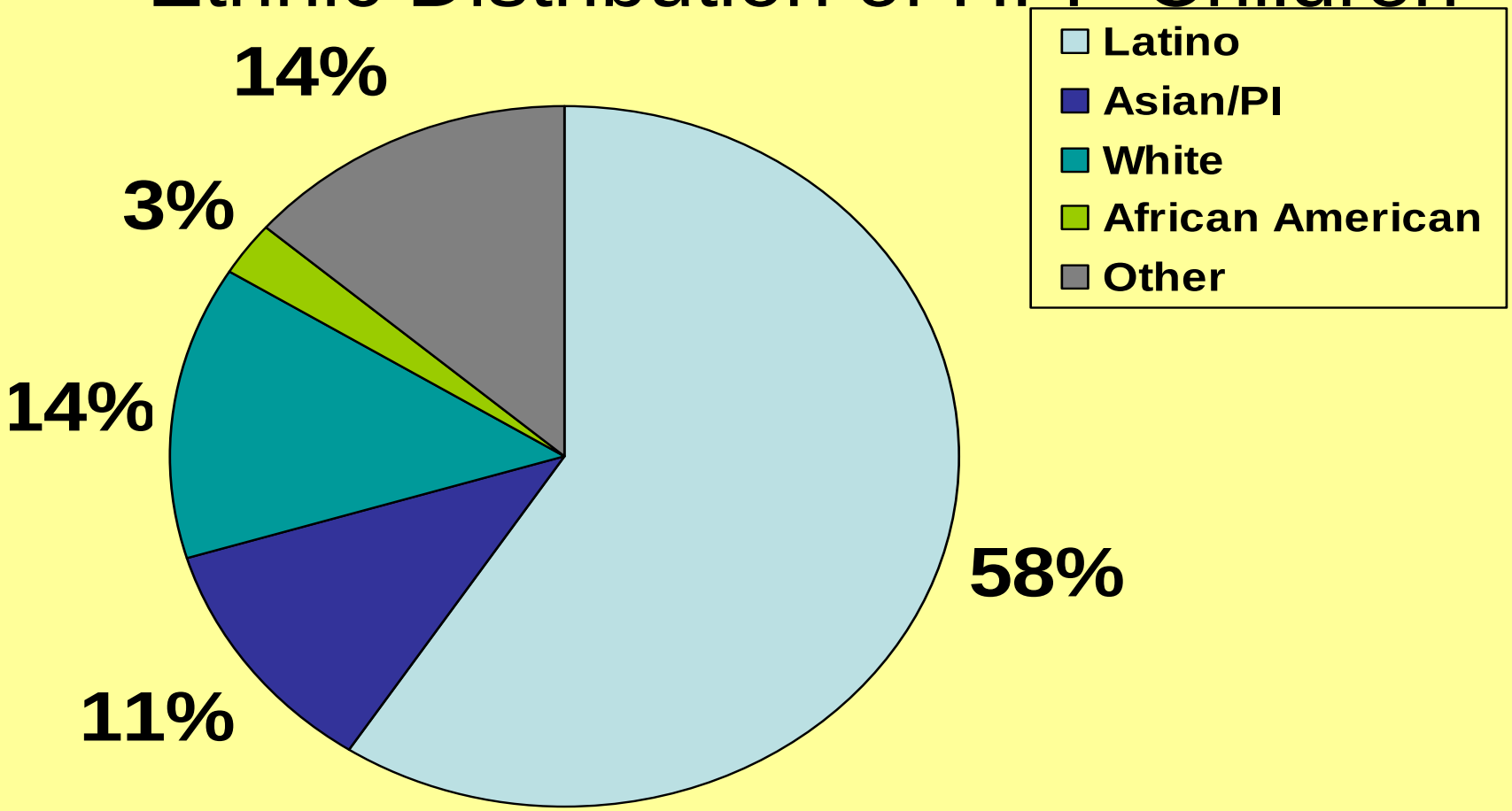
Income at or below 185% of FPL $ 4 - 8/child
$ 7 - 14 max

Income at or below 200% of FPL:$ 6 - 9/child
$18 -27 max

Income at or below 250% of FPL $12 -15/child
$36 - 45 max

Background on HFP

Ethnic Distribution of HFP Children



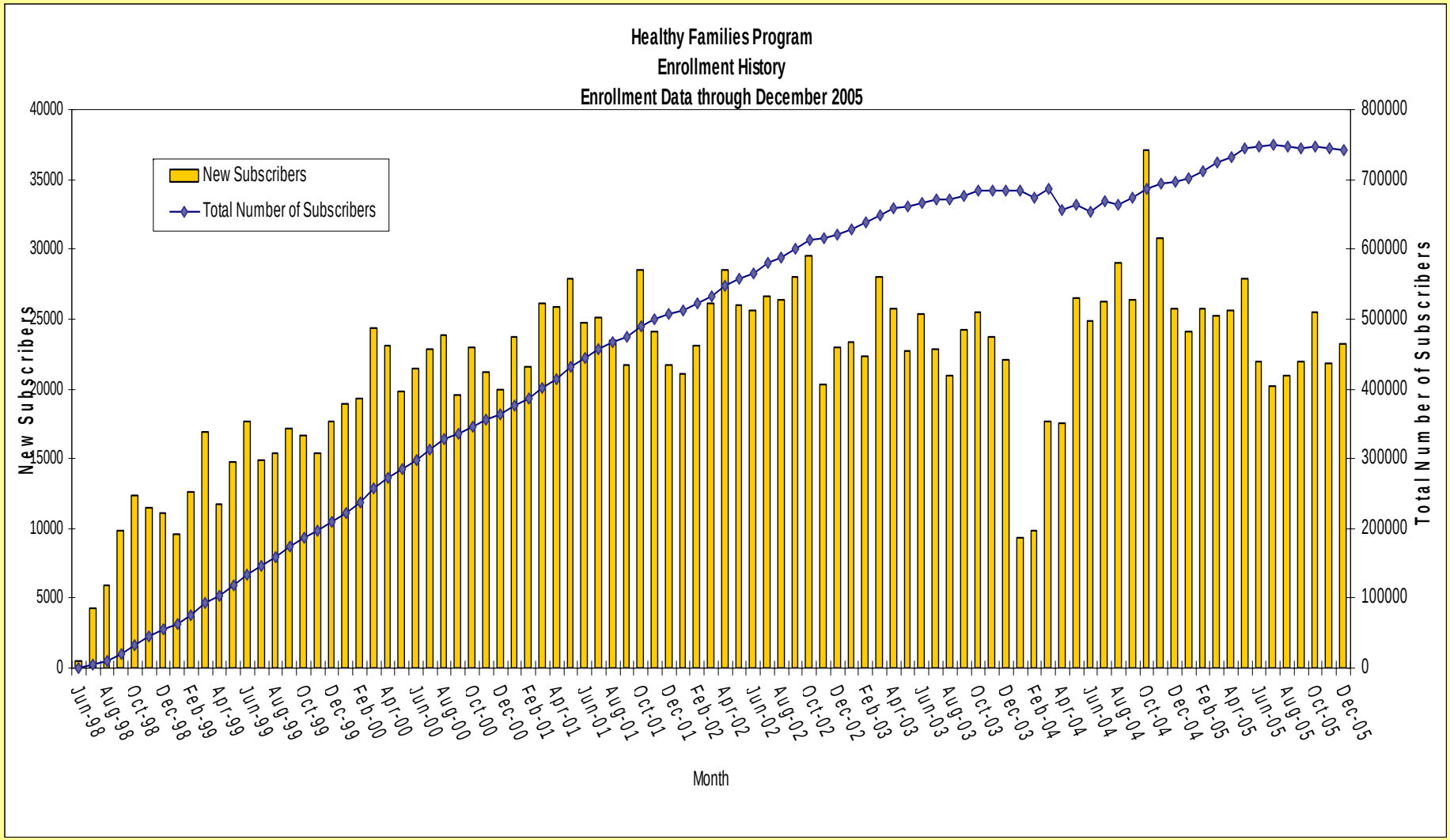
HFP Constraints

Parental Coverage

- CMS approved a HIFA waiver that would have allowed California to cover uninsured parents of Healthy Families and Medicaid children.
- Waiver was for period of 2002- 2007
- California made all system changes need to implement, but was unable to due to lack of state funds for match. Now there would be insufficient federal funds as well.

Adequacy of Federal Funds

- California (and a number of other states) started up new programs and thus built up enrollment
- State allocations didn't take this into account
- For a number of years California (and a number of other states) didn't spend full allocation and, in fact, contributed $1.5 billion to "overspending" states.


Healthy Families Program
Enrollment History
Enrollment Data through December 2005
New Subscribers
Total Number of Subscribers
New Subscribers
Total Number of Subscribers
Month
0
5000
10000
15000
20000
25000
30000
35000
40000
0
100000
200000
300000
400000
500000
600000
700000
800000
Jun-98
Aug-98
Oct-98
Dec-98
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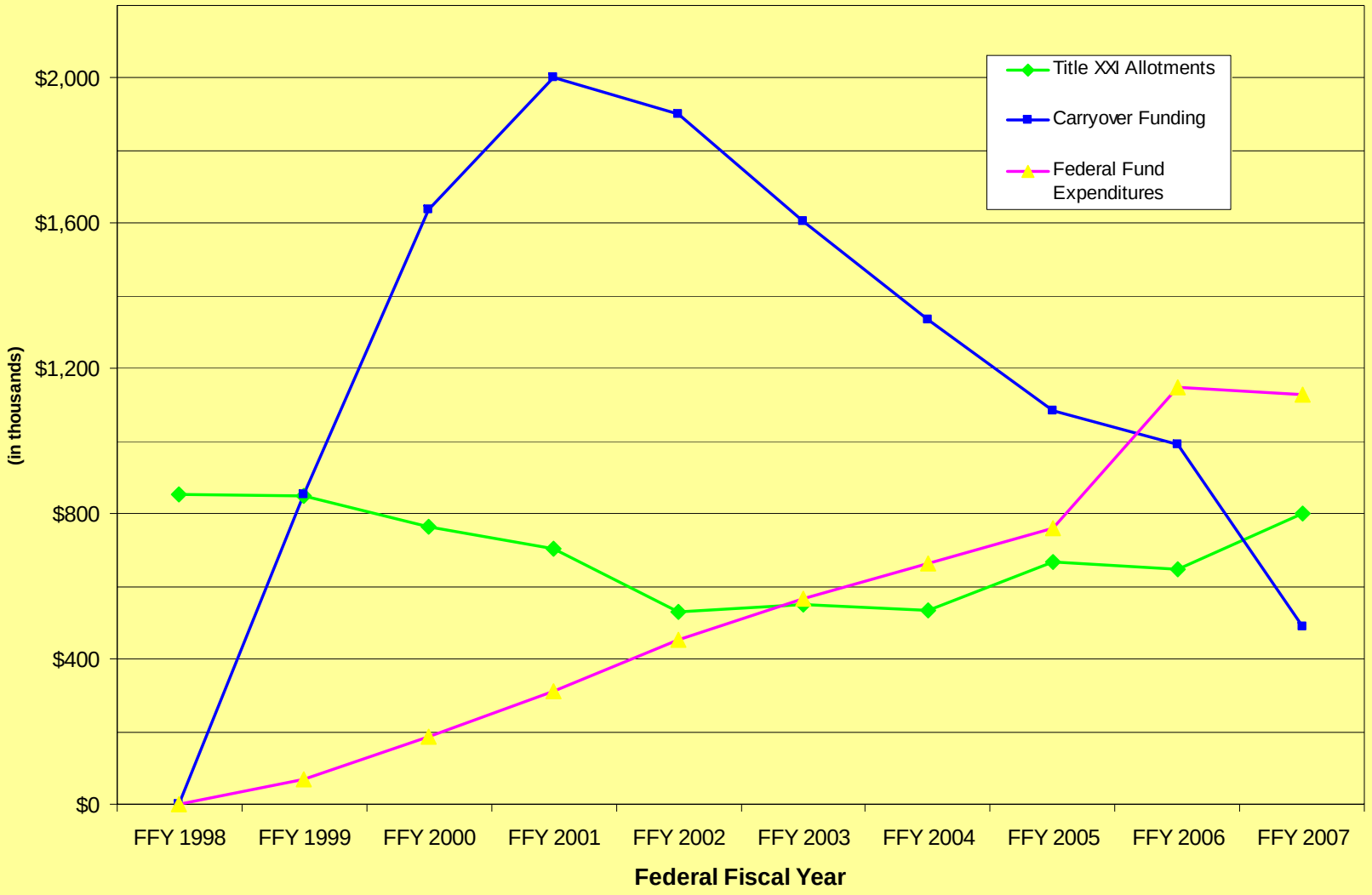
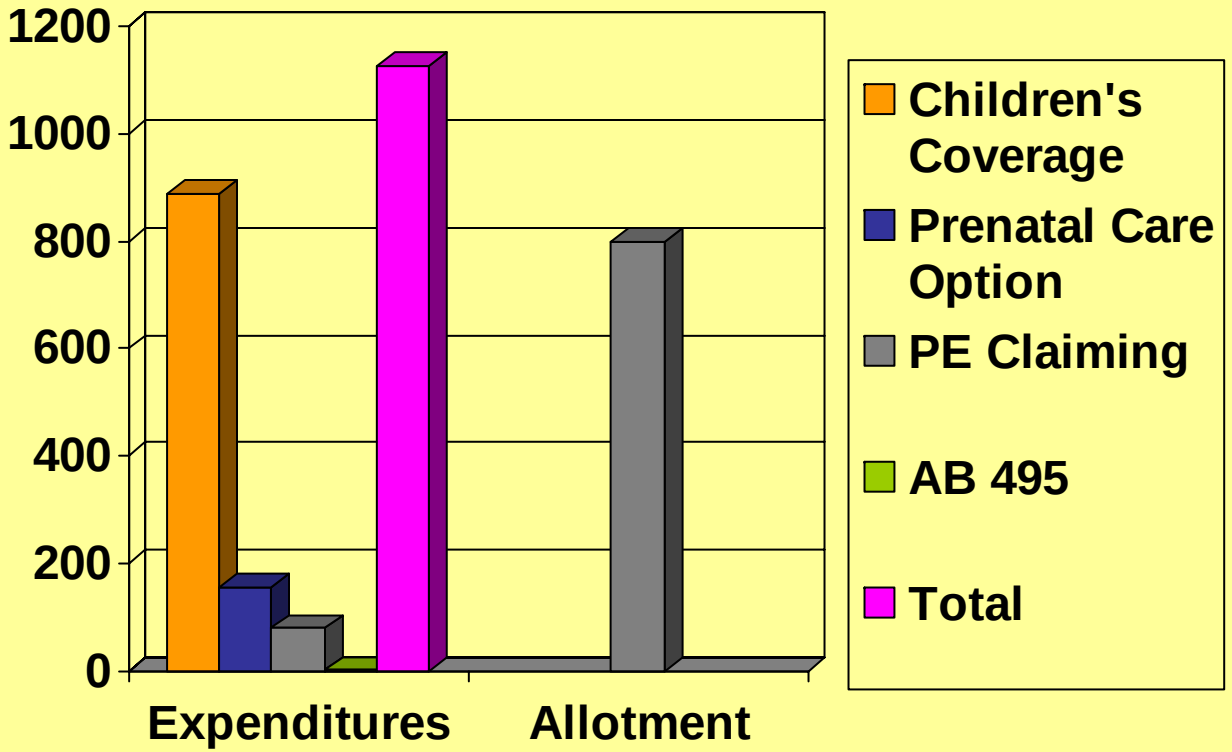
Comparison of California's SCHIP Allotments, Carryover Funding and Expenditures
Allotments, Carryover Funding and Expenditures are based on the Federal Fiscal Year
(October 1st through September 30th)



California's FFY 2007 SCHIP Expenditures and Allocation



The Major Risk Medical Insurance Program (MRMIP)

California's High Risk Pool for Medically Uninsurable People

Program Features

- A purchasing pool that serves people insurers refuse to cover due to concerns about medical risk
- 34 other states have such pools
- Federal government is encouraging states to develop them

Program Financing

- Subscribers pay premiums that cover 62% of program costs.
- Funding for the rest comes from a specific state appropriation ($40 million).
- In most states (32), funding comes from assessments on carriers or a combination of assessments and state funds
- Demand for coverage exceeds that which can be funded. The program has a history of long waiting lists.

Pilot Project

- Due to the funding problem, a pilot was enacted in 2003 to provide a limited amount of additional funding from carriers.
- The pilot terminates December 2007
- Due to the carrier funding, MRMIP did not have to limit enrollment for several years. However, the limits of the additional funding were reached in May and the waiting list was reinstituted

Pilot Project (continued)

- Since the project began, carriers have financed $29.3 million in subsidy costs for medically uninsurable persons.
- In 2005, carriers contributed $15.8 million. Together with the state's $40 million, this meant that $60.8 million was available to subsidize coverage for the medically uninsurable.

Program at Crossroads

- AB 1971 (Chan) would have required carriers to pay a fee based on their share of the market to finance pool costs above $ 40 million.
- It failed in the last 12 hours of the legislative session.
- AB 1971 also would have enacted a number of provisions aimed at making coverage more cost effective

Lessons for advancing a broader health reform agenda regarding coverage and cost containment

Lessons

- Coverage matters. It improves health status and the quality of life.
- The system needs to be simple.
- Coverage for children is very popular with the public and policymakers
- It is important to maximize federal funding and to ensure that such funding is available and robust.

Lessons

- A purchasing pool is popular and maintains a desirable risk mix when it is the locus for subsidies
  - Plans are eager to participate in a program with a desirable risk mix
- Ensuring that provider rates are adequate is critical to ensuring that subscribers have good access to coverage

Lessons

- Lower income families will pay (affordable) premiums for coverage and even value doing so.
- Using private contractors and negotiating with them for rates and quality can be a very effective approach for coverage

Lessons

- An important characteristic of any larger reform is ensuring that people wanting to purchase coverage can do so. Large reform should eliminate the need for a high risk pool.