

Approximately 95% of children residing in California have health insurance coverage, most through their parents' employers or through Medi-Cal, California's Medicaid program. As the Affordable Care Act (ACA) is implemented in 2014, some children and families will see changes to their plans and new opportunities to get covered. Meanwhile, the State is at a crossroads, and must determine if and how to alter existing programs and systems to better serve children. Several questions arise in the wake of ACA implementation: what will be the role of the numerous children's health programs post ACA, what can be done to ensure adequate coverage of vulnerable populations, including the remaining uninsured, and how can insurance programs be better coordinated for optimum efficiency and accessibility?

Health Insurance Programs for Children

California currently operates numerous public programs for children's health including Medi-Cal; Covered California (California's state-based Exchange or Marketplace); county mental health; county indigent health; Child Health and Disability Prevention (CHDP); California Children's Services (CCS); Family Planning, Access, Care, and Treatment (Family PACT); and Access for Infants and Mothers (AIM). Additional nonprofit insurance programs such as Healthy Kids, CaliforniaKids, and Kaiser Child Health Plan also serve children without access to public or private insurance. Each program offers different levels of coverage, eligibility requirements, provider networks, and consumer out-of-pocket responsibilities. This patchwork system creates numerous problems for children and their families, especially those of low and moderate incomes and/or limited English proficiency. Families must navigate a complex maze to identify the programs for which they qualify. Because eligibility changes with income, age, and their parents' job changes, many problems arise with children's continuity of care.

Children's Health Programs in California	
Medi-Cal	State-administered insurance for low-income children
Covered California	Private insurance with financial assistance for middle income families
County Mental Health	Treatment for severe and/or chronic disorders for low-income children
County Indigent Health	Few services available for children not eligible for Medi-Cal
Healthy Kids	Nonprofit coverage available in some counties in children ineligible for Medi-Cal
CHDP	Free preventative screenings for low-income children
CCS	Coverage for chronic medical conditions for low-income children
Family PACT	Coverage for family planning and reproductive health services for the low-income
AIM	Coverage for prenatal and infant care for middle income families
Kaiser Child Health Plan	Nonprofit coverage available for low-income children ineligible for Medi-Cal
California Kids	Nonprofit coverage available for low-income children ineligible for Medi-Cal

Program Overlap and Evolution

The services offered through limited benefit state-run programs like CCS, Family PACT, CHDP, and AIM are now available through Medi-Cal and Covered California. All Californians have access to these programs based on income, except the undocumented, who are ineligible for Covered California, even at full cost, and are only eligible for restricted-scope Medi-Cal. The

need for these programs will be reduced given that more children have access to full-scope programs. In the interest of budget savings, care coordination, and maximizing the number of insured children, the State will likely consider condensing, merging, and/or reducing funding for some coverage programs.

Private Coverage

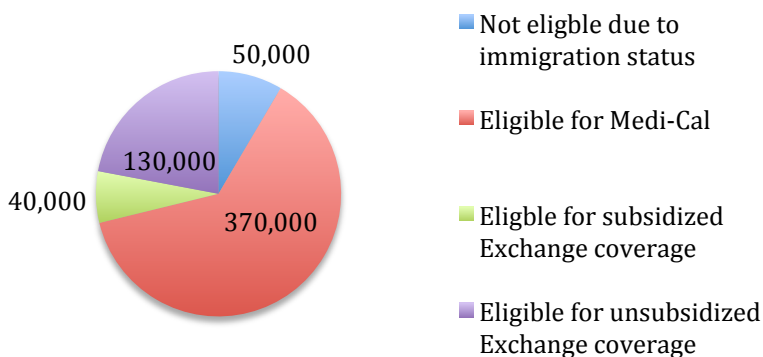
A majority of children in California are covered by private insurance through their parents’ employer. However, there are many issues with employment-based coverage for children. In recent years the number of employers offering coverage has declined, while increasing costs have been shifted to employees. Coverage for dependents is highly expensive, at an average of \$16,632 per year for family plans. Lower-wage workers are less likely to receive coverage and more likely to pay a significant portion of the cost when offered coverage, particularly for coverage of dependents.

Approximately 453,000 California children are covered through private plans purchased in the individual market. Plans purchased in the non-group market are often expensive with high premiums and cost sharing or slim benefits. Many families who shift from privately purchased non-group insurance to Exchange coverage will receive more comprehensive benefits that may be more affordable given the significant premium assistance available. For some families, particularly those ineligible for premium assistance, costs, potentially both premiums and out-of-pocket costs, will increase compared to some plans previously offered in the individual market. Covered California estimated that approximately 25% of the individuals whose plans were cancelled in late 2013 face higher premiums but better benefits in the Exchange, an additional 25% have access to the same level of benefits and pay about the same in premiums, and half of subscribers now have better benefits and pay lower premiums.

Affordability Test for Dependents

While the employer mandate to provide coverage to employees and their dependents will result in fewer uninsured and under-insured children, there is a limitation in the way the ACA measures affordability of employment-based insurance. Employees may opt out of coverage offered by their employers and utilize subsidies through the Exchange only if premiums are unaffordable, exceeding 9.5% of income. However, the affordability test only takes into account premiums for the employee, and does not include the cost to insure dependent children or spouses. If the offer of coverage to the employee is affordable, but becomes unaffordable to cover additional family members, all parties are ineligible for premium subsidies in the Exchange. Unaffordable employer plans or full price Covered California plans could significantly strain families with moderate incomes.

Remaining Uninsured Children, Projected 2019



Remaining Uninsured Children

Although estimates vary, as low as 500,000 (point in time) or as many as 11% of children in California, totaling 1.04 million (over the course of the year), are uninsured. It is unclear how many of these children will remain uninsured post ACA implementation; many qualify for Medi-Cal or Covered California but the challenge is outreach and enrollment. Most undocumented

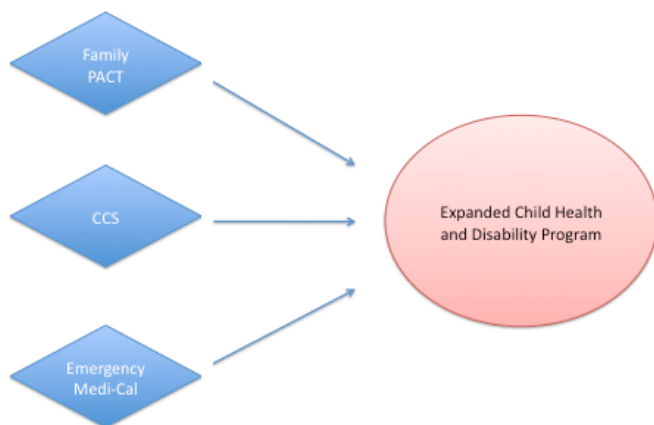
children will remain uninsured due to ineligibility for Medi-Cal and Covered California and limited access to employer-sponsored insurance. Remaining uninsured children will continue to rely upon community clinics and the county safety net for care; thus, it will be important to maintain funding for these institutions. However, the services available to the remaining uninsured vary widely by county and a significant portion of funding for county programs is being reallocated due to decreased need.

Recommendations

We recommend the following:

Phase in and integrate programs. Siloed programs should be integrated into full-scope insurance programs. AIM should be folded into Covered California with premium assistance for eligible women and infants, and pregnancy-only Medi-Cal for the remaining uninsured women ineligible for or not timely enrolled in Covered California. CCS for children enrolled in Medi-Cal should be carved into managed care. CHDP, CCS state-only, emergency Medi-Cal, and family planning should be folded into a coherent integrated program for remaining uninsured children.

Utilize CHDP as the Building Block to Serve Remaining Uninsured Children. Merging emergency Medi-Cal, part of Family PACT, CHDP, and CCS state-only into a single program for uninsured children would coordinate an integrated set of benefits in lieu of silos that have limited reach and confuse consumers. As CHDP currently reaches many uninsured children, its infrastructure should be used to create a base set of benefits. Additionally, county Child Health Initiatives could merge or coordinate local Healthy Kids programs (Part B) with the simplified state program (Part A) to reduce administrative costs and offer a single consistent source of care for the remaining uninsured.



necessary to expand and improve outreach for Medi-Cal and Covered California to ensure that all eligible children get coverage. Extensive outreach efforts should be conducted through schools and childcare centers, including sending in-person assisters to school events and distributing information on Covered California and Medi-Cal eligibility to all parents.

Modify the Affordability Test for Dependents Based on the Cost of Dependent Coverage.

Coverage for dependents should be part of the employer mandate, but the penalty for failure to provide coverage should be lower, approximately half of the penalty for failure to provide employee coverage. The federal government should modify the affordability test for dependents based on the cost of dependent coverage, independent of the cost of employee-only coverage. Doing so will in many ways address the issue of employers shifting the cost of dependent coverage to the employees. However, it may be more financially feasible for the affordability test to be increased to a percentage of household income higher than 9.5%. This prevents families who have some level of employer sponsorship for family coverage from qualifying for subsidies, but ensures that there is ample funding to provide subsidies to those who truly have no help

from employers. Approximately 12.5% percent of household income may be a more reasonable threshold for family coverage.

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