

INITIAL STATEMENT OF REASONS

The Health Insurance Premium Payment (HIPP) program, within the Third Party Liability and Recovery Division of the California Department of Health Care Services (Department), operates under Section 14124.91 of the Welfare and Institutions (W & I) Code, Title 22, Section 50778 of the California Code of Regulations (CCR), as well as the California State Plan, Attachment 4.22-C (SPA), which provide the bases for establishing program enrollment, eligibility, and cost-effective criteria.

This proposed regulatory action would affect Title 22, CCR, by amending Section 50778 to assure conformance with the State Plan, as approved by the federal Centers for Medicare & Medicaid Services effective January 1, 2008, and specifically accomplish the following:

1. Delete the current (a) at the beginning of the section.
2. Add a comma after "Department" in the first paragraph.
3. Change the basic description of what constitutes "cost-effectiveness" to comply with the SPA and read, "when the estimated savings to the Medi-Cal program is 110% or greater than the premium costs."
4. Delete the words "cost of Medical benefits," and insert the word "savings."
5. Change the numerical designations to alphabetical designations.
6. Add Section 20, Health and Safety Code as an Authority, because it authorizes the name change from the Department of Health Services to the Department of Health Care Services.
7. Change, under the Reference section, the colon to a semicolon after "Code," eliminate the space after "1396," and change the (A) to (a).

Using a lower cost savings percentage that requires the estimated savings to the Medi-Cal Program to be 110% of the premium costs is less difficult for applicants to meet than the current percentage requirement of 200%, and will increase the potential net program savings. This change is warranted because an increase in HIPP enrollment will increase yearly Medi-Cal savings. Allowing larger numbers of potential Medi-Cal beneficiaries to maintain their current health insurance and providers ensures continuity of care, which may maintain or improve individuals' health status, and avoid increased Medi-Cal expenditures.

Each HIPP applicant is screened for potential program eligibility based on his/her assigned Medi-Cal aid code. If a Medi-Cal beneficiary is assigned a full-scope aid code, the beneficiary will be considered for HIPP eligibility. Each HIPP enrollee's

Medi-Cal status and aid code are verified prior to issuing a premium payment on the enrollee's behalf.

During Fiscal Year (FY) 2003-04, the monthly HIPP program caseload was as high as 1,070 beneficiaries. The average monthly active caseload for 2008 was 832. As of January 31, 2009, the monthly active caseload has climbed to 911. The criteria for enrollment in HIPP have remained unchanged since the program began operation in 1989. The average enrollment caseload has edged downward since FY 2003-04 due to factors that affect enrollment, including a downturn in the economy, and when a program participant becomes Medicare eligible, per the SPA, they must be terminated from the program.

Increased HIPP enrollment would prove beneficial if the modifications are made, assuring greater savings for the Medi-Cal program. The extent to which modifications are made would ultimately be controlled by statutory, regulatory, and State Plan provisions and amendments.

Regarding the existing 200% savings, provided in Title 22, CCR, Section 50778, this criterion was established when the HIPP program was first implemented in 1989. Since that time, health insurance premiums have continued to rise; however, this percentage has not been adjusted to correspond with those rising costs.

Based on a review of approximately 4,200 HIPP program applications (from January 2003 – January 2007), staff found 1,800 applicants were denied enrollment for failing to meet the current 200% savings requirement (expressed in the current regulation as “when the annual cost of the premium is less than half the estimated cost of Medi-Cal benefits”). Using the proposed 110% cost savings requirement (“when the estimated savings to the Medi-Cal program is 110% or greater than the premium costs.”), those 1,800 applicants would have been deemed cost-effective and eligible to be enrolled in the HIPP program. The proposed percentage change will result in an average of 450 additional enrollees to the HIPP program per year. A sample of applicants denied HIPP enrollment due to a cost savings percentage that fell below 200% and above 110% indicates the average annual savings related to this population is \$2,416 per applicant. An increase of 450 applicants to the program results in additional program savings of \$1,087,064.

STATEMENTS OF DETERMINATION

A. ALTERNATIVES CONSIDERED

The Department has determined that no reasonable alternative considered by the Department, or that has otherwise been identified and brought to the attention of the Department, would be more effective in carrying out the purpose for which this

action is proposed, or would be as effective as and less burdensome to affected private persons than the proposed action.

B. LOCAL MANDATE DETERMINATION

The Department has determined that the proposed regulations would not impose a mandate on local agencies or school districts, nor are there any costs for which reimbursement is required by Part 7 (commencing with Section 17500) of Division 4 of the Government Code.

C. ECONOMIC IMPACT STATEMENT

The Department has made an initial determination that the proposed regulations would not have a significant statewide adverse economic impact directly affecting businesses, including the ability of California businesses to compete with businesses in other states.

The Department has determined that the proposed regulations would not significantly affect the following:

1. The creation or elimination of jobs within the State of California.
2. The creation of new businesses or the elimination of existing businesses within the State of California.
3. The expansion of businesses currently doing business within the State of California.

D. EFFECT ON SMALL BUSINESSES

The Department has determined that the proposed regulations would not affect small businesses. These regulations do not impose any additional reporting, recordkeeping, or other compliance requirements on small businesses.

E. HOUSING COSTS DETERMINATION

The Department has determined that the proposed regulations would have no impact on housing costs.