

# CRB



CALIFORNIA  
STATE LIBRARY  
FOUNDED 1850

California Research Bureau  
900 N Street, Suite 300  
P.O. Box 942837  
Sacramento, CA 94237-0001  
(916) 653-7843 phone  
(916) 654-5829 fax

## Options for Expanding the Healthy Families Program *Estimates*

*Elias Lopez, Ph.D.*  
*Richard Figueroa, MBA*

MARCH 1999

CRB-99-004

C A L I F O R N I A      R E S E A R C H      B U R E A U

# Options for Expanding the Healthy Families Program *Estimates*

*Elias Lopez, Ph.D.*  
*Richard Figueroa, MBA*

**MARCH 1999**

**CRB-99-004**

## *About the Authors*

Elias Lopez is an economist/demographer for the California Research Bureau and works extensively with survey and Census Bureau data.

Richard Figueroa is a Principal Consultant for the Senate Insurance Committee.

# CONTENTS

<b>EXECUTIVE SUMMARY .....</b>	<b>1</b>
<b>METHODOLOGY.....</b>	<b>3</b>
<b>THREE OPTIONS FOR EXPANDING HEALTHY FAMILIES.....</b>	<b>5</b>
The Current Eligibility Criteria .....	5
Option 1: Coverage for Infants between 200 and 250% of the Poverty Level.....	7
Option 2: Coverage for Children Between 200 and 250% of the Poverty Level Using Income Disregards .....	9
Option 3: Coverage for Parents Below 200% of the Poverty Level .....	11

---

# Executive Summary

---

According to estimates derived from the 1998 March Current Population Survey, one in five persons in California lacks health insurance. Of the 7 million uninsured persons, 1.8 million are children under the age of 19.

In July of 1998, the State of California began offering health insurance to children under the age of 19 with family incomes between 100 and 200 percent of the federal poverty level. Healthy Families is a consequence of the Federal Balanced Budget Act of 1997 (Title XXI), which makes available to California \$858 million a year to provide coverage for low-income children. The funding is available in the form of a matching grant where California receives close to \$2 for every \$1 it puts in, or a 2:1 match. For Fiscal Year 1998-99, California expects to spend \$44.3 million and expects to receive \$87.2 million from the federal government. For Fiscal Year 1999-2000, California expects to expend \$323 million (\$104.6 million in state funds, \$218 million in federal funds).

Since a relatively high proportion of California residents lack health insurance and with the vast majority of the federal funds for California still unspent,<sup>1</sup> the California Research Bureau was asked to come up with estimates for the several options under consideration by the California Legislature to expand the Healthy Families program.

Federal law allows states to expand their children's health insurance program in numerous ways. The following are three options for expanding the Healthy Families/Medi-Cal program. For each, we show the number of potential enrollees and an estimate of the associated costs.

## **Option 1: Coverage for Infants Between 200 and 250% of Poverty**

Current California law allows Medi-Cal to cover infants in families with incomes up to 200 percent of the federal poverty level. Federal law would enable Healthy Families to extend coverage to infants from 201 to 250 percent of the federal poverty level.

<i>Potential New Enrollees:</i>	4,637
<i>Total Additional Cost (\$76/person* 12 mo.):</i>	\$4.2 million/yr

*(Under Title XXI expansions, the state pays 1/3 and the federal government 2/3)*

---

<sup>1</sup> With current enrollment trends, some experts believe that \$2.3 billion in federal dollars will remain unspent within the first three years of the program.

## **Option 2: Coverage for Children Between 200 and 250% of Poverty Using “Income Disregards”**

States have a broad discretion in designing their Medi-Cal program and can disregard certain types of income in determining the eligibility of a person or a family. This same discretion may be applied to the state’s non-Medicaid program, i.e., Healthy Families. This option captures children whose family income is between 200 and 250 percent of the federal poverty level. This is accomplished by using an income disregard of \$4,025 for the first person, and \$1,400 for each additional family member. These disregards are equivalent to raising the eligibility criteria to 250 percent of the federal poverty level. Note that the income disregard applies only to children whose family income falls between 200 and 250 percent of the poverty level.<sup>2</sup>

<i>Potential New Enrollees:</i>	<i>113,307</i>
<i>Total Additional Cost (\$76/person* 12 mo.):</i>	<i>\$103.3 million/yr</i>

*(Under Title XXI expansions, the state pays 1/3 and the federal government 2/3)*

## **Option 3: Coverage for Parents below 200% of the Poverty Level**

Current law allows for certain adults to be covered under Medi-Cal; in particular, pregnant women, those on Temporary Assistance for Needy Families (TANF), Social Security Insurance (SSI), the medically needy, and indigents. Federal law allows the states, through a waiver, to further extend coverage to adults by way of their Title XXI program, i.e., Healthy Families. This option would extend coverage to uninsured parents with family incomes below 200 percent of the federal poverty level. Medi-Cal would cover uninsured parents below the poverty level, while Healthy Families would cover those in between 100 and 200 percent of the poverty level.

<i>Potential New Enrollees:</i>	<i>873,581</i>
<i>Total Additional Cost (\$110/person* 12 mo.):</i>	<i>\$1.15 billion/yr</i>

*(Under Title XXI expansions, the state pays 1/3 and the federal government 2/3)*

---

<sup>2</sup> In this paper, the term “income disregard” refers to income not counted. For instance, suppose a family of two has a combined income of \$24,000. According to the federal poverty guidelines, a family of two is below 200 percent of the poverty level if their income falls below \$21,700. An income disregard of \$4,000 for the first person and \$1,400 for each additional family member, however, would put this family below 200 percent of the poverty level. This is because for a family of two, the total income disregard is \$5,400 (\$4,000 + \$1,400). This means that only \$18,600 (\$24,000 - \$5,400) of the family income is counted in determining the eligibility of the family. Please note that for this paper, the income disregard proposed applies only to families in the income bracket of 200 and 250 percent of the federal poverty level.

---

# Methodology

---

To arrive at the estimates for this paper we used the 1998 March Current Population Survey (CPS) conducted by the Census Bureau. This survey has information on the age, income, family structure, and health insurance coverage for over 13,000 individuals in California.

## **Adjustments Made:**

In calculating the number of persons qualifying for the Healthy Families and Medi-Cal program, we made the following adjustments:

- 1) We recalculated family size to match the definition used by Healthy Families. In this report, a family unit refers to the direct members of the family, i.e., the parents or legal guardian, and any unmarried child under the age of 21. A son over 21 years of age living at home, for instance, is not counted as part of the same family. Neither is his income.
- 2) In calculating family income, we exclude incomes received from Supplemental Security Income, public assistance, and educational assistance.
- 3) We calculated the poverty level of each family using the 1998 Health and Human Services (HHS) Federal Poverty Guidelines. For the 48 contiguous states, a person is below the poverty level if they have an income below \$8,050. The figure \$2,800 is added for each additional family member thereafter.
- 4) For Medi-Cal eligibility only, we applied a work expense deduction of \$90 for each month worked, and a \$50 per month deduction if the family made payments for child support or alimony.
- 5) We subtracted the number of persons estimated to be undocumented since under the current design of the program they did not qualify. We estimated the number of undocumented persons in three steps.
  - We first found that 37 percent of the foreign born who are not yet citizens tend to be undocumented. According to the Immigration and Naturalization Service (INS), there are 2 million undocumented persons in California.<sup>3</sup> From the Current Population Survey (CPS) we found that 5.38 million persons in California are foreign born and are not yet U.S. citizens. The ratio of these two numbers is 37 percent.
  - The CPS gives us estimates on the number of foreign born who are not yet citizens.
  - We then applied the 37 percent to the number of foreign born not yet citizens under each option to get an estimate for the undocumented.

---

<sup>3</sup> U.S. Immigration and Naturalization Service, Office of Planning and Research (1997), "Estimates of the Unauthorized Immigrant Population Residing in the United States: October 1996." Backgrounder, January 1997. Issued through the Office of Public Affairs (202) 514-2648.

In general we found that the number of foreign born, not yet U.S. citizens, increases with age. Likewise, the percentage of undocumented persons increases with age. The table below shows the percentage of persons that are not eligible because of their undocumented status.

<i>Percent Not Eligible Because of Their Undocumented Status</i>			
<b>Age</b>	<b>No-Cost Medi-Cal</b>	<b>Healthy Families</b>	<b>Total</b>
<b>Less than 1 Year</b>	0.0%		0.0%
<b>1 to 5 Years</b>	4.8%	2.0%	4.2%
<b>6 to 18 Years</b>	11.9%	8.0%	10.4%
<b>Parents (19-64)</b>	23.5%	23.0%	23.3%
<b>Total</b>	14.7%	15.4%	15.0%

For example, 4.8 percent of the children, ages 1 to 5 that would normally qualify for No-Cost Medi-Cal, are not eligible because of their undocumented status.

**Adjustments Not Made:**

Medi-Cal allows a deduction of \$175 to \$200 per month for child-care expenses. This report makes no adjustments for child-care expenses.

**Cost Assumptions:**

In estimating the costs of each option, we assume that the cost of providing health care coverage per child is \$76 per month. This is an average of what the Major Risk Medical Insurance Board (MRMIB) currently pays. For adults we found a lot of variability in what health plans charge. Towards the high end is Blue Cross charging \$133 for comprehensive coverage through California Care. Toward the low end is Kaiser charging \$82 per month. These estimates are for a 33-year-old individual. Taking the average of both we assume that the state would probably pay around \$110 per month to provide coverage, similar to that provided by Healthy Families, to an uninsured adult.



# Three Options for Expanding Healthy Families

This paper looks at three options for expanding Healthy Families. Option one looks at increasing the eligibility for infants from 200 to 250 percent of the federal poverty level. Option two is the income disregard option. It extends coverage to all children, ages 0 to 18, with family income between 200 and 250 percent of poverty. Option three extends coverage to the parents of certain uninsured children.

## The Current Eligibility Criteria

Before moving on to the three options delineated above, it would be instructive to go over the current eligibility criteria. Healthy Families is virtually two programs in one since it necessarily involves Medi-Cal. As part of the application process, the family must first determine whether they qualify for Medi-Cal. If they do, Medi-Cal pays their claims.

In total, up to 1.3 million of California's 1.8 million uninsured children can become eligible for health insurance, either through Medi-Cal or Healthy Families. The table below shows who is eligible by age group and for what program.

Table 1: Eligible Persons Under the Current Design

<i>Eligibility Criteria Based on the Federal Poverty Level</i>		
<b>Age</b>	<b>No-Cost Medi-Cal</b>	<b>Healthy Families</b>
<b>Less than 1 Year</b>	0 to 200%	-
<b>1 to 5 Years</b>	0 to 133%	134 to 200%
<b>6 to 18 Years</b>	0 to 100%	101 to 200%



Estimates provided on the next page.

<b><i>Eligible Uninsured Children After Subtracting Out the Undocumented</i></b>			
<b>Age</b>	<b>No-Cost Medi-Cal</b>	<b>Healthy Families</b>	<b>Total</b>
<b>Less than 1 Year</b>	70,221	-	70,221
<b>1 to 5 Years</b>	268,052	80,707	348,759
<b>6 to 18 Years</b>	520,841	340,563	861,404
<b>Total</b>	859,114	421,270	1,280,384

According to Table 1, Medi-Cal covers infants—persons younger than 12 months—with family incomes up to 200 percent of the federal poverty level. There are over 70,000 uninsured infants that fall in this category. Notice that by design there are zero infants currently eligible under Healthy Families.

For the 1 to 5 age group, coverage can be obtained through both Medi-Cal or Healthy Families. If the income of the family falls below 133 percent of the federal poverty level, they qualify for Medi-Cal. There are over 268,000 uninsured children that fall in this category. If the family income, on the other hand, is between 133 and 200 percent of the poverty line, they qualify for Healthy Families. Children in this latter category number close to 81,000.

There is a pattern in the eligibility chart between the age of the child and the program they qualify for. The younger the child, the more likely it is that they will qualify for Medi-Cal. As the child gets older, health insurance coverage begins to be more evenly divided. In the case of the older group of children, ages 6 to 18, there are over 861,000 uninsured children that are eligible. Of the total, 520,841 are eligible for Medi-Cal and 340,563 for Healthy Families.

**Individuals Excluded:**

The figures above exclude 115,000 undocumented children. If eligibility depended solely on their level of poverty, 83,894 would qualify for Medi-Cal and 31,140 for Healthy Families.

In assessing the options that follow, we use the figures given in the table above as the benchmark.

## Option 1: Coverage for Infants between 200 and 250% of the Poverty Level

Potential New Enrollees: 4,637  
 Total Additional Cost (\$76/person\* 12 mo.): \$4.2 million/yr

(Under Title XXI expansions, the state pays 1/3 and the federal government 2/3)

According to federal law, Healthy Families can expand its program to include infants of families whose income falls below 250 percent of the federal poverty level. The following is the excerpt of the federal law that applies.

...the term 'targeted low-income child' ...is a child—(I) whose family income (as determined under the State child health plan) exceeds the medicaid applicable income level (as defined in paragraph (4)), but does not exceed 50 percentage points above the medicaid applicable income level. (P.L. 105-100-Subtitle J, Section 2110)

Currently, Medi-Cal covers infants (children under one year) up to 200 percent of the federal poverty level. According to the excerpt above, federal law allows the state program to increase the eligibility by 50 points. If California increases the Healthy Families cutoff to 250 percent of the federal poverty level, our estimates show that an additional 4,637 infants would qualify under this option. Table 2 below provides the details.

**Option 1**  
**Table 2: Covering Infants up to 250% of Poverty**

<i>Proposed Change in Eligibility Criteria: % of Federal Poverty Level</i>		
<b>Age</b>	<b>No-Cost Medi-Cal</b>	<b>Healthy Families</b>
<b>Less than 1 Year</b>		<b>201 to 250%</b>



Estimates provided on the next page.

<i>Number of Eligible Uninsured Children</i>				<i>New</i>
<b>Age</b>	<b>No-Cost Medi-Cal</b>	<b>Healthy Families</b>	<b>Total</b>	<b>Additions</b>
<b>Less than 1 Year</b>	70,221	<b>4,637</b>	74,858	<b>4,637</b>
<b>1 to 5 Years</b>	281,637	82,376	364,013	-
<b>6 to 18 Years</b>	591,150	370,034	961,184	-
<b>Total</b>	943,008	457,047	1,400,055	<b>4,637</b>
<b><i>New Additions</i></b>	-	<b>4,637</b>	<b>4,637</b>	

**Cost Estimate:**

The total cost for enrolling 4,637 infants would be \$4.2 million per year, of which California would pay \$1.4 million and the federal government \$2.8 million under a Title XXI expansion.

**Impact on the Number of Uninsured:**

California currently has 87,757 uninsured infants. Healthy Families, currently extends coverage to 80 percent of them, or 70,221 uninsured infants. Under Option 1, health insurance coverage for infants increases to 85 percent.

## **Option 2: Coverage for Children Between 200 and 250% of the Poverty Level Using Income Disregards**

<i>Potential New Enrollees:</i>	<i>113,307</i>
<i>Total Additional Cost (\$76/person* 12 mo.):</i>	<i>\$103.3 million/yr</i>

*(Under Title XXI expansions, the state pays 1/3 and the federal government 2/3)*

The focus of Option 1 above is on infants. What about including other uninsured children with family incomes between 200 and 250 percent of the federal poverty level? Expansion of the Healthy Families program to include other uninsured children under the age of 19 is possible if done in the form of an income disregard. Following is the excerpt of the federal law that applies:

the term ‘targeted low-income child’ ...is a child—(I) whose family income (as determined under the State child health plan) exceeds the medicaid applicable income level (P.L. 105-100-Subtitle J, Section 2110)

The federal government has given states broad discretion in the design of their Medicaid program. A similar discretion may be applied to Healthy Families. According to the excerpt above, the state has control over the definition of family income, i.e., it has control over the income it includes or excludes. The amount of family income to “disregard” is therefore at the discretion of the state.

This option, Option 2, extends coverage to all uninsured children between 200 and 250 percent of the federal poverty level using an income disregard equivalent of 50 percentage points of the federal poverty level. This means that an income disregard of \$4,025 is applied for the first person in the family, and a disregard of \$1,400 is applied for each additional family member thereafter.

Note that this income disregard is not applied to all children, only to children that fall between 200 and 250 percent of the poverty level. In providing the estimates for the table below, we first determined how many uninsured children are eligible for Medi-Cal and Healthy Families under the current rules. Next, we used the income disregards to include children between 200 and 250 percent and assigned them all to the Healthy Families program. The numbers are in the table below.

**Option 2**

**Table 3: Income Disregard to Capture Children Between 200 and 250% of FPL**

<i>Eligible Uninsured Children After Subtracting Out the Undocumented</i>				<i>New</i>
<b>Age</b>	<b>No-Cost Medi-Cal</b>	<b>Healthy Families</b>	<b>Total</b>	<b>Additions</b>
<b>Less than 1 Year</b>	70,221	4,637	74,858	<b>4,637</b>
<b>1 to 5 Years</b>	268,052	101,518	369,570	<b>20,811</b>
<b>6 to 18 Years</b>	520,841	428,422	949,263	<b>87,859</b>
<b>Total</b>	859,114	534,577	1,393,691	<b>113,307</b>
<b>New Additions</b>	-	<b>113,307</b>	<b>113,307</b>	

**Cost Estimate:**

According to the table above, there are over 113,000 additional children eligible through the income disregard option. By design, the increase occurs exclusively through the Healthy Families program. The total additional cost is of \$103.3 million per year. Under a Title XXI expansion, the state would pay for \$34.4 million and the federal government \$68.9 million.

**Impact on the Number of Uninsured:**

Option 2 would increase to 75 percent the amount of uninsured children eligible for health insurance through Healthy Families. Currently there are 1,846,553 uninsured children in California, ages 0 to 18. Of these, 69 percent of them are eligible under the current program design. Option 2 increases the pool of eligible children by six percentage points, or 113,000 children.

**Individuals Excluded:**

The figures above exclude a total of 120,342 uninsured children assumed to be undocumented. If eligibility depended solely on their level of poverty, 83,894 of these children would qualify for Medi-Cal and 36,448 for Healthy Families.

### Option 3: Coverage for Parents Below 200% of the Poverty Level

Potential New Enrollees: 873,581  
 Total Additional Cost (\$110/person\* 12 mo.): \$1.15 billion/yr

(Under Title XXI expansions, the state pays 1/3 and the federal government 2/3)

Options 1 and 2 extend coverage to children. What about coverage for the parents? In this section we provide estimates on the number of parents that would qualify under the current design, i.e., those with family incomes below 200 percent of the federal poverty level. The estimates below do not include the parents of children under expansion Options 1 and 2.

To cover parents, Healthy Families would need to obtain a waiver from the Health Care Financing Administration (HCFA). Following is the federal excerpt of the law that applies:

Payment may be made to a State under subsection (a)(1) for the purchase of family coverage under a group health plan or health insurance coverage that includes coverage of targeted low-income children only if the State establishes to the satisfaction of the Secretary that—(A) purchase of such coverage is cost-effective relative to the amounts that the State would have paid to obtain comparable coverage only of the targeted low-income children involved (P.L. 105-100-Subtitle J, Section 2105)

Currently eligible for the Healthy Families/Medi-Cal program are 1.3 million uninsured children. The parents of these children number 873,581. The table below shows how many of these parents would qualify for Medi-Cal and how many for Healthy Families. The allocation of the parents is based on the assumption that Medi-Cal would take parents below the poverty line and Healthy Families would take parents who fall in between 100 and 200 percent of the federal poverty line.

**Option 3**  
**Table 4: Extending Health Insurance Coverage to the Parents**

<i>Proposed Eligibility Criteria: % of Federal Poverty Level</i>		
<b>Age</b>	<b>No-Cost Medi-Cal</b>	<b>Healthy Families</b>
<b>Parents (ages 19-64)</b>	<b>0 to 100%</b>	<b>101 to 200%</b>



Estimates provided on the next page.

<b><i>Uninsured Parents Eligible After Subtracting Out the Undocumented</i></b>			
<b>Age</b>	<b>No-Cost Medi-Cal</b>	<b>Healthy Families</b>	<b>Total</b>
<b>Parents (ages 19-64)</b>	<b>475,806</b>	<b>397,775</b>	<b>873,581</b>

**Cost Estimate:**

According to the table above, there are close to 874,000 adults that could qualify for the Healthy Families/Medi-Cal program. Assuming the state can negotiate an average premium of \$110 per adult, the total cost of this option is \$1.153 billion. Under a Title XXI expansion, the state would pay for \$384.3 million and the federal government \$768.7 million.

This is by far the costliest option. The state can partially offset the cost, however, by using any of the following approaches:

- Cap enrollment for adults on a first-come, first-served, basis.
- Have parents pay a portion of the premium based on the ability to pay.
- Have employers pay a portion of the premium.
- Allow or require local entities to share in the premium cost.

**Impact on the Number of Uninsured:**

Currently, in California, there are 3.4 million uninsured adults between the ages of 19 and 64 with family incomes below 200 percent of the federal poverty level. Option 3 would extend coverage to 25 percent of the individuals in this age group.

**Individuals Excluded:**

The 873,581 figure above excludes 379,734 parents assumed to be undocumented. If eligibility depended solely on their level of poverty, 230,076 of these individuals would qualify for Medi-Cal and 149,657 for Healthy Families.