

## HEALTHY FAMILIES PROGRAM Suggested Changes to Reduce Program Expenditures

### Background

In February 2009, the Governor and Legislature passed an 18 month budget with a \$403.9 million General Fund appropriation to the Healthy Families Program (HFP) for Fiscal Year 2009-10. This appropriation was based on November 2008 caseload projections and did not include funding for plan rate increases. Due to the declining economic status of California's budget, an additional \$128.6 million was reduced by Legislative action and on July 28<sup>th</sup> the Governor made a further reduction of \$50 million to the HFP appropriation.

In total, the HFP funding shortfall for 2009-10 is estimated to be \$193.7 million General Fund. HFP has already established a waiting list effective July 17<sup>th</sup> due to insufficient funding. The State First 5 Commissioners have committed to assist with some level of funding. However, a shortfall of this degree may require a combination of additional funding and reductions in program expenditures. MRMIB staff has been contacted by various individuals and organizations with suggested changes to HFP in an effort to reduce the program's expenditures. Many of the suggested changes will require legislation, regulations, federal approval and possibly an open enrollment process. Staff have not yet assessed the feasibility nor estimated potential savings of these suggestions. They are being presented to begin a dialog about possibilities.

Suggested Change	Type of Change	Comments
Include the vision benefits under the medical plan.	Vision benefits	May reduce administrative costs; this is consistent with Medi-Cal Managed Care
Eliminate vision benefits	Vision benefits	
Eliminate exception to FVP process for dental plans	Dental plan rates	
Revert to February 2009 plan rates	Health, dental and vision plan rates	
Increase the Medical Loss Ratio from 85% to 87%	Health plan contracts	Allow health plans a 13% administrative costs and profit margin v. 15%
Legislatively mandate a provider fee schedule that allows health plans a more affordable reimbursement for out of plan urgent or emergency services	Plan-provider liabilities	Similar to provisions in the Medi-Cal Program
Eliminate or reduce optional benefits: biofeedback, acupuncture, chiropractic, elective abortions	Medical benefits	
Increase <b>medical</b> co-pays:	Member Cost Sharing	

<ul style="list-style-type: none"> <li>-Physician services from \$5 to \$10</li> <li>-Name brand Rx from \$5 to \$10</li> <li>-Inpatient hospitalization from \$0 to \$250</li> <li>-Outpatient hospital services from \$0 to 20%</li> <li>-Emergency room services from \$5 to \$50 unless hospitalized</li> <li>-Medical transportation from \$0 to 20%</li> <li>-Durable medical equipment from \$0 to 20%</li> <li>-Basic outpatient mental health services from \$5 to \$10</li> <li>-Inpatient alcohol &amp; drug treatment from \$0 to \$250 per admission</li> <li>-Outpatient alcohol &amp; drug treatment from \$5 to \$10</li> <li>-Physical, Occupational, Speech outpatient therapy from \$5 to \$10 per visit</li> </ul>		
<p>Increase <b>vision</b> co-pays:</p> <ul style="list-style-type: none"> <li>-Eye examinations from \$5 to \$25 per exam</li> <li>-Prescription glasses from \$5 to not covered</li> </ul>	<p>Member cost sharing</p>	
<p>Increase subscriber premiums:</p> <ul style="list-style-type: none"> <li><b>150-200% FPL</b>-\$20 per child, maximum \$60</li> <li><b>200-250% FPL</b>-\$30 per child, maximum \$90</li> </ul>	<p>Member cost sharing</p>	