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 $194 million General Fund HFP deficiency. At the July 30, 2009 meeting, the Board heard about a number of options for reducing program expenditures. Staff has reviewed the options proposed by plans and other stakeholders, narrowed down the list and have estimated savings for most of these..

Assumes **benefit** changes would take effect **11/1/09**
Assumes **premium** changes would take effect **11/1/09**

Suggested Change	Requires			Comments	GF Savings & Effective Date	Recommended by Staff
	Statute	Regs	SPA			
Eliminate vision benefits (optional under CHIPRA)	✓	✓	✓	Benefit established in statute.	PwC estimates savings of $7.3 M to $8.0 M. Assumes 11/1/09 effective date.	No
Eliminate mental health benefits (optional under CHIPRA)	✓	✓	✓	Due to lack of claims data, PwC unable to separate savings estimate for elimination of mental health benefits and elimination of substance abuse benefits. PwC estimates plan rate reduction of 0.3% to 1.6% for both. Benefit established in statute.	PwC estimates savings to plans of $0.7 to $3.7 M for both mental health and substance abuse services. Assumes 11/1/09 effective date.	No
Eliminate substance abuse benefits (optional under CHIPRA)	✓	✓	✓	See comments above. PwC unable to separate savings estimate for elimination of mental health benefits and elimination of substance abuse benefits. Benefit established in statute.	See savings estimate above. PwC unable to separate savings estimate for elimination of mental health benefits and elimination of substance abuse benefits.	No
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 3 counties. Seek statute for emergency regulation authority.	PwC estimates savings of $2.3 M. Assumes 11/1/09 effective date.	Yes

Suggested Change	Requires			Comments	GF Savings & Effective Date	Recommended by Staff
	Statute	Regs	SPA			
Reduce Plan Rate Restoration by Half	likely			Would need to do an open enrollment process if plans exit from counties because of reduction.	MRMIB staff estimates savings of $13.1 M. Assumes 11/1/09 effective date.	No
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.	Anthem Blue Cross estimates statewide savings from all plans of $2.02 M Assumes 11/1/09 effective date.	Under Review
Increase program co-pays (health, dental and vision) from $5 to $10 for non-preventative services	✓	✓	✓	PwC indicates that this would allow estimated rate reductions of: 2.4% to 2.7% for health plans; 0.3% to 0.8 % for dental plans; and 4% to 5% for vision plans Seek statute for emergency regulation authority.	PwC estimates savings to plans of $5.9 M to $6.7 M. Assumes 11/1/09 effective date.	Yes
Increase co-payment for brand name prescription drugs to $15. Generic drugs from $5 to $10	✓	✓	✓	This increase would only apply if there was an appropriate generic brand available. Where there was no appropriate generic, name brand drugs would be at the standard co-payment of $10, as would generics. PwC indicates that this would allow an estimated plan rate reduction of 1.5% to 1.8% Seek statute for emergency regulation authority.	PwC estimates savings to plans of $3.3 M to $4.0 M. Assumes 11/1/09 effective date.	Yes

Suggested Change	Requires			Comments	GF Savings & Effective Date	Recommended by Staff
	Statute	Regs	SPA			
Increase co-pay for emergency room visits from $5 to $25 unless hospitalized	✓	✓	✓	PwC indicates that the increase would allow for estimated plan rate reduction as follows: Increase from $5 to $10 = 0.2% to 0.25% Increase from $5 to $15 = 0.45% to 0.55% Increase from $5 to $20 = 0.7% to 0.9% Increase from $5 to $25 = 1.0% to 1.3% Seek statute for emergency regulation authority. Note: Each estimate reflects total savings, not incremental savings.	PwC estimates the following savings to the plans assuming a 11/1/09 effective date: Increase from $5 to $10 = $0.5 M to $0.60 M Increase from $5 to $15 = $1.0 M to $1.2 M Increase from $5 to $20 = $1.5 M to $1.9 M Increase from $5 to $25 = $2.3 M to $2.9M	Increase from $5 to $15
Increase family co-pay maximum for health from $250 to $300	✓	✓	✓	Seek statute for emergency regulation authority.	PwC estimates that savings associated with this proposal would be negligible. Increases in copays will increase the percentage of families reaching the limit.	No

Suggested Change	Requires			Comments	GF Savings & Effective Date	Recommended by Staff
	Statute	Regs	SPA			
Increase subscriber premiums OPTION A (aka LAO option) <u>Under 150 % FPL</u>- No change <u>150-200% FPL</u>- Increase from $12 to $20 per child (change of $8) and increase the family max. from $36 to $60 (change of $24) <u>200-250% FPL</u>- Increase from $17 to $30 per child (change of $13) and increase the family max. from $51 to $90 (change of $39)	✓	✓	✓	This option consistent with LAO recommendation Premiums established in statute. Administrative process will allow families to demonstrate if family income is less than at time of last application or annual eligibility review. Increased premiums reduce the amount of FFP claimed. Historical premium change information: *July 2005* – Established a third premium category for families with incomes between <u>200-250%</u>. Premium went from $9 to $15 per child (increase of $6). Family maximum went from $27 to $45 (increase of $18). *February 2009* – Second premium increase. <u>Under 150% FPL:</u>-No change <u>150-200% FPL:</u> Premium went from $9 to $12 per child (increase of $3). Family maximum went from $27 to $36 (increase of $9) <u>200-250% FPL:</u> Premium went from $15 to $17 per child (increase of $2.) Family maximum went from $45 to $51 (increase of $6)	MRMIB staff estimates savings of $10.8 M. Assumes 5 percent of caseload would shift from higher income categories to lower income categories. Assumes 11/1/09 effective date.	No.

Suggested Change	Requires			Comments	GF Savings & Effective Date	Recommended by Staff
	Statute	Regs	SPA			
Increase subscriber premiums- OPTION B <u>Under 150 % FPL</u> – No Change <u>150-200% FPL</u>-Increase from $12 to $16 per child (change of $4) and increase the family maximum from $36 to $48 (change of $12) <u>200-250% FPL</u>-from $17 to $24 per child (change of $7) and increase the family maximum from $51 to $72 (change of $21).	✓	✓	✓	Premiums established in statute. Administrative process will allow families to demonstrate if family income is less than at time of last application or annual eligibility review. Increased premiums reduce the amount of FFP claimed.	MRMIB staff estimates savings of $5.5 M Assumes 5 percent of caseload would shift from higher income categories to lower income categories. Assumes 11/1/09 effective date.	Yes.
Allow HFP plans to use the Medi-Cal drug formulary and prices	✓	✓	✓	Analysis in progress.		