HEALTHY FAMILIES PROGRAM
Changes to Reduce Program Expenditures
Note: Reductions can not be added as some overlap

Background

Reducing program costs is one of the elements necessary to resolve the $193.7 million General Fund HFP deficiency. At the July 30, 2009 meeting, the Board heard about number of options for reducing program expenditures. Staff has reviewed the options proposed by plans and other stakeholders and narrowed down the list for purposes of costing out savings. Staff is working with PricewaterhouseCoopers (PwC) on a number of these estimates and intend to have these estimates for the August 20th meeting. The options presented at the last meeting are attached.

Suggested Change	Requires				Comments
	Statute	Regs	SPA	Open Enrollment	
Eliminate vision benefits (optional under CHIPRA)	✓	✓	✓		6 month savings would be $6,035,000 GF. Note: VSP submitted suggestions for reducing the cost of the benefit recently.. Staff will review for the August 20th meeting.
Eliminate mental health and substance abuse benefits (optional under CHIPRA),		✓	✓		Requested estimated savings from PwC.
Conform dental coverage to approach used for state employees.		✓	✓	✓	State employees must enroll in a DMO for the first 2 years of enrollment. After 2 years, subscribers can enroll in a DPO during annual open enrollment. Note that Delta Dental is closed to new enrollment in several counties. PwC estimating savings.
Revert to February 2009 plan rates	likely			✓	May need to do an open enrollment process if plans exit from counties based on a reduced rate. $9,896,000 GF

Suggested Change	Requires: Statute	Requires: Regs	Requires: SPA	Requires: Open Enrollment	Comments
Legislatively mandate a provider fee schedule that allows health plans a more affordable reimbursement for out of plan urgent or emergency services	✓				Similar to provisions in the Medi-Cal Program. [redacted]
Eliminate or reduce certain optional benefits voluntarily provided by plans: (biofeedback, acupuncture, chiropractic)		✓	✓		Requested estimated savings from PwC.
Increase family co-pay maximum for health from $250 to $300	✓	✓	✓		With increased cost sharing families may want to change plans to the lowest cost plan. Requested estimated savings from PwC. Note: Staff must assess whether this increase combined with any increased premium continue to satisfy federal requirements that limit out of pocket costs.
Increase program co-pays (health, drugs, dental and vision) from $5 to $10 for non-preventative services		✓	✓	✓	With increased cost sharing families may want to change plans to the lowest cost plan. Note: Staff must assess whether this increase combined with any increased premium continue to satisfy federal requirements that limit out of pocket costs.

Suggested Change	Requires				Comments
	Statute	Regs	SPA	Open Enrollment	
Increase copayment for brand name prescription drugs to $15		✓	✓	✓	This increase would only apply if there was an appropriate generic brand available. Where there was no appropriate generic, name brand drugs would continue at a standard co-payment. Generics would remain at the standard co-payment rate. Note: Staff must assess whether this increase combined with any increased premium continue to satisfy federal requirements that limit out of pocket costs. Requested estimated savings from PwC. With increased cost sharing families may want to change plans to the lowest cost plan
Increase co-pay for emergency room visits from $5 to $25 unless hospitalized		✓	✓		With increased cost sharing families may want to change plans to the lowest cost plan. Note: Staff must assess whether this increase combined with any increased premium continue to satisfy federal requirements that limit out of pocket costs. Requested estimated savings from PwC.
Increase subscriber premiums: **150-200% FPL-** $20 per child, maximum $60 **200-250% FPL-** $30 per child, maximum $90	✓	✓	✓	✓	• Administrative process to allow families to show income reduced from time of last application or annual eligibility review. • Recently increased premiums February 2009 for families with incomes greater than 150% FPL. • Increased premiums reduce the amount of FFP claimed. • Increased premiums results in increased revenue of $7,042,842 GF assuming 20% caseload will choose CPP during the open enrollment; $7,981,948 GF assuming 10% caseload do so. Note: Staff must assess whether this increase combined with any increased copayments continue to satisfy federal requirements that limit out of pocket costs.

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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 28th 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 17th 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 **medical** co-pays:	Member Cost Sharing	

-Physician services from $5 to $10 -Name brand Rx from $5 to $10 -Inpatient hospitalization from $0 to $250 -Outpatient hospital services from $0 to 20% -Emergency room services from $5 to $50 unless hospitalized -Medical transportation from $0 to 20% -Durable medical equipment from $0 to 20% -Basic outpatient mental health services from $5 to $10 -Inpatient alcohol & drug treatment from $0 to $250 per admission -Outpatient alcohol & drug treatment from $5 to $10 -Physical, Occupational, Speech outpatient therapy from $5 to $10 per visit		
Increase **vision** co-pays: -Eye examinations from $5 to $25 per exam -Prescription glasses from $5 to not covered	Member cost sharing	
Increase subscriber premiums: **150-200% FPL**-$20 per child, maximum $60 **200-250% FPL**-$30 per child, maximum $90	Member cost sharing	