

MANAGED RISK MEDICAL INSURANCE BOARD
DETERMINATION PURSUANT TO TITLE 10 CCR SECTION 2699.6603

The Managed Risk Medical Insurance Board finds and determines the following pursuant to Section 2699.6603 of Title 10 of the California Code of Regulations:

1. Sufficient funds are not available to cover the estimated costs of the Healthy Families Program (hereinafter "program") expenditures for the 2009-10 fiscal year.
2. It is necessary to limit enrollment in the program in order to ensure that expenditures do not exceed amounts available for the program.

Therefore, the program shall establish a waiting list, as follows:

- a. The program shall establish a waiting list beginning July 17, 2009
- b. As of that date, the program shall not enroll any additional subscribers for whom the board has not previously mailed eligibility determinations, except pursuant to a later determination by the Executive Director in accordance with subsection (d) of Section 2699.6603 of Title 10 of the California Code of Regulations.
- c. This action shall not apply to infants who meet both of the following conditions:
(1) they were born to mothers enrolled in the Access for Infants and Mothers Program; and (2) they are therefore enrolled without application pursuant to Insurance Code Section 12693.70(a)(6)(ii).

CERTIFICATION

I, Lesley Cummings, Executive Director of the Managed Risk Medical Insurance Board, do hereby certify that the foregoing action was duly passed and adopted by the Managed Risk Medical Insurance Board at an official meeting thereof on June 29, 2009.

Dated this 29th Day of June, 2009.


Lesley Cummings, Executive Director
Managed Risk Medical Insurance Board

Healthy Families Program Impact of \$90 Million General Fund Shortfall

Based on the General Fund appropriation passed by the Conference Committee, MRMIB staff project an \$89.7 million General Fund shortfall (See **Chart 1**). This funding level is sufficient to fund 8,689,068 enrollment months. Based upon current caseload trends, MRMIB staff project total enrollment months of 11,045,983 in 2009-10. This would mean that there is no funding for 2,356,915 enrollment months.

Freezing Enrollment

Based upon current enrollment trends, MRMIB would have to freeze enrollment for 13 months to reduce costs by \$89.7 million General Fund.

Freezing enrollment for 13 months = \$93.9 million GF savings (see **Chart 2**).

Freezing enrollment for 12 months = \$80.5 million GF savings (see Chart 3).

Freezing enrollment for 11 months = \$68.1 million GF savings (see **Chart 4**).

Unless additional funding is received, MRMIB will likely need to disenroll children at AER at some point during the fiscal year.

Disenrollment Trends and Disenrolling at Annual Eligibility Review (AER)

Please note that Charts 2, 3, and 4 reflect savings associated with freezing enrollment only. Savings associated with disenrollments (\$72,915,844 General Fund) are already taken into consideration in this estimate (see **Chart 5** for estimate detail). However, it is quite possible that closing to new enrollment could motivate families to retain coverage at higher rate. The higher the rate of retention, the greater the shortfall amount and the sooner disenrollments will have to occur. The sooner the disenrollments occur, the greater the number of subscribers impacted.

We have estimated three scenarios:

Scenario 1 (See **Chart 6** for estimate details)

Disenrollment remains at **current** trend levels. After freezing enrollment July 1, 2009, an additional \$9.4 million General Fund is needed. Disenrollment at AER begins **April 1, 2010**.

Impact - 159,831 children disenrolled; 319,662 fewer enrollment months

Scenario 2 (See **Chart 7** for estimate details)

If disenrollments decreased by **8** percent from the current rate (24,283 disenrollments or 2,112 fewer disenrollments than currently occurring each month) the budget hole would increase by \$5,833,267 General Fund in 09/10. After freezing enrollment July 1, 2009, an additional \$15.3 million General Fund is needed. Disenrollment at AER begins **March 1, 2010**.

Impact - 221,508 children disenrolled; 553,771 fewer enrollment months

Scenario 3 (See **Chart 8** for estimate details)

If disenrollments decreased by **15** percent from the current rate (22,436 disenrollments or 3,959 fewer disenrollments than currently occurring each month) the budget hole would increase by \$10,937,376 General Fund in 09/10. After freezing enrollment July 1, 2009, an additional \$20.4 million General Fund is needed. Disenrollment at AER begins **February 1, 2010**.

Impact - 288,112 children disenrolled; 864,337 fewer enrollments months

Other Potential Influencing Factors

1. The budget is not passed and the appropriation for HFP is unknown. For purposes of this analysis, staff have assumed the appropriation level passed by the budget Conference Committee.
2. The budget approved by Conference Committee assumes a caseload reduction associated with the premium increase Budget Balancing Reduction (BBR) in fiscal year 2009-10. If this caseload reduction does not occur, there is potential for an additional small shortfall. The shortfall would not affect the date for triggering disenrollment at Annual Eligibility Review (AER).
3. Given the short time allowed to prepare this document, averages were used rather than using a model that includes seasonality as reflected in actual HFP enrollment and disenrollment. Therefore this reflects a **rough** estimate of likely results. To the extent that higher enrollments occur earlier, costs would be higher and savings lower. To the extent that higher disenrollment occurs earlier, costs would be lower and savings higher.

Recommendation

In order to live within the appropriation for fiscal year 2009-10, staff recommends an enrollment freeze effective July 1, 2009. Closing to new enrollment effective July 1, 2009 would impact 349,716 children. Some of these children would be precluded from enrolling in HFP for 12 months, some for 11 months, some for 10 months, etc. Adoption of this proposal would reduce total enrollment months from 11,045,983 to 8,772,829 and reduce year end enrollment projections from 941,786 to 592,070.

Staff will monitor enrollment and expenditures. If additional funding is not secured, disenrollment at AER should be considered as early as the January 2010 board meeting.

Chart 1
Anticipated General Fund Shortfall
2009-10 Healthy Families Program

GF Funding Available

\$403.9 million GF 18 Month Budget and November Estimate with the following assumptions:

- Eligibility at 250% of FPL
- \$20 million savings associated with 5% plan rate reductions
- November caseload

- 0 -

- 4.6 million GF Issue 501 – Conference Action to reject the proposal to eliminate the HFP
Issue 504 – Conference Action to eliminate CAA payments or associated caseload
- 70.0 million GF Issue 511 – Conference Action to reduce funding and TBL encouraging MRMIB to seek
other GF and/or private funding sources.

\$329.3 million GF funding available for HFP

GF/Private Funding Need

\$419.0 million GF Assumptions:

- May Revision caseload costs for eligibility up to 200 % of FPL (\$284.1 million GF)
- May Revision caseload costs for eligibility from 200% to 250% FPL (\$98.6 million GF)
- May 20th Board Approved Rate Increases (\$40.8 million)
- No CAA payments or associated caseload (-\$4.6 million GF)

Difference

\$419.0 million GF and Private funding needed
- 329.3 million GF appropriation
\$ 89.7 million shortfall

\$419.0 million GF and Private funding needed
- 403.9 million GF appropriation (18 Month Budget signed in Feb '09)
\$ 15.1 million shortfall

Chart 2

Freezing Enrollment for 13 Months

MONTH	Average Monthly New Enrollment	Freezing Enrollment for 13 Months												Total Enrollment Months			
		Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10		Jun-10		
Jun-09	29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143	378,859
Jul-09	29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143	349,716
Aug-09	29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143	320,573
Sep-09	29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143	291,430
Oct-09	29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143	262,287
Nov-09	29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143	233,144
Dec-09	29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143	204,001
Jan-10	29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143	174,858
Feb-10	29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143	145,715
Mar-10	29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143	116,572
Apr-10	29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143	87,429
May-10	29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143	58,286
Jun-10	29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143
Total # of Children Impacted	378,859	29,143	58,286	87,429	116,572	145,715	174,858	204,001	233,144	262,287	291,430	320,573	349,716	378,859	378,859	2,652,013	

avg mo new enrollees
total number of new enrollees
enrollment months

BY (13 mo)
29,143
378,859
2,652,013

avg mo rate
savings-TF
savings-GF
savings-FF

\$101.19
\$268,357,196
\$93,925,018
\$174,432,177

Note: Savings of \$72,915,844 General Fund associated with current disenrollment trends are already taken into consideration.

Chart 3

Freezing Enrollment for 12 Months

MONTH	Average Monthly New Enrollment	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Total Enrollment Months
Jul-09	29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143	349,716
Aug-09	29,143		29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143	320,573
Sep-09	29,143			29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143	291,430
Oct-09	29,143				29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143	262,287
Nov-09	29,143					29,143	29,143	29,143	29,143	29,143	29,143	29,143	29,143	233,144
Dec-09	29,143						29,143	29,143	29,143	29,143	29,143	29,143	29,143	204,001
Jan-10	29,143							29,143	29,143	29,143	29,143	29,143	29,143	174,858
Feb-10	29,143								29,143	29,143	29,143	29,143	29,143	145,715
Mar-10	29,143									29,143	29,143	29,143	29,143	116,572
Apr-10	29,143										29,143	29,143	29,143	87,429
May-10	29,143											29,143	29,143	58,286
Jun-10	29,143												29,143	29,143
Total # of Children Impacted	349,716	29,143	58,286	87,429	116,572	145,715	174,858	204,001	233,144	262,287	291,430	320,573	349,716	2,273,154

avg mo new enrollees
total number of new enrollees
enrollment months

BY (12 mo)	29,143
	349,716
	2,273,154

avg mo rate
savings-TF
savings-GF
savings-FF

	\$101.19
	\$230,020,453
	\$80,507,159
	\$149,513,295

Note: Savings of \$72,915,844 General Fund associated with current disenrollment trends are already taken into consideration.

Chart 6

Savings Associated with Scenario 1
 Disenrollment at AER if Current Disenrollment Trend Continues

MONTH	Average Monthly Disenrollment at AER	BY (3 mo)												TOTAL			
		Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10				
Jul-09	53,277	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	159,831
Aug-09	53,277	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	159,831
Sep-09	53,277	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	159,831
Oct-09	53,277	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	159,831
Nov-09	53,277	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	159,831
Dec-09	53,277	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	159,831
Jan-10	53,277	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	159,831
Feb-10	53,277	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	159,831
Mar-10	53,277	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	159,831
Apr-10	53,277	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	159,831
May-10	53,277	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	159,831
Jun-10	53,277	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	159,831
TOTAL	159,831	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	319,662

avg mo disenrollees
 total number of disenrollees
 enrollment months

BY (3 mo)	53,277
	159,831
	319,662

avg mo rate
 savings-TF
 savings-GF
 savings-FF

	\$101.19
	\$32,346,589
	\$11,321,306
	\$21,025,283

Chart 7

Savings Associated with Scenario 2
 Disenrollment at AER if Disenrollment Trend Decreases by 8%

MONTH	Average Monthly Disenrollment at AER	BY (4 mo)												TOTAL		
		Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10			
Jul-09	55,377	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Aug-09	55,377	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sep-09	55,377	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Oct-09	55,377	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Nov-09	55,377	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dec-09	55,377	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Jan-10	55,377	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Feb-10	55,377	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mar-10	55,377	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Apr-10	55,377	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
May-10	55,377	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Jun-10	55,377	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	221,508	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

avg mo disenrollees 55,377
 total number of disenrollees 221,508
 enrollment months 553,771

avg mo rate \$101.19
 savings-TF \$56,036,092
 savings-GF \$19,612,632
 savings-FF \$36,423,460

Chart 8

Savings Associated with Scenario 3
 Disenrollment at AER if disenrollment trend reduces by 15%

MONTH	Average Monthly Disenrollment at AER	Average Monthly Disenrollment												TOTAL		
		Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10			
Jul-09	57,622	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Aug-09	57,622	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sep-09	57,622	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Oct-09	57,622	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Nov-09	57,622	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dec-09	57,622	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Jan-10	57,622	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Feb-10	57,622	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mar-10	57,622	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Apr-10	57,622	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
May-10	57,622	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Jun-10	57,622	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	288,112	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

avg mo disenrollees 57,622
 total number of disenrollees 288,112
 enrollment months 864,337

avg mo rate \$101.19
 savings-TF \$87,462,285
 savings-GF \$30,611,800
 savings-FF \$56,850,485

BY (5 mo)	BY (5 mo)
57,622	57,622
288,112	115,245
864,337	172,867

Chart 8