Santa Barbara County

Discussion of Children's Health Initiative Proposal

Executive Summary

On March 13, 2007, the Board of Supervisors took under consideration the contribution of funding to the Santa Barbara County Children's Health Initiative (CHI) for the payment of premiums for Healthy Kids insurance for uninsured children. The Healthy Kids program offers insurance to children with families with income up to 300% of the federal poverty level regardless of immigration status and has been operating in this county since December of 2005. Care of the uninsured, and the Healthy Kids program itself, is funded by some existing State/Federal and local programs. The current annual county support of the Healthy Kids program has been $200,000 from the First Five Commission and $200,000 from the Tobacco Settlement Allocation Committee (TSAC). The Board has recommended that this amount of local support be increased and that funding alternatives be investigated. To date, there has been a substantial effort to launch this program locally. This document is not intended as a complete analysis, but will serve as a tool to provide a basic understanding of the CHI, possible local funding options and alternatives, and current and future policy considerations.

CHI Introduction and Background

The formation of the Santa Barbara County Children's Health Initiative was spearheaded by the Directors of the First Five Commission, Public Health Department, and Doorway to Health Foundation in August of 2003. At that time, Santa Barbara County had the highest rate of uninsured children in the state and there was a community interest in exploring ways to improve children's health coverage throughout the county. Other counties had formed (or were forming) local initiatives with the goal of enrolling eligible children in Medi-Cal and Healthy Families and creating Healthy Kids program to cover children not eligible for existing public programs.

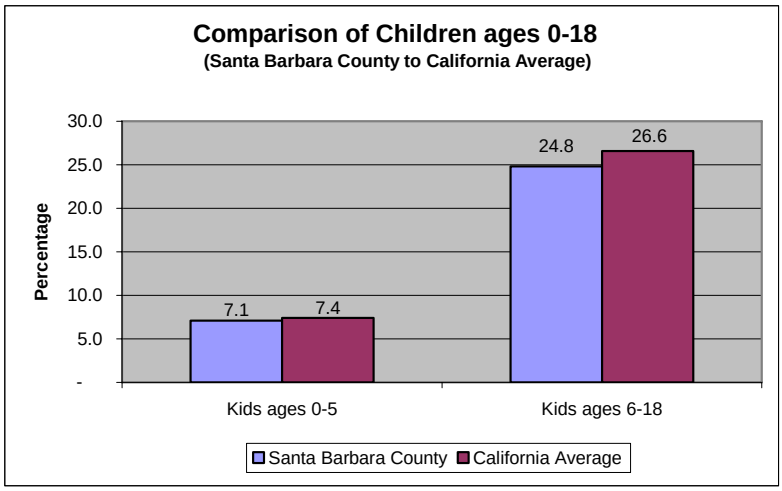
On August 28, 2003 approximately 40 stakeholders from various segments of the community were invited to a meeting to explore the formation of a local initiative. A multi-agency Healthy Kids Collaborative was formed at the conclusion of that meeting and work began on a plan to offer a local Healthy Kids program. On 5/24/04, a presentation was made to the County Board of Supervisors informing them of the plan to develop a local Healthy Kids program. Grant funding was received from the California Healthcare Foundation to develop an infrastructure and hire a part-time program coordinator. Additional funding was sought and the process of licensing this new health insurance product with the state was initiated.

The Healthy Kids program started in Santa Barbara County in November of 2005 with actual coverage beginning on December 1, 2005. Those eligible to enroll in the program are children under 19 who not qualify for zero share of cost Medi-Cal or Healthy Families, are residents of Santa Barbara County and whose family income falls at or below 300% of the Federal Poverty Level. At the present time, funding exists to enroll approximately 529 children.

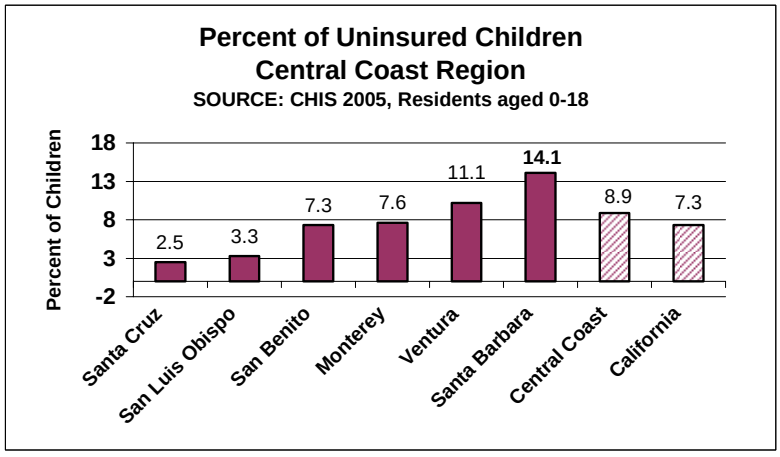
In January of 2007, State funding became available to support Outreach, Enrollment, Retention, and Utilization (OERU) efforts for Medi-Cal and Healthy Families. The Department of Social Services applied for this funding to be passed through to the County Office of Education to administer this new program. This funding has provided a vehicle for hiring a Children's Health Initiative Program Manager to oversee these activities for not only Medi-Cal and Healthy Families, but Healthy Kids as well. This effort, based in the community, should allow for greater numbers of county children to be enrolled in all three programs.

Environmental Overview

Currently available estimates from the United States Census Bureau show that of Santa Barbara County's projected population of 419,260 approximately 7.1% are of ages 0-5 and 24.8% are of ages 6-18. This equates to approximately 29,767 children between 0-5 and 103,976 between 6 - 18 for a total of 133,743 children under the age of 19 (approximately 32%). This does not differ widely from, but is below the average of other California counties for the same age groups:



However, according to the latest California Health Insurance Survey (CHIS) data (pooled for Fiscal Year 2003 through 2005), approximately 14.1% of children ages 0- 18 in Santa Barbara County are without insurance. (Depending on which year's data is used from the CHIS, Santa Barbara County is ranked as having either the first or second highest rate of uninsured children in the State. The number of uninsured children in Santa Barbara County is estimated at 12,000 and 16,000 depending on whether data is used from the CHIS or from the Institute for Health Policy Solutions, California (IHPS). As illustrated in the following chart, this rate is higher than other Central Coast Region counties and the average of other California Counties.



Some of the reasons outlined in the March 13, 2007 Board Report for this lack of insurance coverage and health disparity in Santa Barbara County were our disproportionate populations of children born to immigrant parents and children of indigenous groups (Oaxacans). In addition, there are certain regions of Santa Barbara County that remain home to significant numbers of our low income and poor children, including the Santa Maria Valley, Isla Vista, Goleta, and Carpinteria.

The Healthy Kids Program

The Children's Health Initiative is the essentially the administrative and fundraising arm of the Healthy Kids program. It serves to identify and engage key stakeholders, initiate community education, address financing and sustainability, establish a governance structure, engage providers, and develop fundraising and evaluation plans.

Outreach, Enrollment, Retention, and Utilization (OERU)

The State has funded an outreach campaign in specific counties for Healthy Families and Medi-Cal for FY 06-07 and FY 07-08 to enhance efforts in Outreach, Enrollment, Retention, and Utilization (OERU). Twenty priority counties were chosen for this targeted funding based upon their rates of uninsured children (from CHIS data). Santa Barbara County is a priority county and is targeted to receive $226,983 in FY 06-07 and $363.024 in each of FYs 07-08 and 08-09.

As was discussed earlier, these outreach efforts are particularly important in identifying additional children to be enrolled in the Medi-Cal and Healthy Families programs to enhance and optimize State/Federal dollars to help meet local needs. These dollars fund the CHI Program Manager at the Santa Barbara County Education office and will be used to enhance OERU activities for all three programs. Utilizing the structure of Family Resource Centers originally established with First Five dollars for matching children eligible for public programs with medical homes, enrollment efforts for Healthy Kids should increase the children in Medi-Cal and Healthy Families.

According to the 3/13/2007 Board of Supervisors staff report, 60% of screened children will qualify for Medi-Cal and Healthy Families and the other 40% will be enrolled in Healthy Kids or placed on a waiting list. It also states that of the estimated 16,000 uninsured children, 7,000 to 9,000 will be eligible for Medi-Cal and Healthy Families and 5,000 to 7,000 will be eligible for Healthy Kids. Of these 5,000 to 7,000 children using current enrollment figures, a projected 1,350 to 1,850 will be ages 0-5 (27%) and 3,650 to 5,110 will be ages 6-18 (73%).

Costs and Benefits Levels

Premium costs

Healthy Kids Santa Barbara premiums are composed of three parts: medical, dental, and vision. Medical and mental health services are handled through the medical plan, the Santa Barbara Regional Health Authority (SBRHA). Vision services are handled through the Vision Plan, Vision Service Plan (VSP) and dental services are handled through Delta Dental. The following table will illustrate the current premium costs (as of 1/31/07):

Medical Plan (SBRHA)	$ 78.00	PMPM (per member per month)
Vision Plan (VSP)	2.11	PMPM (per member per month)
Dental Plan (Delta Dental)	32.06	PMPM (per member per month)
Total Monthly Premium	$ 112.17	
Total Annual Premium	$1,346.07	

Benefits provided

The benefit structure was modeled after the State Healthy Families program and also after Health Kids programs already in existence in other California counties.

Services offered include (but are not limited to):

- Inpatient, Outpatient, and Emergency Department Services
- Physician Visits
- Preventative Health Services (routine physicals and immunizations)
- Prescription drug program
- Family Planning and Maternity Care
- Mental Health and substance abuse Services
- Dental Care
- Vision and Eyeglasses

Premiums range from $4 per child per month to a maximum for a family of $36 per month. Copays of $5.00 are charged on some services (not preventive care). This is comparable to other Healthy Kids programs. The SBRHA premium rate of $78 PMPM is inclusive of an administrative overhead rate of 15%. Data was not available regarding administrative costs for the dental or vision plans.

Current Enrollment and Waiting lists

As of December 2006, 529 children were enrolled: 142 ages 0-5 (27%) and 387 ages 6-18 (73%). Children are enrolled for a continuous 12 month period. There are an estimated 200 children on the Healthy Kids waiting list, but there is some opportunity to utilize the on-line eligibility tool in the future to keep detailed lists. Using the same percentages as enrollment, 54 children on the waiting list are ages 0-5 and 146 children are ages 6-18. According to documents from the Doorway to Health, the current funding appears adequate to fund the currently enrolled children ages 0-5 through FY 07-08 (and possibly some ages 0-5 from the waiting list). However, it appears that financial difficulties could exist for the currently enrolled children ages 6-18. $444 thousand will be necessary to ensure their uninterrupted enrollment through June 2008, should expected funding of $200 to $300 thousand from The California Endowment (TCE) not be received. With the receipt of TCE funds, the amount necessary to ensure funding through June 2008 for children 6 -18 is approximately $144 to $244 thousand.

It is important to note that although there appears to be adequate annual funding for children 0-5 into the near future, enrollment efforts are not being encouraged at this time. Because of the fact that enrolled children 0 -5 will reach age 6 and be at risk of disenrollment, the CHI has essentially "capped" the number of all children entering the program.

Existing Programs for the Uninsured (in addition to Healthy Kids):

State/Local Programs for the Uninsured (Children and Adults)

There are several State/Local funding streams in which the Public Health Department acts as the fiscal intermediary for disbursement of funds for the uninsured by providing payment to health entities for uncompensated care to the uninsured regardless of immigration status.

- ***California Healthcare for Indigents Program (CHIP)***
- ***MADDY Emergency Medical Services Funding (MADDY)***
- ***Emergency Medical Services Appropriation (EMSA)***
- ***Tobacco Settlement Allocation Committee (TSAC)***

The following table will summarize the amounts disbursed from these programs to area providers for hospital and emergency room care, specialty and primary care, emergency physician care and dental care, broken out by patient age:

	Amounts Disbursed						
Program	Ages 0-5	Ages 6-18	Sum of 0-18	Ages Over 19	Total All ages	Percent for 0-18	Percent for Over 19
CHIP	2,826	3,001	5,827	249,318	255,146	2%	98%
MADDY	28,857	40,037	68,894	1,000,586	1,069,480	6%	94%
EMSA	5,188	6,659	11,848	117,778	129,626	9%	91%
TSAC	51,173	116,722	167,895	2,081,743	2,249,638	7%	93%
Totals	**88,044**	**166,420**	**254,464**	**3,449,426**	**3,703,889**	**7%**	**93%**

Of the $3.7 Million disbursed from the programs, only approximately $250 thousand was spent to reimburse care provided to children 0-18. This represents only 7% of the total funds available, as opposed to 93% for adults. The CHIP, MADDY, and EMSA programs cannot be restricted or targeted to certain populations, unless under very specific criteria (i.e. a pediatric trauma center). However, the TSAC funding for the uninsured is subject to local control and could be specifically targeted to certain populations or groups.

Early Access to Primary Care (EAPC)
This State program provides funding for the uninsured, regardless of immigration status to qualifying area community health clinics. Funding is prioritized among clinics based upon the amount of uncompensated services provided and the number of medically underserved seen. At least 50% of more of the clinic's uncompensated care must be provided to patients at or below 200% of federal poverty guidelines. According to the State EAPC program, there is currently $515,000 in total allocated to Santa Barbara County community and tribal clinics. The county's primary care clinics do not qualify for this funding.

Other State/Federal Programs for Uninsured Children

Child Health Disability Program (CHDP)
This State/Federal program provides for periodic preventive health services for children under 21 (with Medi-Cal) and other children under 19 (regardless of immigration status) with family income under 200% of federal poverty level.
The CHDP Gateway is a vehicle to allow CHDP providers to temporarily enroll children immediately in Medi-Cal for 60 days while eligibility for Medi-Cal or Healthy Families is determined. This is an important tool for increasing enrollment in Medi-Cal and Healthy Families. In addition, qualifying children are given 60 days of Medi-Cal coverage to receive services, particularly if there are identified conditions from their CHDP history/physical screening. According to county CHDP officials, the amount paid for all CHDP services for FY 05-06 was approximately $2.2 Million.

California Children's Services (CCS)
This State/Federal program covers medically eligible services and equipment provided by CCS approved specialists for qualified persons under age 21 who have conditions that are physically disabling (such as cancer or birth defects) or require medical, surgical, or rehabilitation services. The program also requires a 50% county match on treatment expenditures for those children that do not qualify for Medi-Cal. Some of the match dollars can come from county realignment sources, but at least 25% of the local match must come from county general fund sources. The total amount paid for FY 05-06 was $1.38 Million with a county match of $480 thousand.

Healthy Families
This program is State/Federal program funded from the Federal SCHIP program. It covers legally resident children not eligible for Medi-Cal whose family income is below 250% of federal poverty level. This program offers medical, dental, and vision coverage. Premiums range from $5 to $9 per month with co-pays of $5, depending on the service (but not for preventative care).

Medi-Cal
California's Medicaid State/Federal funded program offers comprehensive health coverage for legally resident children up to 200% of federal poverty level, depending on age.

How are Healthy Kids programs funded?

The first Healthy Kids programs started in the bay area counties of Alameda and Santa Clara. These programs were launched within a 6 month period of each other in 2000 and more importantly, were established in part with funding from the two new streams of funding made available by the passage of Prop 10, the Children's and Families Commission initiative, and from

the National Tobacco Master Settlement Agreement (MSA) funds. In addition to these local county sources, the programs received funding from large, private philanthropic foundations, such as the David and Lucille Packard Foundation. The California Healthcare Foundation and the California Endowment both contributed funds for building infrastructure and for premiums.

Other programs in other counties have subsequently been launched with a mix of public and private sources that varies by county. There are currently no State general funds available for these programs, although the State offers an alternative (AB 495) for a small amount of federal SCHIP draw down funds to match local dollars.

The attached spreadsheet (Attachment A) arrays the enrollment and county funding data for the plans for Santa Barbara's benchmark counties and for the three original CHI plans. Also, the data for the plans that receive annual county funding either through the master Tobacco Settlement or from general funds is summarized below:

County	Population	General Funds	Tobacco Settlement	Local First Five
San Luis Obispo	260,727	$ 200,000		$ 300,000
Santa Cruz	260,240	$ 600,000		$ 900,000
Alameda	1,507,000		$ 500,000	$ 168,750
San Mateo	723,453	(up to) $ 2,700,000		$ 2,300,000
Santa Clara	1,759,585		$ 3,000,000	$ 2,000,000
Santa Barbara	419,260		$ 200,000	$ 200,000

Matching requirements and administrative costs

The counties listed above were surveyed in order to determine whether the support from the county had allowed for a percentage of administrative costs or had any other restrictions due to age targets or matching requirements. None of the CHIs were allowed a percentage for administrative costs and all dollars were invested into children's premiums for ages 6-18. The CHIs indicated that private foundation and other grant funding sources were used for administrative costs. In addition, three of the counties indicated that their county funding was dependent upon matching requirements with other funding sources.

What would it cost Santa Barbara County to insure additional children?

The following table summarizes the costs of the request before the Board of Supervisors:

	500 children	1,000 children	5,000 children
Annual Premiums ($1,346.04)	$673,020	$1,346,040	$6,730,200
Administrative Cost (15%)	$100,953	$201,906	$1,009,530
Total Annual Cost	**$773,973**	**$1,547,946**	**$7,739,730**

Source: CHI partners SBRHA and Kids Network

The executive committee of the CHI collaborative has added the administrative costs of 15% to the request for additional county support for premiums to fund and build additional infrastructure, such as fundraising and support staff. They acknowledge that many of their funding sources do not allow for administrative costs to be built into the grants.

Funding Alternatives

The following list includes funding alternatives either already utilized in the program or explored for this discussion:

First Five Commission Funds

Along with the infrastructure support to the CHI provided by funding the Family Resource Centers, the Santa Barbara County First Five Commission currently contributes $200,000 annually for premium dollars. According to the Director of the First Five program, this funding

appears to be secure for the foreseeable future. Because of its statutory intent, First Five dollars can only be directed for children ages 0-5. In addition to the funding for premiums by the local program, the State First Five program will match any local dollars targeted to children ages 0-5 in the ratio of $1 to every $4 of local funds.

Currently, approximately 27% of the children enrolled in Healthy Kids are aged 0-5. If this percentage is applied to the estimated 5,000 to 7,000 uninsured children in Santa Barbara County, a projected 1,350 to 1,850 will be ages 0-5.

First Five Strategic Reserves

The First Five program has built a strategic reserve of approximately $8Million. These funds have been designated by the First Five Commission in the 10 year First Five Fiscal plan which links with their Strategic plan for the consistent funding of existing grantees and programs within the Commission's focus areas. The use of these funds for children 0-5 in the Healthy Kids program would require the Commission to revisit their strategic plan objectives and amend their 10 year Fiscal plan.

Tobacco Settlement

Santa Barbara County currently receives approximately $3.4Million annually from the national Tobacco Settlement agreement that has been directed to the healthcare needs of the community. (This is a reduction from the projected $5Million annually because of pending national litigation) As discussed earlier, the Tobacco Settlement Allocation Committee (TSAC) currently allocates approximately $2.25Million to area hospitals, specialty physicians, and emergency department physicians for care to the uninsured. As illustrated in the funding chart above, only about $250 thousand or 7% is spent on care to children 0-18.

The TSAC has also allocated $200,000 for premium payments for both FY06-07 and FY07-08. These funds are used for premiums for children 6-18.

Tobacco Settlement Endowment

The Board of Supervisors had originally directed the TSAC to put 20% of all Tobacco Settlement allocations into an endowment fund. The intent at the time was that the fund would yield approximately $3.5 Million dollars a year in interest income at the end of a 25 year period that would serve to sustain the present level of allocations to programs. Due to increased levels of funding to TSAC grantees, no deposit has been made to the Endowment since FY 03-04.

The balance of the Endowment at 6/30/08 is projected to be approximately $5 Million. Of this amount $2.7 Million is available in county pooled investment funds. The other $2.3 Million is not readily available and is in directed investments.

Sales Tax Initiative

A sales tax to support the Healthy Kids program would be a tax that is imposed on every retailer that would be universally applied. A sales and use tax is considered a special tax, which can be used for a specific purpose. It would require an election (earliest is June 2008) in which at least two-thirds of the qualified voting electorate voting would need to approve the additional revenue. Santa Barbara County has a 7 ¾% sales tax rate which is 1% below the State maximum allowed sales tax. Currently, a ¼ % sales tax would generate approximately $15 Million in revenue. San Mateo County is considering a ballot initiative to support its Children's Health Initiative.

County staff are investigating the pursuit of a sales tax initiative to replace MADDY fund dollars that will sunset on December 31, 2009. The targeted amount to be made available as a replacement for MADDY fund dollars is estimated at $8 Million. Since a ¼% sales tax will provide $15 Million, such an initiative could provide MADDY funding of $8 Million and CHI funding of $5 - $7 Million per year, depending upon whether other County Public Health Department needs would be funded by the tax.

Parcel Tax
Unlike a sales tax, if a parcel tax (also a special tax) were pursued it would apply to all taxable real property in the county. Based on projections from the Auditor-Controller's office, an average flat fee of approximately $120 per parcel would provide $15 Million annually in tax proceeds.

Philanthropic Model
A majority of the CHIs across California are funded in large part by private foundations. Because of lack of funding and staffing shortages, the Santa Barbara CHI has not yet fully developed its philanthropic model of engaging the large local foundations or community for support, although it has received multi-year funding from statewide foundations, such as The California Endowment and the California Health Care Foundation. With the receipt of OERU funds, the County Office of Education has just recently put into place its program infrastructure and is now writing and submitting grants for funding premiums and administration costs (including one to the John S. Bower Foundation for $100 thousand a year for three years). A strategic plan that includes a fundraising plan is being finalized by the CHI.

Engaging the Community and Municipalities
Along with a fundraising plan that involves the large local philanthropies, the other CHIs have engaged their communities, and in some instances their municipalities, in donating funds. Locally, the city of Santa Maria has expressed some interest in providing some funding and the CHI plans to approach all of the municipalities.

To ensure the success of their fundraising initiatives, a consideration for the County may be to provide matching/challenge dollars to the CHI, based upon the funds that they are able to raise from community private foundation sources. As was discussed earlier, this has been done in three of the surveyed counties.

Medi-Cal Administrative Activities (MAA)
This program, also known as MAA, provides for federal matching dollars on local funds that are spent for program planning and policy development, outreach, and other activities that support the Medi-Cal program. Unfortunately, the new OERU funds are State/Federal funds (already matched) and do not qualify for use in the MAA program. Any additional local dollars that are targeted for OERU type activities and targeted to getting more individuals qualified for Medi-Cal and other programs can be matched. Matching dollars through this program are not available on funds spent for direct services, such as premium payments.

Assembly Bill 495 (AB495)
AB495 (2001) allows counties to draw down federal match dollars on local funds that are used on legally resident children with family incomes between 251% and 300% of federal poverty level. It is unclear as to how many children would qualify for these match dollars and the amount of administrative burden that would be involved with maintaining the data and preparing the claiming. Only three counties in the state are currently participating, with only one other making application.

Reinvestment of Reserves – SBRHA Healthy Kids Medical Plan
Based upon the most recent financial statements from the SBRHA, the Healthy Kids medical plan has been experiencing lower utilization than projected (only 61% of premium dollars to date have been paid out for medical services). Apparently, after administration costs of 15%, the other 24% of premium funds have been returned to their organizational consolidated reserve funds. (The SBRHA currently has $26 Million in overall consolidated reserves). As a Knox-Keene licensed plan, a minimum reserve (called tangible net equity or TNE) is required that equates to approximately 8% of annualized expenditures. According to the SBRHA, the Healthy Kids program has a $71,000 surplus to date. If this minimum TNE requirement of 8% is applied, or

even a more conservative reserve of 10% to 15%, the medical plan would still have approximately $30,000 to $50,000 of surplus funds to reinvest into premiums for roughly 20 to 35 more uninsured children. Along with the use of these surplus funds for more premiums, any interest income earned on surplus funds could also be reinvested into the program. Other county Healthy Kids medical plans, such as that run by the Health Plan of San Mateo, have a policy of the reinvestment of surplus funds back into premiums in order to insure more children.

Other Policy Considerations:

There are currently other issues and considerations to keep in mind when evaluating the funding options and alternatives for the Santa Barbara Healthy Kids programs.

TSAC Dental Community workgroup

In a recent study funded by the California HealthCare Foundation on dental utilization in central California CHI's Healthy Kids programs (including Santa Barbara), it was concluded that it was "*obvious that coverage alone does not ensure the actual utilization of services or the receipt of appropriate preventative services".*

Based on interest expressed by the Santa Barbara County Board of Supervisors, the TSAC is recommending that $100,000 in FY 07-08 Tobacco Settlement allocations be put aside for an assessment of and innovative approach to meeting the dental needs of uninsured Santa Barbara County residents. If approved by the Board of Supervisors during the Recommended FY 07-08 Budget hearings in June of 2007, the Public Health Department Director will convene a multidisciplinary group of pediatricians, the dental societies, and other interested and knowledgeable parties in looking at needs and gaps in dental care and coverage. This group will make recommendations for the best use of the $100,000 allocated and help to set policy direction in terms of future local dollars earmarked for dental care. Whether local dollars are best used for dental premiums or for other services or outreach, it is important that this group work in tandem with the CHI to ensure the best use of all local resources for dental services. In addition, the Board of Supervisors should consider whether these funds should be set aside specifically for children's dental needs.

The Governor's and other Health Reform Plans

There are currently several proposals and Health Reform plans that have been introduced to the California Legislature. The one that has generated the most interest is the one introduced by Governor Schwarzenegger. His plan would cover all children, regardless of immigration status, by enrolling children with family incomes to 300% of federal poverty level into Medi-Cal. There are two items of interest and concern to counties:

1. His plan is partially funded by redirecting County realignment funding (sales taxes and vehicle license in lieu fees) that currently is used by County Health Departments to support mandated services for public health and access to healthcare. It is unclear as to what formula or methodology the State would use to redirect the funds and the counties may be left with insufficient funds to maintain current mandated services. This may require the use of County general funds to replace a portion of redirected funds.

2. Since the Governor's plan is based on a strategy to build upon and redirect existing funds in the healthcare system, it is widely discussed that there may be a Maintenance of Effort (MOE) imposed on any existing county general funds that are already being expended. The staff report to the Board of Supervisors regarding the CHI stated that "If/when the Governor's current proposal to provide health insurance to children is implemented; no County funding would be needed", this may not be the case if an MOE is imposed. Although it is not currently known whether an MOE will be imposed or not (or in what form or amount), there is a long legislative history of this, including the recent codification

of Proposition 63 (Mental Health Services Act). This possibility should be considered in determining local funding options.

Targeting of Premium Dollars

One of the hallmarks of the Santa Barbara Healthy Kids program is that it is universal and, if there is available program funding, does not discriminate in terms of its enrollment of eligible children. Therefore, the program currently does act as an insurance program and does not take health indicators into consideration as priorities for enrollment (for example, giving enrollment priority to children with asthma or other chronic diseases).

Some existing Healthy Kids plans, such as San Mateo and Santa Clara, have targeted certain age groups, such as children 0-5, as priority areas. In the *Evaluation of the San Mateo County Children's Health Initiative: Third Annual Report*, there is some discussion of using claims and payment data as a way to target "high cost users" of the system. This consists of identifying children with chronic diseases such as asthma or diabetes or those using expensive emergency room care and targeting them for specific health education efforts in an attempt to improve health outcomes and decrease costs. According to utilization data from the SBRHA on the Healthy Kids medical plan, approximately 24% of claims paid have been made to hospital outpatient services, which would include emergency department services. The SBRHA does currently have an emergency department quality improvement initiative in place, but only targets those enrolled in their Medi-Cal program, not in Healthy Kids.

There has been some discussion outside of the CHI by public health advocates about a model of identifying children with chronic illness and giving them priority in terms of Healthy Kids enrollment. This would be a change from a universal insurance model and would require State approval, but may serve to identify these children prior to enrollment and ensure that they have a medical home. It may also serve to improve outcomes and lower utilization costs by ensuring that these children have access to health education and disease management, but it may likely increase the program premiums over the current amount.

Summary

Along with being a need in Santa Barbara County, children's health care is on the agenda of both Federal and State legislators. No one questions that it is a need, but no one knows if/when a universal public program for children will materialize or in what form. Two of the major proposals in front of the California Legislature are Assembly Bill 8 (AB 8) (Nunez) and Senate Bill 48 (SB 48) (Perata). These bills, as amended, would both cover children regardless of immigration status, but the implementation dates are currently set at January 1, 2009 for AB 8 and January 1, 2011 for SB 48.

In addition, both bills contain some language to address caps on administrative costs and the profits of participating health plans in order to invest as much money as possible in health care coverage.

This discussion has set forth the current form and amount of state and local funding for the Santa Barbara County Healthy Kids program and some identified alternatives to consider for future funding. In addition, there are policy considerations because of the timing of pending health reform legislation and the question of the intent of State and Federal legislators to reinvest the current dollars that are already in the system (i.e. establish an MOE on the level of local funding). All of this will need to be carefully assessed when evaluating the *Options for Consideration* that are presented in the next section.

Options for Consideration

There are an array of options for consideration relative to the continued operation of the CHI in Santa Barbara and the continued and/or increased support by the County.

These options, which are stated in two parts, are based upon the survey of best practices and innovative ideas of some of the older CHIs and their health plans in other counties. In addition, some of the options *do not require the use of additional County funds* and are arrayed in a way that they can be considered either with or without the options that do require additional County funds.

Options with no additional County Funds

These are options for possible expanded enrollment in the Healthy Kids program that may result from using best practices from other plans or the strategic use of dollars currently spent.

Reinvestment of Healthy Kids Reserves

As mentioned earlier, based upon the most recent financial statements from the SBRHA, the Healthy Kids medical plan has been experiencing lower utilization than projected (61% of premium dollars to date have been paid out for medical services). Apparently, after administration costs of 15%, the other 24% of premium funds have been returned to their organizational consolidated reserve funds. If the CHI took the position that the SBRHA needed to reinvest any surplus over a certain amount for adverse claims (the legislated amount is 8% of annualized medical expenditures, but a more conservative amount may be 15%), **there could be more children covered using the existing funds in the system**. The following table illustrates the current and projected surplus from the Healthy Kids medical plan, and the number of potential children that could be insured, based on the current utilization and financial statements:

Healthy Kids Operating Statement Information	**Actual at 2/28/2007**	**Annualized at 6/30/2007**
Premium Revenues	$ 322,218	$ 552,374
Medical Expenditures	197,814	339,110
Administration	53,180	91,166
Excess Program Revenue (Surplus)	71,224	122,098
15% Adverse Claims Reserve	(29,672)	(50,867)
Surplus available for premiums	41,552	71,231
Number of potential additional children insured by Healthy Kids by reinvestment of surplus funds	**30**	**52**

Quality and Emergency Department Usage Initiatives

The SBRHA has many initiatives in place that are successful in helping medical providers control costly Emergency Department (ED) usage by identifying those patients that tend to seek care in the ED and providing targeted education. In addition, it has many disease management education programs and provides materials to patients to encourage less costly preventative care for those with asthma and diabetes. It could be recommended by the CHI that the SBRHA extend these program benefits to their members in the Healthy Kids program, so that maximum benefit for disease management and any resulting cost efficiency is achieved.

Targeting for Children, TSAC's Recommended funding for a Dental Workgroup

As previously discussed, based on interest expressed by the Santa Barbara County Board of Supervisors, the TSAC is recommending that $100,000 in FY 07-08 Tobacco Settlement allocations be put aside for an assessment of and innovative approach to meeting the dental needs of uninsured Santa Barbara County residents. It could be further recommended that the dollars be targeted to children's dental heath needs and the involvement of the schools in the use of preventive services, such as dental varnishes.

Options with additional County Funds

These are options for possible expanded enrollment in the Healthy Kids program that are arrayed to present the projected results of various levels of additional County funds.

Additional County Funding Options

The caveat of options 3 through 6 would be the risk that if and/or when either the state or federal governments pass any health reform plans that provide coverage for children, there may be a Maintenance of Effort (MOE) level put in place that compels the County to continue to provide the same amount of funding. In addition, options 4 and 6 illustrate the results of new County funding on enhanced enrollment if the CHI were allowed a 15% administrative allowance on all funds. The proposal from the CHI did not specify how much administrative costs would actually increase with increased enrollment, but requested the allowance on all levels of new funding.

The possible sources of funding for options 2 through 6 are: 1) The TSAC Endowment; 2) First Five Funds or Strategic Reserve (for the estimated 27% of uninsured children 0-5); and, 3) County General Funds.

Option 1: No additional funding, wait for Governor's (or other) Health Reform Plan

Under this option, the County would not put any additional local dollars into the CHI at present to expand, but would wait until more is known about the details and projected starting date of any state or federally funded health reform proposal.

Option 2: Provide $144,000 in funding, wait for Governor's (or other) Health Reform Plan

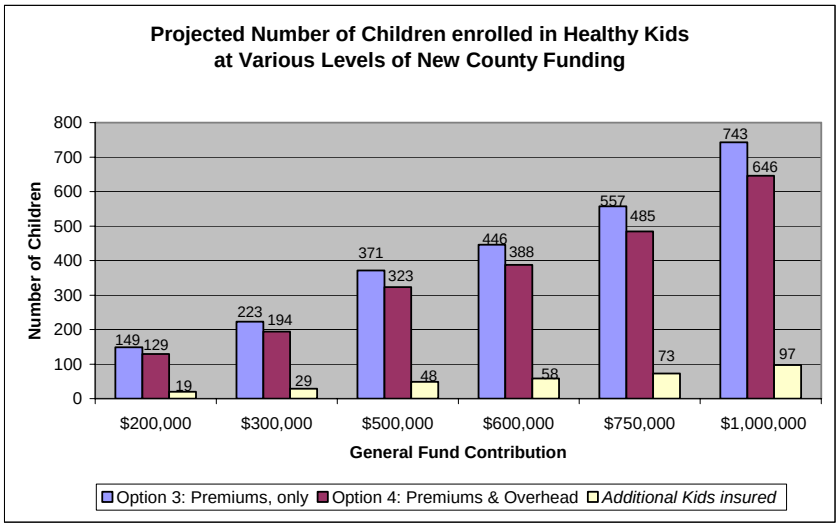
Under this option, the County would not provide any funding to expand enrollment, but would provide enough funding to keep all children ages 6-18 that are currently enrolled from being disenrolled through June 2008. Based on projections from the CHI, it will need at least $144,000 in funding for premium dollars to keep all currently enrolled children in the Healthy Kids program through FY 07-08. This amount is also variable upon the receipt of funds from The California Endowment and could vary from a projected $144,000 to $244,000.

Option 3: Provide from $200,000 to $1,000,000 in funding, direct all funds to Premiums

This option would provide from $200,000 to $1,000,000 at the discretion of the Board of Supervisors in new funding to provide premiums, only, for the CHI to enroll children into the Healthy Kids program. Under this option and following direction in other counties, the 15% allowance for administrative overhead *would not be allowed* and all dollars would be invested into premiums. Based on the amount of County support, the number of new Healthy Kids enrollees could vary from 149 to 743.

Option 4: Provide from $200,000 to $1,000,000 in funding, allow 15% for Administrative Costs

This option would provide from $200,000 to $1,000,000 at the discretion of the Board of Supervisors in new funding to provide premiums and an allowance for administrative costs of 15% for the CHI to enroll children into the Healthy Kids program. Under this option, the 15% allowance for administrative overhead *would be allowed* and not all dollars would be invested into premiums. Based on the amount of County support, the number of new Healthy Kids enrollees could vary from 129 to 646, as illustrated in the chart at the top of the next page.



As illustrated in the chart, directing that all dollars be used for children's premiums would allow for the projected enrollment of an additional 19 to 97 children.

Option 5: Provide from $200,000 to $1,000,000 in funding, require Matching/Challenge funds, direct all funds to Premiums (no Administrative Costs)

This option is identical to Option 3, but would require that any new, additional funding be granted on the basis of and matched by private foundation or other donations or support. Based on the amount of matched County support, the number of new Healthy Kids enrollees could vary from 297 to 1486. The potential effect of this option on enrollment in Healthy Kids is illustrated in the following chart:

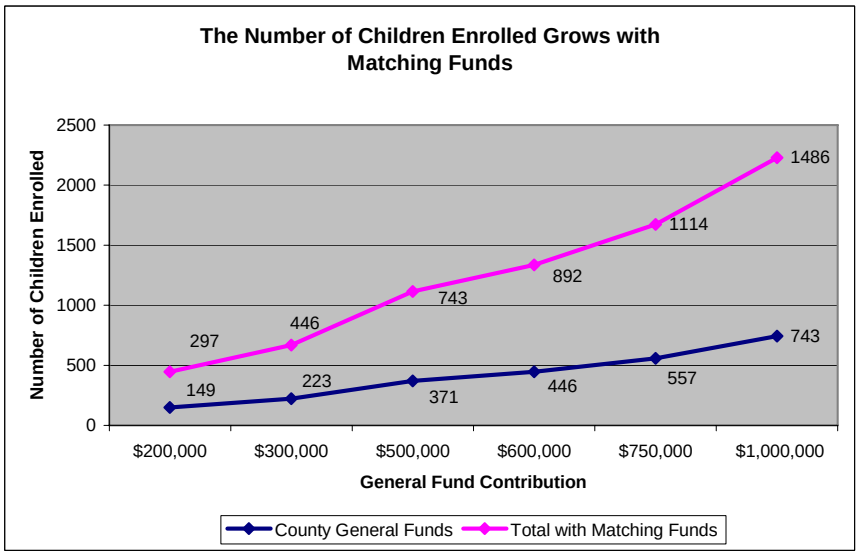
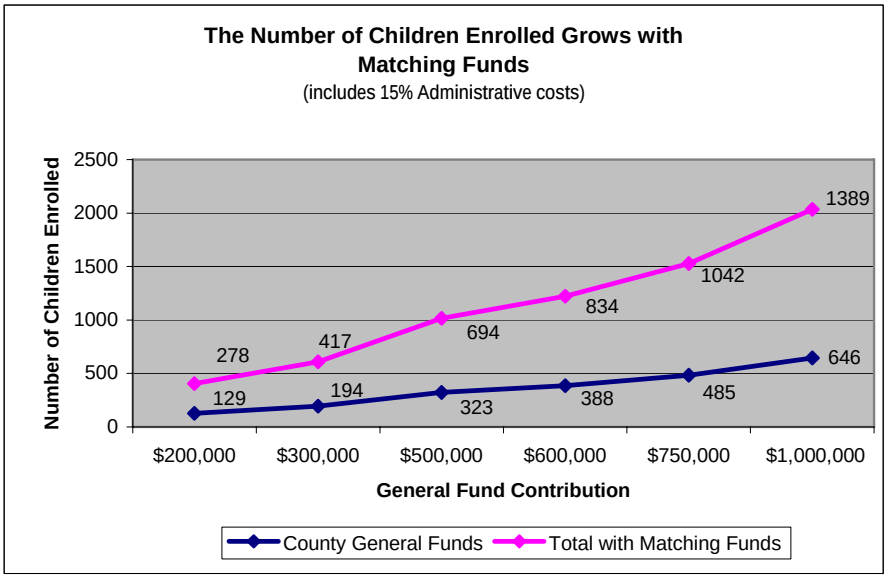


Chart is based on Option 3, no allowance for administrative costs.

Option 6: Provide from $200,000 to $1,000,000 in funding, require Matching/Challenge funds, allow 15% for Administrative Costs

This option is identical to Option 4, but would require that any new, additional County funding be granted on the basis of and matched by private foundation or other donations or support. Based on the amount of matched County support, the number of new Healthy Kids enrollees could vary from 297 to 1486. The difference between Options 5 and 6 is the ability for the CHI to use 15% of the amount provided for an administrative allowance. The potential effect of this option on enrollment in Healthy Kids is illustrated in the following chart:



Comparing and contrasting the charts illustrating Options 5 and 6, requiring that all dollars be used for children's premiums (no 15% administrative allowance) would allow for the projected enrollment of an additional 19 to 97 children. The proposed requirement of Matching/Challenge dollars could provide for an additional enrollment of 148 to 743 children.

Next Steps

These options have been arrayed in a way that will allow for either redirection or strategic use of existing funding or from $0 to $1,000,000 in new County funding or a combination of these options. In addition, the options for new County funding are arrayed either with or without allowances for 15% for administrative costs or a requirement for Matching/Challenge funds. These funding options will either provide for the status quo or for the projected enhancement of program enrollment from 129 to 1486 additional children in the Healthy Kids program.