

What are the Implications of Losing Healthy Kids?

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The Beginning

Since 2003, children in Los Angeles County have benefited from the availability of health insurance through the Healthy Kids Program. Children from birth through age 5 were helped first, thanks to a commitment of \$100 million by First 5 LA to launch Healthy Kids. Subsequently, in 2004, children ages 6 through 18 were assisted after a consortium of philanthropic and not-for-profit organizations, working together as the Children's Health Initiative of Greater Los Angeles (CHI), raised roughly an additional \$100 million to cover health insurance premiums. Over the next two years, nearly 45,000 children, ineligible for Medi-Cal or Healthy Families, living in families with incomes below 300 percent of the federal poverty level, and primarily Latino immigrants enrolled in coverage that provided them with access to comprehensive health and dental care services. Such change was not happening solely in Los Angeles. Rather, across California, the CHI "movement" was taking hold so that, by 2006, Healthy Kids programs had been established in 26 of California's 58 counties, accounting for well over three-quarters of all uninsured children in the state, and enrolling roughly 80,000 previously uninsured children into coverage.

Healthy Kids Struggles to Secure Sustainable Funding

Unfortunately, rapid enrollment of needy children into Los Angeles' Healthy Kids program led to an equally rapid depletion of funds allocated to support the older age group of children. As a result, Healthy Kids was forced to impose an "enrollment cap" on children ages 6 through 18 in July of 2005, and no new enrollment among these older children has occurred since. (Funds for younger children ages zero through 5 remain sufficient to keep enrollment for this group open.)

The CHI never viewed philanthropic donations as a permanent source of funding for children's coverage. Rather, envisioning a three-year timetable, its goal was to demonstrate that Healthy Kids could effectively meet the needs of vulnerable, uninsured children, and then use this evidence as a springboard to secure sustainable funding from state (and possibly federal) government sources. However, over the course of nearly six years, several legislative and gubernatorial efforts to reform publicly-sponsored health insurance have failed. For example:

- In 2005, Assembly Bill 772 passed both the State Senate and Assembly and would have provided health insurance to all children living in families earning less than 300 percent of poverty, regardless of citizenship status. But it was vetoed by Governor Arnold Schwarzenegger, who stated that there were no funds available for the health insurance expansion.
- In 2006, children's advocates joined forces with a number of health groups to draft Proposition 86, which called for a \$2.60 per pack increase in the state's tobacco tax to fund a variety of health initiatives, including health insurance for all of California's children. The campaign against the measure was well-financed

by tobacco companies and others, however, and the ballot initiative failed by a narrow margin in November of that year.

- In 2007, Governor Schwarzenegger released a sweeping health care reform proposal calling for coverage for all Californians (including children) regardless of immigration status. But after nearly a year of vigorous debate, the proposal failed when its estimated \$14.9 billion price tag was weighed against the state's \$14.5 billion budget deficit. In January 2008, the Senate Health Committee voted 7 to 1 against the measure.

Recession Further Challenges Children's Health Coverage

Throughout 2008 and into 2009, budget deficits continued to plague California such that discussions of expansions were not only shelved, but existing coverage programs faced the prospect of serious cuts. With shortfall estimates at \$24 billion through state fiscal year 2010, the following threats confronted Medi-Cal, Healthy Families, and Healthy Kids:

- The Department of Health Services enacted a series of cuts to Medi-Cal including, among others, requiring children to renew eligibility every six months instead of annually. This provision was rescinded, however, when California opted to receive federal "stimulus" funds made available by the American Recovery and Reinvestment Act of 2009 (ARRA) and, thus, had to comply with federal "maintenance of effort" requirements that re-set coverage rules to their status as of July 2008.
- In late 2008, the Managed Risk Medical Advisory Board was on the verge of instituting an enrollment cap for Healthy Families. But First 5 California and First 5 county commissions came to the program's aid by committing \$17 million from its reserves to support enrollment for children ages zero through five.
- In May 2009, Proposition 1D was voted on by California residents, a bill that would have changed how Proposition 10 tobacco tax revenues are allocated to and administered by First 5 California, First 5 LA, and the 57 other county First 5 commissions. Specifically, Prop 1D would have diverted to the state General Fund up to \$340 million from First 5 California and reduced funding to county commissions by \$268 million annually (or 50 percent), for five years. Sixty-six percent of the electorate voted against the measure, however, thus safeguarding core funding for state and local First 5 organizations and, by extension, funds to support health coverage for young children in counties with Healthy Kids programs.
- Passage of California's FY 2010 budget in August 2009, which included \$1.4 billion in Medi-Cal cuts and \$179 million in cuts to Healthy Families, threatened to raise the number of uninsured children in the state to two million (up from

915,000). Much of the reversal would have resulted from a cap being placed on Healthy Families enrollment and, beginning in October 2009, children being disenrolled from the program at annual renewal. First 5 California acted quickly to commit \$81.4 million to Healthy Families to help forestall disenrollment. A larger solution arrived on September 22 when Governor Schwarzenegger signed AB 1422 which raised family cost sharing and continued a tax on managed care plans that was scheduled to sunset. Combined with the First 5 California commitment, the law provides additional funding totaling \$196 million to allow nearly 700,000 children to continue receiving coverage under Healthy Kids during 2010. The law also removed the enrollment cap that was put in place in July, so that 80,000 children who had been placed on the program's waiting list could be enrolled.

- The outlook for continued Healthy Kids coverage, however, was dealt a blow when three of the major philanthropic foundations that have supported premiums for children ages 6 through 18 in county initiatives across the state, each facing their own financial hardship, announced that they would be withdrawing their support from Healthy Kids by the end of 2010.

Obviously, these recent events have posed severe threats to California's core children's coverage programs—Medi-Cal and Healthy Families—as well as the numerous Children's Health Initiatives that have extended comprehensive coverage to tens of thousands of children ineligible for these two programs. Ironically, they coincide with dramatic developments at the federal level that promise to expand coverage of children as well as adults, including President Obama's signing of the Children's Health Insurance Program Reauthorization Act of 2009 and the advancing debate over national health care reform. At this time, therefore, it is appropriate to consider the question:

What are the implications of losing Healthy Kids?

The results of a rigorous five-year evaluation of the program, funded by First 5 LA and conducted by The Urban Institute and its partners,¹ provide the foundation for assessing this critical inquiry.

Findings from the Los Angeles Healthy Kids Program Evaluation

Begun in 2004, the Los Angeles Healthy Kids Program Evaluation has carefully monitored the implementation and impacts of the program on children and their families. Through a series of case studies, focus groups with parents, administrative data analyses, and a longitudinal household survey of enrollees,² the evaluation has identified numerous

¹ The Urban Institute partners with the University of Southern California, the University of California at Los Angeles, Mathematica Policy Research, Inc., and Castillo & Associates on the evaluation.

² The survey focused only on families with children ages five and under.

positive results in the areas of outreach and enrollment, access to care, and child health status, as summarized below.³

Outreach and Enrollment

Since its launch, Healthy Kids has supported a series of contracts with community-based organizations that conduct outreach and application assistance with families. This hands-on help provided by trusted, indigenous, multi-lingual staff has succeeded in: finding families with uninsured children; informing them of the availability of coverage; assisting parents with program applications and renewals; and following up with families to ensure that child needs are met. Through these efforts, our evaluation found that Healthy Kids succeeded in:

- Reaching families in a wide variety of settings, including health clinics and doctors' offices, WIC centers, Head Start agencies, and child care settings;
- Creating an application and enrollment process that parents describe as “very easy;”
- Building trust among immigrant families who were “not afraid” of applying for assistance through the public program;
- Enrolling nearly 45,000 children during its first two years of existence, reaching over 50 percent of the target population of uninsured children in Los Angeles County, making it the largest such program in the state;
- Creating a “spillover” effect on enrollment in both Medi-Cal and Healthy Families, as more than three times as many child applications were submitted to these government-funded program than were directed to Healthy Kids; and
- Achieving a consistently high retention rate of about 80 percent among enrolled children.

Access to Care

The Healthy Kids benefit package covers a comprehensive array of preventive, primary, acute, and specialty health and dental care services, delivered through a network of providers managed by L.A. Care, a not-for-profit community health plan with extensive experience serving publicly insured families under Medi-Cal and Healthy Families. Through this system of care, our evaluation found that Healthy Kids has succeeded in significantly:

³ A selection of major reports produced under this evaluation appears under References, at the end of this brief.

- Increasing the likelihood of children having a usual source of medical care (by nearly 15 percentage points) and of dental care (by nearly 28 percentage points);
- Increasing the likelihood that a child receives preventive care (by nearly 27 percentage points) among children who had previously lacked a usual source of care prior to enrolling in the program;
- Increasing the likelihood that a child will have a dental visit (by 15 percentage points);
- Decreasing the likelihood that a child will visit the emergency room (by nearly 5 percentage points);
- Decreasing the likelihood that a child will experience a need for preventive care that goes unmet (by over 13 percentage points);
- Increasing parents' confidence that they can obtain care for their children when they need it (by nearly 22 percentage points); and
- Reducing the likelihood that obtaining health care for their children will create financial hardship (by nearly 13 percentage points).

Studies completed under this evaluation also indicate that Healthy Kids has bolstered Los Angeles County's safety net health system; by reimbursing for services that had previously been provided to uninsured children, the program freed up scarce funds to support care for more uninsured adults. Additionally, a statewide analysis suggests that Children's Health Initiatives like that in Los Angeles also help prevent unnecessary hospitalizations.

Health Status

The ultimate goal of providing health insurance to children is to improve their health status. Here, too, the Los Angeles Healthy Kids evaluation found indications that the program is succeeding. Specifically, over time, we found small improvements in parents' perceptions that their children:

- Were in "excellent to very good" health;
- Did not have a condition that limited their normal activities; and
- Had not had a health or medical problem in the month before the survey.

Importantly, findings such as these were not found only in Los Angeles. Rather, evaluations with very similar designs that were conducted in Santa Clara and San Mateo Counties also found strikingly similar impacts on outreach, enrollment, access to care, and health status.

What would be Lost if Healthy Kids was Closed?

Given the ongoing recession and severity of California's budget deficit, repeated failures to enact sustainable children's coverage reforms, and new threats to First 5 funding, it is important for policymakers, providers, funders, and other stakeholders to contemplate what would be lost if counties were forced to close down their Healthy Kids programs. (Indeed, the convergence of these factors has already forced the Alameda Alliance for Health to end its Alameda County Healthy Kids program in September 2008.) During this evaluation's third case study site visit to Los Angeles, conducted in March 2009, we posed this question to a broad range of key informants. Their insights are summarized below.

On the surface, the answer to this question seems simple. Nearly every key informant with whom we spoke identified the two primary implications of closing Healthy Kids as:

- The loss of health insurance coverage for roughly 80,000 children across California (and over 30,000 children in Los Angeles County, alone); and
- A reversal of all of the documented gains in improving children's access to and use of health and dental care, not to mention children's health status.

But on further reflection, stakeholders also observed a number of more subtle implications, or ripple effects that would result from the closing of the program. Some of these implications included:

- A weakened safety net, which has benefited from the infusion of new resources from Healthy Kids;
- Decreased access to care for adults and parents, since at least a portion of "indigent care funds" would need to be directed back toward supporting services for now-uninsured children;
- Loss of one of the only remaining sources of outreach funding in the county, most likely leading to lower enrollment of children into both Medi-Cal and Healthy Families;
- Loss of the ability to conduct outreach to families with the message that "we can cover *all* kids," since Healthy Kids has offered support to thousands of children, primarily undocumented, who would never qualify for federally funded Medi-Cal or Healthy Families, and who will not likely be included in any health reform legislation;
- Far reaching effects on children's attendance in school and school performance (due to increased incidence of untreated illness), as well as impacts on parents'

productivity in the workforce (who would likely miss more days of work to take care of their sick children); and finally,

- A “heartbreaking loss of momentum” on universal children’s coverage, not to mention statewide health care reform, momentum that would be extremely difficult to regain once the program was closed.

As one stakeholder described it, “we build on successes, and if we fail, then it sends the message that maybe we shouldn’t have even tried.” In the words of another, “We’d lose that bridge to reform, and it would be very difficult to rebuild.” A third informant pointed out the painful irony of closing Healthy Kids at this particular time, “...when the country is on the brink of accomplishing so much in the area of health care reform.”

Looking Ahead

State and county officials, health care providers and plans, philanthropic foundations, and a host of community-based organizations across California can all be applauded for enacting a bold and ambitious series of county-based Healthy Kids programs in recent years, designed to truly reach *all* kids, regardless of their citizenship status. Yet policy inertia and economic hard times have combined to thwart attempts to institutionalize universal children’s coverage. A set of comprehensive evaluations have extensively documented the many positive impacts that these programs have had on children and their families, and serve to underscore the gains that might be reversed if Healthy Kids programs were forced to close. Indeed, those serious implications moved one county official to share some final words of hope:

“Perhaps the realization of what would be lost will be enough to keep Healthy Kids alive...”

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