DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: 08/31/2015
POSITION: Oppose
SPONSOR: United Farm Workers

BILL NUMBER: SB 145
AUTHOR: Pan, Richard

BILL SUMMARY: Robert F. Kennedy Farm Workers Medical Plan

This bill requires the Department of Health Care Services to annually reimburse the Robert F. Kennedy Farm Workers Medical (RFK) Plan up to $3,000,000 per year for claim payments that exceed $70,000 made by the plan on behalf of an eligible employee or dependent for a single episode of care on or after September 1, 2016. The bill requires the department to make the reimbursement payment within 60 days after it receives specified claims data from the plan.

FISCAL SUMMARY

This bill will result in annual General Fund costs of up to $3 million to the Department of Health Care Services (DHCS) to reimburse the RFK Plan. This is in addition to the $2.5 million Major Risk Medical Insurance Fund (MRMIF) provided to the RFK Plan to purchase stop-loss insurance for FY 2015-16 and the $3.2 million MRMIF provided in FY 2014-15. This bill may also result in additional state staffing costs to process the claims data provided by the plan.

SUMMARY OF CHANGES

The contents of this bill have been significantly amended and the previous Department of Finance analysis is no longer applicable to the bill as proposed.

COMMENTS

The Department of Finance opposes this bill because it creates an on-going General Fund obligation without a clear benefit to RFK plan enrollees. The author of the bill argues the $3 million annual appropriation will save the state approximately $6 million annually; however, the Administration is unable to verify the author's assertions regarding the percentage of the plan's covered population that would be eligible for Medi-Cal or other state programs.

The Budget Act of 2014 included $3.2 million (MRMIF) to allow the RFK Plan to purchase stop-loss insurance for one year. At the time, the plan believed it would be able to develop a cost management strategy to ensure future viability without relying on state funds. The Budget Act of 2015 included an additional $2.5 million (MRMIF) to again allow the plan to purchase stop-loss insurance for one year. To date, the plan has not proposed a cost management strategy.

This proposal creates a new, on-going program over which the state has no oversight of either the administration of the plan or the quality of and access to care paid for by the plan. The author argues the plan would shut down without state intervention. If the plan were to close, many of the plan's enrollees may be eligible for Medi-Cal.

Because the current RFK plan is a Taft-Hartley plan, enrollees are not afforded the same consumer protection rights as plans regulated by the Department of Managed Health Care, or Medi-Cal managed

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COMMENTS (continued)

care plans. In addition, RFK enrollees would not be subject to cost sharing if enrolled in the Medi-Cal program. Further, it is unclear how many RFK enrollees are already enrolled in Medi-Cal. RFK beneficiaries enrolled in Medi-Cal may currently be held responsible for cost sharing, whereas if they were solely enrolled in Medi-Cal, they would not be subject to any cost sharing.

While some of the current enrollees of the plan may be undocumented, Medi-Cal pays for limited scope coverage for people who are undocumented, including emergency care and pregnancy services. In addition, the state currently operates a number of state only programs which can be utilized by undocumented individuals. The plan may also consider subsidizing the cost of health insurance on the private market for undocumented individuals who wish to purchase it.

	SO	(Fiscal Impact by Fiscal Year)							
Code/Department	LA	(Dollars in Thousands)							
Agency or Revenue	CO	PROP							Fund
Type	RV	98	FC	2015-2016	FC	2016-2017	FC	2017-2018	Code
4260/Hlth Care	LA	No	C	3,000	C	3,000	C	3,000	0001