

THE IMPACT OF THE LOS ANGELES HEALTHY KIDS PROGRAM ON COUNTY INDIGENT CARE PROGRAMS

Submitted to



Champions For Our Children



The California Endowment

Prepared by

Michael R. Cousineau
Albert J. Farias

Center for

COMMUNITY
HEALTH STUDIES

UNIVERSITY OF SOUTHERN CALIFORNIA

1000 South Fremont Avenue, Building A4, Room 7411
Alhambra, California 91803

November, 2008

As the debate for insuring the uninsured continues at the federal and state level, policy makers explore the options for dealing with the uninsured. There are two options for covering the medical services for uninsured, low income children. The first is to enroll eligible children into a comprehensive coverage insurance program, the managed care model. In Los Angeles County such programs have traditionally been limited to federal and state funded programs, chiefly Medi-Cal and Healthy Families. In 2003, the Los Angeles Healthy Kids program was launched to expand coverage for children who do not qualify for Medi-Cal or Healthy Families and whose family income is below 300% the federal poverty level (FPL). The second option for covering medical services for uninsured low income children is through indigent care services provided by safety net clinics that provide care to all people regardless of their ability to pay or through county-operated facilities.

The implications for expanding coverage through comprehensive insurance programs is significant for indigent care offered by safety net providers and county facilities because funding is quite complex and vulnerable to political and economic factors. Funding for uncompensated care for the indigent uninsured is partially supported by direct institutional grants and contracts, government subsidies and philanthropic contributions. In Los Angeles, health services for uninsured adults and children are offered as part of an indigent care program and are based on the income of the uninsured. These services are provided through two related programs. The first is the indigent care program operated by the Los Angeles County Department of Health Services (DHS). DHS operates six comprehensive ambulatory care health centers, four

hospitals and an array of smaller clinics and health centers. Patients must meet an eligibility requirement based on income, and fees are determined using a sliding scale.

In addition to the directly-operated programs, DHS also contracts with private clinics and physicians' offices under its Public Private Partnership (PPP) program, which reimburses providers with a flat fee for services to individuals who are uninsured and indigent. Eligible providers are reimbursed at a per-visit rate which covers medical visit, lab and X-ray, pharmacy and support services. Currently, DHS has 55 contracts with clinics and health centers to provide care for qualifying PPP patients. Individuals of all ages whose self-reported net family income is at or below 133-1/3% of the Federal Poverty Level (FPL) and who do not qualify for Medi-Cal or other government or third-party assistance programs are eligible to receive primary, specialty, and dental care services. While the program is available to all eligible individuals, funds allocated to each facility are capped, limiting the number of patients they serve or the services they provide. In both the DHS and PPP programs, patients are not enrolled in a licensed health insurance program. Instead, services for eligible patients are paid using net county funds on a per visit basis for as long as funding is available. Children receiving care through the indigent care program offered by Los Angeles County tends to be more episodic in nature and care management and coordination of services is often limited.

In July 2003 the Healthy Kids Program was launched in an effort to expanding comprehensive insurance to uninsured children in Los Angeles County. The local program offers health insurance coverage to uninsured children ages 0-18 living in Los Angeles County who are ineligible for Medi-Cal or Healthy Families due to immigration

status and are living in families with incomes at or below 300 percent of the federal poverty level (FPL). Funding for coverage of children ages 0-5 comes from First 5 LA, which also supports outreach and enrollment activities. Funding for 6-18 year old children was raised by the Children's Health Initiative of Greater Los Angeles from a large number of private foundations and corporations. As of September of 2008, the Healthy Kids program has grown to a membership of 31,947 children (5,699 children ages 0 to 5; 26,248 children ages 6-18), making it the largest local Children's Health Initiative program in California.

Under the Healthy Kids, premiums cover ambulatory care, hospitalization, ancillary services and dental and vision care. Those enrolled may have some choice of providers, but also have benefit guarantees and standards of care based on state and federal laws. Coordination is improved as many providers use care management models or have incentives or requirements to ensure that patients are receiving appropriate care. Several studies document improved level of access by children after enrolling in publicly financed health insurance programs.ⁱ However, few studies have analyzed the effects of public insurance coverage expansion on county indigent care programs. The purpose of this study is to examine the impact of the expansion of the Healthy Kids program since its inception and compare it to utilization of pediatric care visits paid for through the county indigent care programs.

Methods

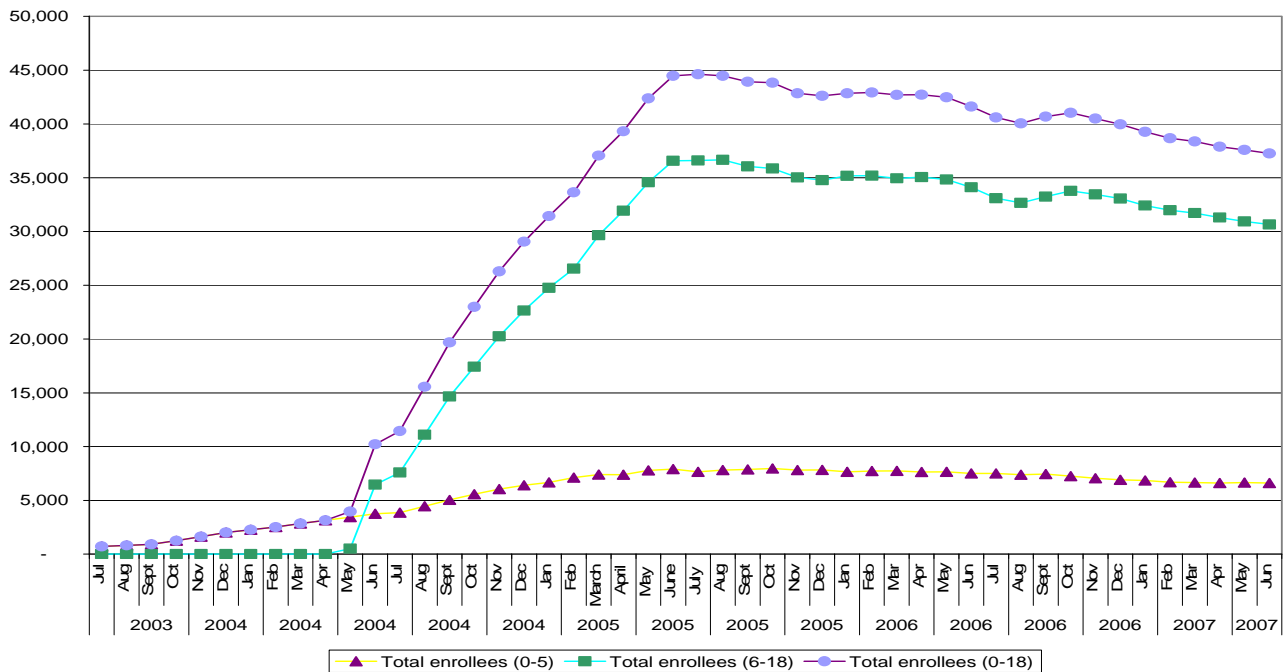
This study uses data from Los Angeles County Department of Health Services (DHS) to analyze the effects of the expansion of the Healthy Kids program on

ambulatory care service utilization by uninsured children in safety net hospitals and health centers.

We analyzed the number of visits by uninsured pediatric patients to DHS and PPP clinics in a four year period from Fiscal Year (FY) 2003-04 to FY 2006-07. Data was provided by the Los Angeles County DHS, Office of Planning. The baseline year was considered the one in which enrollment in Healthy Kids first began (FY 2003-04). As the program became fully implemented during the next three years, a drop in the utilization of DHS and PPP sites was expected.

We calculated the cost differences in services at DHS and PPP sites during the three-year period after the implementation of Healthy Kids. In the DHS clinics, an ambulatory care cost of \$313 per visit was calculated based on a weighted average of variable costs reported by DHS for all ambulatory care facilities in FY 2007-08.ⁱⁱ This was applied to the difference between the expected number of visits to DHS facilities (projected from FY 2003-04 data) and the observed number for the three year period from FY 2004-05 to FY 2006-07. Hospital costs were excluded. Similarly, for the PPP program, the all-inclusive reimbursement rate of \$94 per visit was applied to the difference in total expected vs. observed visits for the same period.

EXHIBIT 1: Monthly Enrollment In Healthy Kids, FY 2003-04 to FY 2006-07, By Age 0-18.



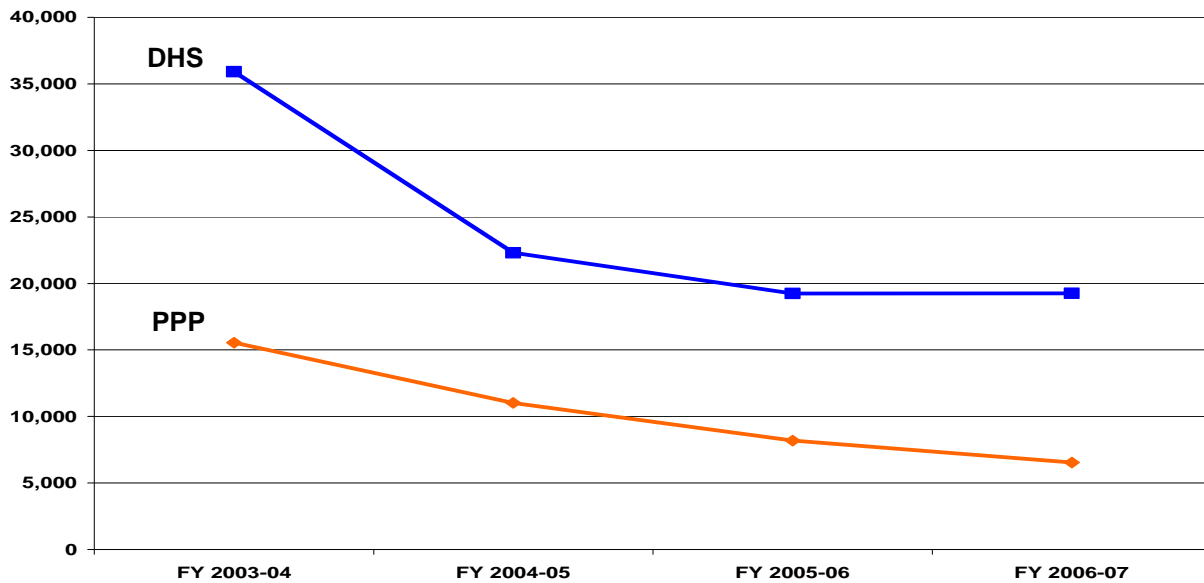
Source: L.A. Care Health Plan, September 2007

Findings

The overall Healthy Kids enrollment increased from 5,000 children in late FY 2003-04 to almost 45,000 in FY 2006-07 (See Exhibit 1). In the same period, DHS and PPP uninsured pediatric visits for all children, ages 0-18, declined.

Children 0-5 Years: The Los Angeles County DHS clinics reported 35,917 visits by uninsured children ages 0-5 in FY 2003-04 (See Appendix A). Based on this, the county was expected to provide 107,751 visits in the next three years. But DHS pediatric visits declined over this period, totaling nearly 60,811 visits. This represents 46,940 fewer visits than was expected (See Exhibit 2).

EXHIBIT 2: Total Primary Care Visits By Uninsured Children (Ages 0-5 Years) In County Department of Health Services (DHS) Facilities and County Public/Private Partnership (PPP) Clinics: FY 2003-04 (Baseline) To FY 2006-07.



SOURCE: Los Angeles County DHS Enterprise Data Repository, accessed 3/21/08.

NOTE: Expected visits are based on the number of actual visits from FY 2003-04 (n=35,917 for DHS Clinics and Health Centers and n=15,545 for PPP Contracted Sites)

Pediatric visits to PPP sites also declined in the period following Healthy Kids implementation. For children age 0-5, there were 15,545 primary care pediatric visits paid for under the County PPP program in FY 2003-04 (See Appendix A). Based on this, the county was expected to provide 46,635 visits over the next three years. However, PPP pediatric visits actually declined, totaling 25,764 visits, or over 20,000 fewer visits than expected.

Costs Savings or reallocations. As a result of the decline in primary care visits for uninsured pediatric patients, age 0-5, the county saved over \$16.7 million on primary care. This is the sum of savings in DHS facilities (\$14.7 Million based on average variable costs) and PPP facilities (\$2 Million in reimbursements) (See Exhibit 3).

EXHIBIT 3: Expected and Actual Expenditures for Primary Care Visits by Uninsured Children (Ages 0-5 Years) In County Department of Health Services Facilities and County Public/Private Partnerships (PPP) Clinics: FY 2003-04 (Baseline) To FY 2006-07.

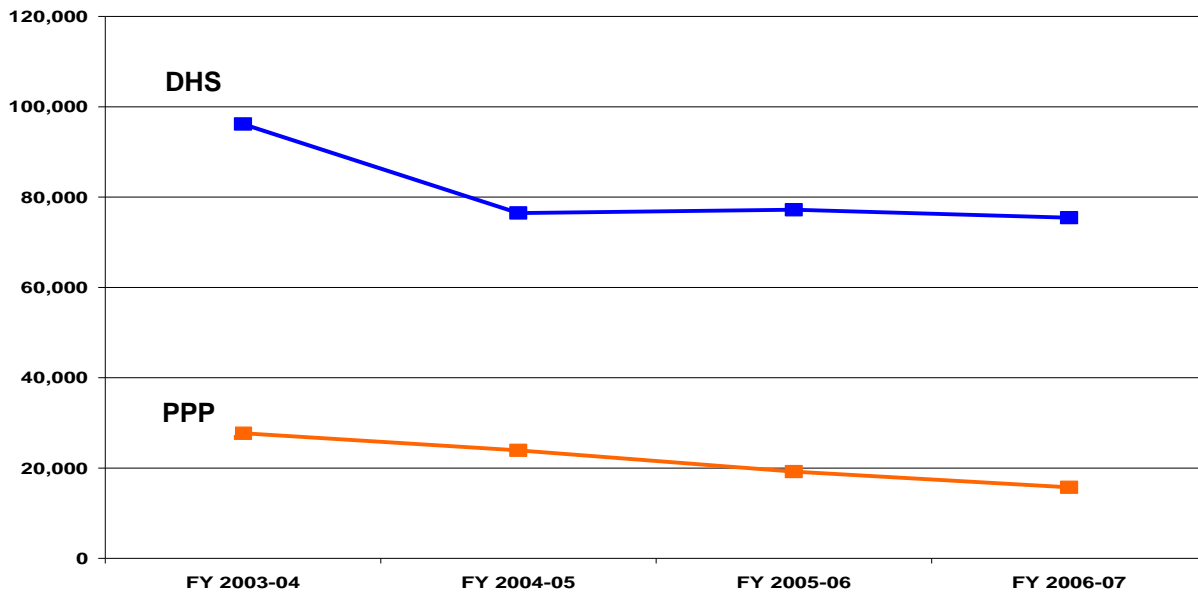
	FY 2004-05	FY 2005-06	FY 2006-07	Total (3 years)
DHS Clinics and Health Centers				
Expected Expenditure	\$11,242,021	\$11,242,021	\$11,242,021	\$33,726,063
Actual Expenditure	\$6,983,343	\$6,023,998	\$6,026,502	\$19,033,843
Difference from Expected	\$4,258,678	\$5,218,023	\$5,215,519	\$14,692,220
PPP Contracted Sites				
Expected Expenditure	\$1,461,230	\$1,461,230	\$1,461,230	\$4,383,690
Actual Expenditure	\$1,036,444	\$770,142	\$615,230	\$2,421,816
Difference from Expected	\$424,786	\$691,088	\$846,000	\$1,961,874
Total Savings	\$4,683,464	\$5,909,111	\$6,061,519	\$16,654,094

SOURCE: Los Angeles County DHS Enterprise Data Repository, accessed 3/21/08.

NOTE: Expected expenditures are based on the number of actual visits from FY 2003-04 multiplied by the cost per visit for each program (DHS clinics and health centers: \$313 per visit and PPP Sites: \$94 per visit). Actual expenditures are based on the number of visits in a given year multiplied by the cost per visit for each program.

Children 6-18 Years: The Los Angeles County DHS clinics reported 96,185 visits by uninsured children ages 6-18 in FY 2003-04 (See Appendix A). Based on this, the county was expected to provide 288,555 visits in the next three years. But DHS pediatric visits declined over this period, totaling nearly 229,112 visits. This represents 59,443 fewer visits than was expected (See Exhibit 4).

EXHIBIT 4: Total Primary Care Visits By Uninsured Children (Ages 6-18 Years) In County Department of Health Services (DHS) Facilities and County Public/Private Partnership (PPP) Clinics: FY 2003-04 (Baseline) To FY 2006-07.



SOURCE: Los Angeles County DHS Enterprise Data Repository, accessed 3/21/08.

NOTE: Expected visits are based on the number of actual visits from FY 2003-04 (n=96,185 for DHS Clinics and Health Centers and n=27,710 for PPP Contracted Sites)

Pediatric visits to PPP sites also declined in the period following Healthy Kids implementation. For children age 6-18, there were 27,710 primary care pediatric visits paid for under the County PPP program in FY 2003-04 (Appendix A). Based on this, the county was expected to provide 83,130 visits over the next three years. However, PPP pediatric visits actually declined, totaling 58,878 visits, or over 24,000 fewer visits than expected.

Costs Savings or reallocations. As a result of the decline in primary care visits for uninsured pediatric patients, age 6-18, the county saved over \$20.9 million on primary care. This is the sum of savings in DHS facilities (\$18.6 Million based on

average variable costs) and PPP facilities (\$2.3 Million in reimbursements). (See Exhibit 5).

EXHIBIT 5: Expected and Actual Expenditures for Primary Care Visits by Uninsured Children (Ages 6-18 Years) In County Department of Health Services Facilities and County Public/Private Partnerships (PPP) Clinics: FY 2003-04 (Baseline) To FY 2006-07.

	FY 2004-05	FY 2005-06	FY 2006-07	Total (3 years)
DHS Clinics and Health Centers				
Expected Expenditure	\$30,105,905	\$30,105,905	\$30,105,905	\$90,317,715
Actual Expenditure	\$23,936,049	\$24,161,409	\$23,614,598	\$71,712,056
Difference from Expected	\$6,169,856	\$5,944,496	\$6,491,307	\$18,605,659
PPP Contracted Sites				
Expected Expenditure	\$2,604,740	\$2,604,740	\$2,604,740	\$7,814,220
Actual Expenditure	\$2,249,044	\$1,806,210	\$1,479,278	\$5,534,532
Difference from Expected	\$355,696	\$798,530	\$1,125,462	\$2,279,688
Total Savings	\$6,525,552	\$6,743,026	\$7,616,769	\$20,885,347

SOURCE: Los Angeles County DHS Enterprise Data Repository, accessed 3/21/08.

NOTE: Expected expenditures are based on the number of actual visits from FY 2003-04 multiplied by the cost per visit for each program (DHS clinics and health centers: \$313 per visit and PPP Sites: \$94 per visit). Actual expenditures are based on the number of visits in a given year multiplied by the cost per visit for each program.

Discussion and Policy Implications

This analysis provides evidence that a local insurance program for expanding coverage to uninsured children can successfully reduce government costs. The Healthy Kids program has enrolled over 40,000 children into a licensed, full-risk capitated health insurance program based on the principles of managed care and a medical home. In doing so, over \$37 million in uncompensated care was either saved or redirected without compromising access to care. Indeed, data from other studies show that children in Los Angeles Healthy Kids or similar programs in other counties made more

visits, were more likely to report a regular provider, and had better outcomes after enrollment. ⁱⁱⁱ

In addition to cutting uncompensated costs, Healthy Kids also benefits LA County DHS more directly. LA Care, the plan that administers the Healthy Kids program, contracts with DHS for specialty care and hospitalization. These services, which would have been largely uncompensated without Healthy Kids, are now reimbursed. While the shift from the PPP to the insurance model clearly benefits LA County due to fewer PPP reimbursements, it is unclear if it benefits clinics. Healthy Kids contracts with many of the same PPP providers, and 30% of the enrollees choose a community clinic as their primary provider at the time they enroll. Clinics receiving \$94 per visit under the PPP program now receive a \$12-\$15 per member per month (pmpm) capitation under Healthy Kids for the same pediatric patients. ^{iv}

This study may be limited by external factors that affect the utilization of county services by uninsured children. These include socio-demographic changes such as a decrease in the number of uninsured children or immigrant families. However, data show that the number of uninsured families in Los Angeles have increased or stayed the same during the study period, ^v and a decrease in the influx of immigrants has not been substantiated by scientific studies. In addition, we report either no change or an increase in the use of services by uninsured adults during the same period. Under the PPP program the county reallocated funding resulting from a decrease in child visits to cover uninsured adults, who have fewer options for paying for medical care.

Recommendations

- **State or counties should adopt a partial subsidy of the Healthy Kids program, particularly for children age 6-18.** The program in Los Angeles and other counties are operating with very precarious funding. One Healthy Kids program has already shut down, and the future of others is uncertain. If these health plans close or reduce enrollment their patients will likely return to county DHS or PPP providers and increase uncompensated costs. Subsidizing these programs would not only help keep children in health plans, but reduce the demand for uncompensated care at county facilities. We find that while utilization of county indigent care programs continue to decrease for children 0-5 years of age, utilization for children 6-18 years of ages remains steady. During the period when the Healthy Kids program was accepting new enrollments for children 6-18 we see a dramatic decrease in utilization of the county indigent care program. However, once the Healthy Kids program ceased enrolling for this age group due to limited financial resources, the utilization of county indigent care programs of children 6-18 plateaus. By the county and state offering subsidies the savings to county budgets for pediatric indigent care costs could be even greater.
- **More research is needed to better understand why children age 0-5 are being covered by a PPP visits or at DHS clinics.** In order for an uninsured child to qualify for a PPP visit or to receive care at a DHS clinic, the child must not be eligible for any third-party public insurance program including Medi-Cal, Healthy Families, and Healthy Kids. And because the Healthy Kids program significantly expanded coverage to include all children up to 300% FPL and undocumented children, the children 0-5 seen under the indigent care programs indeed qualify for Healthy Kids.
- **Create a bridging process by which children that are seen under the county indigent care programs (DHS clinics and PPP visits) are automatically linked to the Healthy Kids program.** The bridging process will increase successful enrollment into the Healthy Kids program and thereby provide uninsured children comprehensive, full-scope coverage with all the proven benefits of establishing a medical home and a continuity of care.
- **Safety net providers must establish new ways of identifying and retaining the newly insured.** For safety net clinics, these data and previous studies suggest that insurance not only improves access, but also reconfigures where people get care. Under the institutional grant model, patients could only go to the providers receiving grants and subsidies. If insurance expands for low income individuals, many will exercise some choice of provider and find one that is closer, cheaper, and more appropriate given their personal circumstances. This may involve establishing new contracts, improving their facilities and operating procedures, and relocating or reorganizing care to meet the needs of their new patient population.

APPENDIX A

Total Primary Care Visits by Uninsured Children In County Department of Health Services (DHS) Facilities and County Public/Private Partnership (PPP) Clinics: FY 2003-04 (Baseline) to FY 2006-07.

Children Age 0-5

	FY 2004-05	FY 2005-06	FY 2006-07	Total (3 years)
DHS Clinics and Health Centers				
Expected Visits	35,917	35,917	35,917	107,751
Actual Visits	22,311	19,246	19,254	60,811
Difference from Expected	13,606	16,671	16,663	46,940
PPP Contracted Sites				
Expected Visits	15,545	15,545	15,545	46,635
Actual Visits	11,026	8,193	6,545	25,764
Difference from Expected	4,519	7,352	9,000	20,871

SOURCE: Los Angeles County DHS Enterprise Data Repository, accessed 3/21/08.

NOTE: Expected visits are based on the number of actual visits from FY 2003-04 (n=35,917 for DHS Clinics and Health Centers and n=15,545 for PPP Contracted Sites)

Children Age 6-18

	FY 2004-05	FY 2005-06	FY 2006-07	Total (3 years)
DHS Clinics and Health Centers				
Expected Visits	96,185	96,185	96,185	288,555
Actual Visits	76,473	77,193	75,446	229,112
Difference from Expected	19,712	18,992	20,739	59,443
PPP Contracted Sites				
Expected Visits	27,710	27,710	27,710	83,130
Actual Visits	23,926	19,215	15,737	58,878
Difference from Expected	3,784	8,495	11,973	24,252

SOURCE: Los Angeles County DHS Enterprise Data Repository, accessed 3/21/08.

NOTE: Expected visits are based on the number of actual visits from FY 2003-04 (n=96,185 for DHS Clinics and Health Centers and n=27,710 for PPP Contracted Sites)

ⁱ Kogan MD, Alexander GR, Teitelbaum MA, Jack BW, Kotelchuck M, Pappas G. The Effect of Gaps in Health-Insurance on Continuity of a Regular Source of Care Among Pre-school-Aged Children in the United -States. *Journal of the American Medical Association* 1995; 274(18):1429-35. Newacheck PW, Stoddard JJ, Hughes DC, and Pearl M. Health Insurance and Access to Primary Care for Children. *New England Journal of Medicine* 1998; 338(8):513-9.

ⁱⁱ Chernof, B. Los Angeles County Department of Health Services. Variable Cost for Services. Memo from to the Los Angeles County Board of Supervisors, May 12, 2008.

ⁱⁱⁱ **Hill, I., Dubay, L, Kenney, G., Howell, E, Courtot, B, and Palmer, L.** Improving Coverage and Access for Immigrant Latino Children: The Los Angeles Healthy Kids Program. *Health Affairs* 2008; 27:550-559.

^{iv} Information obtained from on interviews with nine CEOs from safety net providers in Los Angeles, July, 2008.

^v Brown, ER, Lavarreda, S, Ponce, N, Yoon, J., Cummings, and Rice, T. The State of Health Insurance in California: Findings from the 2005 California Health Interview Survey . UCLA Center for Health Policy Research, Los Angeles, July 2007.