

Deal saves health insurance for 600,000 needy California children

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SACRAMENTO — Nearly 700,000 of California's neediest children avoided becoming the latest victims of the state's budget woes Thursday, thanks to a rare bipartisan deal in the Legislature that lets them keep their health insurance.

But the deal to essentially rescue the state's Healthy Families program through the end of 2010 — by restoring nearly \$200 million slashed from it this summer — was sealed only after health insurers agreed to impose a special tax on themselves. Healthy Families participants also must agree to pay slightly higher premiums.

The program provides health, vision and dental coverage for nearly 1 million children whose families aren't poor enough to qualify for Medi-Cal but can't afford private insurance. About two-thirds of those kids would have gotten kicked off the rolls in November thanks to deep cuts that Gov. Arnold Schwarzenegger imposed in July to balance the state's budget. The program covers about 30,000 children in Santa Clara County.

"It was a proud moment in the Legislature," Assembly Speaker Karen Bass, D-Los Angeles, said on her way to Schwarzenegger's office Thursday afternoon after the Assembly approved AB1422 on a 62-5 vote.

The Senate had already approved the measure Wednesday — with eight Republicans opposed — and the governor said late Thursday that he looked forward "to signing this bill for our kids."

If the deal, which was brokered by Bass and counts Sen. Elaine Alquist, D-San Jose, among its co-authors, hadn't received the required two-thirds vote in both houses, 600,000 children would have been booted from the program, and an additional 71,000 on the waiting list would have been turned away.

Demand for the program has spiked in recent months as more parents have found themselves without jobs.

Also among the deal's key benefactors is the state's First 5 Commission, an advocacy group for young children, which will chip in more than \$81 million to keep the program alive.

But the largest sum — \$97 million — will come from the tax on health insurers, relying on a complicated mechanism that takes advantage of federal stimulus money flowing to California.

The state will levy a 2.35 percent tax on premiums for health insurers that serve Medi-Cal patients. The insurers, in turn, will recoup that money from the federal government — plus \$97 million in matching funds that will go toward Healthy Families.

The new tax replaces a higher, 5.5 percent "quality improvement" fee that was due to expire after October. In the end, the new tax won't cost the insurers a dime.

"It's in the interest of the health plans to work with the state," said Kathleen McKenna, public policy director for Kaiser Permanente, one of the plans contributing to the program.

McKenna noted that the deal won't hurt insurers' bottom lines and also keeps insurers from losing thousands of clients.

The fact that the deal won't cost insurers and requires families to contribute more for their coverage— in higher premiums and co-payments for emergency room visits, brand name drugs and nonpreventive care visits — proved key in attracting Republican backing for what technically amounts to a new tax.

"Now is not the time to be moving backward on this issue," said Assemblyman Bill Emmerson, R-Redlands, in declaring his support.

Families who earn less than the federal poverty line won't pay any more money, but monthly premiums for families above that limit will increase 33 percent, about \$4 to \$7 per child. Costs per family could rise as high as \$63 a month. Families earning more than two and a half times the limit aren't eligible for Healthy Families.

In all, the increases in premiums and co-payments will account for \$17.4 million of the total needed to keep the program afloat.

Ted Lempert, a former Peninsula Assemblyman and currently president of Children Now, said the higher premiums may sting for some families but that the alternative would have been worse.

"Given where we were, when the budget was finalized last month, this is tremendous," he said. "But from a larger perspective of where we should be, affordable health care for all children, we still clearly have a ways to go."

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