

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: March 29, 2011
POSITION: Neutral
SPONSOR: County of San Mateo

BILL NUMBER: SB 36
AUTHOR: J. Simitian
RELATED BILLS: N/A

BILL SUMMARY: County Health Initiative Matching Fund

This bill would expand eligibility for children to enroll in the County Health Initiative Matching Fund (CHIMF) program administered by the Managed Risk Medical Insurance Board (MRMIB). This program allows counties to use local funds to match federal State Children's Health Insurance Program (S-CHIP) funds. Currently the CHIMF program insures children from families with incomes between 251 percent and 300 percent of the federal poverty level (FPL). This bill would expand CHIMF eligibility to children from families with incomes up to 400% of FPL and condition implementation of the eligibility change upon obtaining federal approval. Additionally, SB 36 would authorize eligibility under the expansion to include children unable to enroll in MRMIB's Healthy Families Program (HFP) as a result of state budget limitations.

FISCAL SUMMARY

The bill would not impact the General Fund. Participating counties would be required to pay for all administrative costs (including the costs of obtaining federal approvals related to the proposed eligibility expansion), consistent with the existing CHIMF program. Program local assistance funds would be provided via intergovernmental transfers from participating counties to match S-CHIP federal funds at a 1:1 ratio. S-CHIP requires that states choosing to expand eligibility to children from families with incomes above 300 percent FPL match federal funds at the 1:1 Medicaid ratio instead of the enhanced 2:1 ratio used in HFP. Furthermore, existing state statute prohibits costs for providing these services from accruing to the state.

It is anticipated that only the three counties currently participating in the program (San Mateo, Santa Clara and San Francisco) would elect to expand eligibility under SB 36. Assuming a per member per month cost of approximately \$101 and additional CHIMF enrollment of 300 to 400 children would result in annual costs of approximately \$363,600 for one county with additional enrollment of 300 children to \$1,454,400 for three counties with additional enrollment of 400 children each. Costs would be split between local and federal funds at the 1:1 matching ratio. Use of these funds does not impact other state programs as under existing state statute only federal funds remaining after state caseloads are met may be used for eligibility expansion.

The fiscal impacts of this bill are unknown beyond January 1, 2014, when the health insurance exchange component of federal health care reform becomes effective. At that time, families with incomes up to 400 percent of FPL will have the opportunity to purchase subsidized insurance for children through the newly-created exchange. Particulars associated with the exchange are still being developed and provided by the federal government at this time.

COMMENTS

The Department of Finance is neutral on this bill for the following reasons:

- This bill has no impact to the General Fund, since current statute prohibits any costs accruing to the state and all matching funds are provided from counties via intergovernmental transfers.

Analyst/Principal Date Program Budget Manager Date
(0562) T. Williams Lisa Ann L. Mangat

Department Deputy Director Date

Governor's Office: By: Date: Position Approved
Position Disapproved

BILL ANALYSIS Form DF-43 (Rev 03/95 Buff)

J. Simitian

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SB 36

- Federal funding of the Healthy Families program is protected within the state budget. Current statute states that funding for the CHIMF program is subject to the availability of federal funds not needed for state health programs, including HFP.
- Under existing law, only three counties (San Mateo, Santa Clara, and San Francisco) participate in the CHIMF program. It is anticipated that only these three counties would take advantage of the eligibility expansion contained in this measure.
- The enactment of federal health care reform included maintenance of effort (MOE) requirements that prohibit states from the use of more restrictive eligibility procedures than those in place at the time of enactment, including use of a waiting list. California would put over \$25 billion Medicaid and CHIP federal matching funds annually in jeopardy if it were to not fulfill the MOE. Thus, it is unlikely that counties would need to use the authority in the bill to enroll children eligible for HFP but unable to enroll in HFP due to a waiting list related to budget limitations because such an action would violate the MOE.
- The bill assists local agencies in meeting the health insurance needs of additional children without interfering with the funding and operation of state health programs.

We would note that Governor Schwarzenegger vetoed last year's SB 1431 (identical legislation). The veto message cited the state of the economy, the low participation rate in the CHIMF program, and the short-term practical impact of the measure due to the availability of subsidized insurance through the health insurance exchange beginning in 2014 as the rationale for a veto. In summary, enactment of SB 36 would be more of a policy issue than a fiscal issue since there are available federal funds for the expansion and the state is protected under current statute from incurring any costs.

Code/Department Agency or Revenue Type	SO		(Fiscal Impact by Fiscal Year)							Fund Code
	LA	CO	PROP			FC				
	RV	98	FC	2010-2011	FC	2011-2012	FC	2012-2013		
4280/Managed Risk	LA	No							0890	
4280/Managed Risk	LA	No							3055	
<u>Fund Code</u>	<u>Title</u>									
0890	Trust Fund, Federal									
3055	County Health Initiative Matching Fund									