

Policy Brief

Analyses of the Child Health Plan and Other Kaiser Permanente Services for Publicly and Privately Insured Children

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BACKGROUND

In recent years, California's low-income children have gained access to health insurance through public programs such as the State Child Health Insurance Program (SCHIP) and Medicaid. Healthy Families (California's SCHIP program) has over 500,000 enrollees, while Medi-Cal (California's Medicaid program) has over two and a half million enrollees under age 19.

In addition to these major public programs, private sector programs to cover uninsured children have emerged, such as the Kaiser Permanente Child Health Plan. Launched in September 1998, the Child Health Plan provides subsidized Kaiser membership to low-income uninsured children who are not eligible for Healthy Families or Medi-Cal because they exceed the income limits for these programs. Initially, the Child Health Plan was open to uninsured children with family incomes between 200% and 275% of the Federal Poverty Level. (Exhibit A) In October 1999, the income threshold was raised to cover children with incomes between 250% to 300% of the Federal Poverty Level (\$34,700 to \$41,640 a year for a family of three in 1999) in response to the changes in eligibility for Healthy Families.¹ (Exhibit B) Undocumented, immigrant children are eligible for the Child Health Plan if they meet the income criteria. As of April 2002, 1,891 children were enrolled in this program. (In July 2001, Kaiser Permanente began enrolling children in a new Child Health Plan program for low-income children in certain areas of Los Angeles who are ineligible for Medi-Cal and Healthy Families due to immigration status. For this program, eligible children must have incomes under 250% of the Federal Poverty Level.)²

Shortly after the Child Health Plan was created, researchers from the Institute for Health Policy Studies at the University of California, San Francisco, received grants from the California HealthCare Foundation and the Henry J. Kaiser Family Foundation³ to conduct this analysis. The study was designed to compare the experiences of Child Health Plan members with those of Kaiser Permanente children enrolled through other sources (Medi-Cal, commercial⁴ and Healthy Families). (The Child Health Plan group was ultimately eliminated from some of these analyses due to small sample size stemming from low enrollment in its first year. The forecasted enrollment in the Child Health Plan was 7,483 for 1999; actual enrollment that year was 1,222.) Specifically, we sought to provide an analysis of the Child Health Plan and other coverage groups within Kaiser Permanente to draw lessons regarding extending health coverage to low income children in such a delivery setting. This Policy Brief summarizes the results of four different analyses resulting from this study.

1. A survey of parents whose children were denied coverage under the Child Health Plan;
2. An analysis of Child Health Plan applications to assess the presence of "crowd-out";
3. A survey of parents to learn about their experience and satisfaction with Kaiser Permanente services for their publicly and privately insured children; and,
4. An analysis of cost and utilization patterns among Kaiser Permanente publicly and privately insured children.

In addition to presenting methods and major findings, policy implications of these findings are discussed.

A SURVEY OF PARENTS WITH CHILDREN DENIED COVERAGE BY THE CHILD HEALTH PLAN

Kaiser Permanente's Child Health Plan experienced low enrollment levels in its first year after the program's September 1998 launch. This was primarily due to the large number of children denied coverage because their family incomes were below the eligibility criteria and, hence, the children were potentially eligible for Healthy Families or Medi-Cal. We conducted a study to determine why a large portion of applicant families elected to apply for the Child Health Plan when their children were may have been eligible for the lower cost public programs. We also sought to learn about parents' experiences with the program's enrollment process.

Methodology. Potential subjects were parents of children ages 0 to 19 who completed an application for the Child Health Plan but were denied coverage because their family incomes were lower than the eligibility rules. A random sample of applicants was drawn from the Child Health Plan applicant database. Parents of eligible children were interviewed in October and November 1999. In total, 317 telephone surveys were completed including 242 in English (76%) and 75 in Spanish (24%). This reflects a response rate of 42% from our drawn sample of 747 households.

Key Findings.

- Many parents of children denied coverage because they were ineligible appeared confused about the eligibility criteria for the Child Health Plan, as well as for Healthy Families and Medi-Cal. Parents' confusion regarding the programs is typified by the quarter of respondents who thought that their child was eligible for the Child Health Plan and either Healthy Families or Medi-Cal simultaneously. This was despite the fact that most parents (79%) indicated that they understood the Child Health Plan eligibility requirements, including the income guidelines.
- About three-quarters of parents said they preferred Kaiser's Child Health Plan to Medi-Cal because they thought that Kaiser Permanente services were "better" and that their child had a better chance of being accepted into the Child Health Plan. That some parents perceived Kaiser Permanente as "better" suggests that they were unaware that they could enroll in Kaiser Permanente through Healthy Families generally throughout California and through Medi-Cal in many parts of the state. About two-thirds preferred the Child Health Plan to Healthy Families for the same reasons.
- Although a high proportion of parents perceived Kaiser Permanente as "better" than the other programs, a relatively high proportion of parents held Healthy Families and Medi-Cal in high regard. When asked their opinions of these programs, about 40% believed that Healthy Families was a very good or good program and 45% reported the same about Medi-Cal. Few thought these programs were bad or very bad (18% for Medi-Cal, 3% for Healthy Families). The remainder reported that they didn't know enough to say.
- Of note, more than half (57%) had insurance at the time of our survey (after denial for enrollment in the Child Health Plan). Of these, 37% had private insurance, 27% Healthy Families, 16% Medi-Cal and 20% had other coverage. Despite general confusion about eligibility and enrollment processes, these families were able to identify alternatives and successfully enroll their children (Center for Children's Access to Health Care, January 2001).

AN ANALYSIS OF CHILD HEALTH PLAN APPLICATIONS: DOES “CROWD-OUT” EXIST?

Policy-makers and others have expressed concern about “crowd out,” the theory that parents and/or employers drop private insurance in favor of less expensive, public alternatives such as Healthy Families and Medi-Cal or private subsidized alternatives like the Child Health Plan. Some studies have confirmed the presence of crowd-out and other studies have refuted its existence. We were interested to assess its presence among the Child Health Plan population in an effort to shed more light on this question.

Methodology. We examined Child Health Plan application data from September to December 1998 to measure the proportion of denied applicant children who reported that they were insured during the three months prior to applying for the program. The program’s application form asked parents to indicate if the applicant child had been insured in the past 90 days. If parents reported that they were previously insured, they were denied coverage through the Child Health Plan.⁵ Kaiser Permanente provided us with aggregate data on applicants who were denied and the reasons for denial.

Key Findings. In general, we found a negligible crowd-out effect. (Exhibit C)

- Among the 354 applicants reviewed, 83% were ineligible for the Child Health Plan.
- The proportion of denials due to insurance coverage in the 90 days prior to application was extremely small: only 4% of applicants were denied for this reason. Therefore, based on applicants’ responses, only a small percentage had coverage prior to applying for the Child Health Plan (Center for Children’s Access to Health Care, July 2000).
- Overwhelmingly, the primary reason for ineligibility was that the family had incomes that were too low. Seventy-nine percent of those denied had incomes below the program’s income limits, suggesting that applicant children were likely eligible for Healthy Families or Medi-Cal unless they were undocumented.

EXPERIENCE AND SATISFACTION WITH KAISER PERMANENTE SERVICES AMONG PUBLICLY AND PRIVATELY INSURED CHILDREN

We conducted a telephone survey among parents whose children were enrolled in Kaiser Permanente to learn if the source of insurance coverage (Healthy Families, Medi-Cal and commercial coverage) is related to their experience of and satisfaction with Kaiser Permanente services. (The Child Health Plan group was initially included in the sample frame but was ultimately eliminated from this analysis due to small sample size stemming from low enrollment in its first year.) Specific areas of exploration included previous child insurance coverage, utilization of services, child health status, and parental satisfaction with services. Analyses focused on whether, within the same managed care organization, the experience of publicly insured children is similar to or different from that of commercially insured children.

Methodology. The sampling universe for this sub-study consisted of all children ages 1 through 18 who joined Kaiser Permanente California from June through September 1999 and who were still members in April 2000. The sample was drawn from the Northern and Southern regions of California. English and Spanish survey interviews were conducted in September and October 2000. The completed interviews reflected 1,561 enrolled children. The overall response rate was 79%, with individual group response rates as follows: Healthy Families: 82% (n=460); commercially insured: 77% (n=527); and Medi-Cal: 72% (n=518). Differences were tested using Chi-squares, t-tests and multiple regression. Only statistically significant differences are discussed.

Key Findings. We expected to find differences in the experiences and perceptions of parents across the three groups, particularly between parents of children enrolled in Healthy Families or Medi-Cal when compared to the commercially insured. Differences were anticipated because of disparities in income among the groups (which have been shown to be associated with access to health care), as well as variation in sources of coverage (which can influence both experiences and perceptions). Interestingly, the results showed that experiences and perceptions of parents were largely similar, with the exception of experiences prior to enrolling in Kaiser Permanente. In particular, we found that Medi-Cal covered children were reportedly more similar to commercially insured children than to the Healthy Families group.

Before Enrolling in Kaiser Permanente

- Numerous studies indicate that children without health insurance are less likely than their insured counterparts to have a regular source of health care. It is not surprising, therefore, that a greater portion of Healthy Families children (32%) did not have a regular source of well-child care before joining Kaiser Permanente, versus 24% for Medi-Cal and 16% for commercially insured children.
- Similarly, a greater portion of Healthy Families children (41%) did not have a regular source of sick care compared to 27% for Medi-Cal and 17% for commercially insured.

Health Status and Utilization Since Enrolling in Kaiser Permanente

- No differences were found in reported health status among the three groups since enrolling in Kaiser Permanente. Nearly all parents indicated that their child's health was better or about the same as other children their age (97% for Healthy Families; 97% for Medi-Cal; 99% for commercially insured).

- Membership in Kaiser Permanente did appear to reduce school days missed among Healthy Families children. A higher proportion of Healthy Families children (38%) missed fewer school days since joining Kaiser than was the case for children in the other two groups: 28% for Medi-Cal; 25% for commercially insured. (Exhibit D)
- Healthy Families children were less likely than Medi-Cal children to have had a visit with a health care professional in the past six months. Parents of Medi-Cal children (81%) were most likely to report a visit compared to 74% for Healthy Families children and 70% for commercially insured. (Exhibit E) When controlling for age and sex, the differences in rates of visits between Medi-Cal children and commercially insured children disappeared, but persisted between Healthy Families and commercially insured children.

Parental Satisfaction with Kaiser Permanente

- Satisfaction with administrative services was slightly higher among Healthy Families enrollees with only one exception – convenience of the location of services. Healthy Families respondents were more likely to report as very good or somewhat good the ease of making appointments (89% for Healthy Families versus 86% for Medi-Cal and 80% for commercially insured), convenience of hours (92% for Healthy Families and 86% for commercially insured children), wait times for appointments (86% for Healthy Families and 76% for commercially insured) and wait times for a doctor (91% for Healthy Families and 85% for commercially insured children). Satisfaction with location of services was 94% for Healthy Families compared to 96% for Medi-Cal.
- Questions regarding satisfaction with plan costs revealed differences between Healthy Families responses and those of the other two groups. Healthy Families parents indicated higher satisfaction with the amount of co-payments for doctor visits (95% for Healthy Families, 85% for Medi-Cal and 87% for commercially insured) and for prescription drugs (92% for Healthy Families, 84% for Medi-Cal and 86% for commercially insured) as well as the premium amount (96% for Healthy Families, 77% for Medi-Cal and 76% for commercially insured). However, relatively high proportions of parents of Medi-Cal and commercially insured children indicated that they did not have enough experience to comment on the premium level. (In the case of Medi-Cal children, no premium or co-payment is charged.) (Hughes, Cart, Ng, et al.).

AN ANALYSIS OF COST AND UTILIZATION PATTERNS AMONG KAISER PERMANENTE PUBLICLY AND PRIVATELY INSURED CHILDREN

This analysis was designed to examine whether utilization and cost patterns differed for children enrolled in Kaiser Permanente through four coverage groups: Healthy Families, Medi-Cal, commercial coverage, and Kaiser Permanente's Child Health Plan. Analysis was restricted to the Northern Californian Region and was conducted by the Division of Research in the Kaiser Permanente Medical Group. (Note that while data were originally analyzed for children in the Child Health Plan, this group was ultimately eliminated from this analysis due to small sample size because of low enrollment.)

Methodology. The sampling universe consisted of all children⁶ who newly joined Kaiser between September 1998 and September 1999, who were less than 19 years of age and who had continuous membership for one year. Children were considered to have newly joined if they were not members of Kaiser Permanente during the three months prior to joining. The analysis included all medical costs incurred by Kaiser for these children during the year after their enrollment date. Costs for services provided directly by Kaiser Permanente were obtained from the Northern California Region's Cost Management Information System, an automated system that integrates health care utilization databases with financial ledgers, and the Kaiser Pharmacy Information Management System. Costs were generated by departments, medical centers, and patients, using standard accounting methods and program-specific relative value units for each service. Data on health care utilization included measures of four types of services: number of inpatient hospital days, number of outpatient hospital encounters, number of outpatient clinic visits, and visits to Kaiser-owned emergency departments.

Certain data were not included in the analysis: cost data on births in Kaiser hospitals during the study period (to eliminate bias of high birth costs); patient out-of-pocket expenses; dental care (not provided by Kaiser); custodial nursing care (not covered by Kaiser); and certain administrative and overhead costs associated with HMO membership (such as marketing expense). Co-payments were not deducted from the cost of services. Differences were tested using one-way ANOVA and 2000 bootstrapping. Only statistically significant differences are discussed.

Key Findings.

- Not surprisingly, Healthy Families enrollees were older than children enrolled in the commercial and Medi-Cal populations. The mean age of Healthy Families children was 8.8 compared to 6.6 for Medi-Cal children and 6.8 for commercially insured children. (At the time of the analysis, children under the age of one were not eligible for Healthy Families. See Exhibit A.)
- Healthy Families children used fewer services than commercially insured children (likely because the Healthy Families group was older) in every category except hospital outpatient visits per member year. Medi-Cal children had fewer clinic visits than commercially insured children, but more emergency department visits. (Exhibit E)
- After adjusting for age and sex, the costs associated with Healthy Families and Medi-Cal children were similar to commercially insured children. The finding that Medi-Cal children cost about the same as commercially insured children is consistent with previous Kaiser Permanente research (Ray, Lieu, Weinick, et al., July 2000). (Division of Research, Kaiser Permanente, January 2001).

POLICY IMPLICATIONS

With the creation of Healthy Families and the expansion of Medi-Cal, a substantial number of California's previously uninsured, low-income children have gained health care coverage. Kaiser Permanente California, which enrolls low-income children from Healthy Families, Medi-Cal and its own Child Health Plan program, offers a setting to learn about challenges to program start-up and to better understand how some of California's low-income, newly insured children are faring in the current managed care environment. It also offers an opportunity to compare the experiences of these low-income children with children enrolled through commercial channels. Major findings from a series of analyses of children in Kaiser Permanente reveal the following lessons:

Low enrollment levels in the Child Health Plan: The Child Health Plan experienced significantly lower than expected enrollments, at least in the first year of operation. While the precise reasons for this are unclear (except for the high proportion of applicants who were not eligible because their incomes were too low), this finding suggests that program administrators and policy-makers must anticipate that achievement of program enrollment targets can be slow and should allow ample time for program "ramp up." Low levels of enrollment may also be related to the Child Health Plan eligibility rules which target a relatively narrow group of uninsured children. (Current enrollment in the original Child Health Plan is just under 2,000; a special Child Health Plan program in Los Angeles targeting undocumented children currently enrolls just under 3,000 children.)

High levels of ineligible applicants: Our survey of parents of children denied Child Health Plan coverage found that parents applied for the program when their children could have been eligible for Healthy Families or Medi-Cal (if they were documented). This survey data suggests that parents were confused about eligibility rules governing these programs. In part, this is no doubt related to the multiple programs that exist for low-income children. It also appears that the Child Health plan eligibility rules specifically were not well understood. For example, while non-citizen children who met the income eligibility requirements were permitted to enroll, this was not explicitly stated in program materials. Other similar programs that have made clear that legal status is not an eligibility consideration, such as Santa Clara County's Healthy Kids program and Alameda County's Family Care program, have experienced more rapid enrollment. Such findings provide further evidence of the need to educate families about eligibility requirements and the importance of streamlining the complex maze of multiple programs in California, with different eligibility requirements, application processes, and benefit packages.

Little evidence of "crowd-out": Only a small proportion of children denied Child Health Plan coverage were disqualified because they were previously insured, suggesting that the presence of "crowd-out" was largely absent among this population. It is notable that because previous insurance status was a relatively insignificant cause of denials, Kaiser Permanente eliminated the requirement that applicants have no insurance in the past 90 days in March 1999.

Similar experiences and perceptions across enrollment groups: Parents whose children were enrolled in Kaiser Permanente through Medi-Cal, Healthy Families and commercial insurance had largely similar experiences and perceptions about their health plan. This confirms other research that has found that regardless of the source of health insurance, children have similar experiences once enrolled in a health plan. Notable differences between enrollee groups include fewer school days missed by Healthy Families children since enrolling in Kaiser Permanente, a higher proportion of Medi-Cal children reporting a visit with a health professional in the previous year, and greater satisfaction with Kaiser Permanente among Healthy Families children.

Limited pent-up demand for services among Healthy Families children: Healthy Families enrollees, although they were more likely to have been uninsured prior to enrolling in Kaiser Permanente, did not display the expected pent-up demand for services that can occur when uninsured children are newly enrolled. (Interestingly, Medi-Cal children reported greater utilization than Healthy Families children, perhaps reflecting their greater poverty and poverty-related health conditions).

Prior lack of health insurance may have implications for familiarity with the health care system: The fact that Healthy Families children were significantly less likely to have had a usual source of care prior to enrolling in Kaiser Permanente is not surprising given that the Healthy Families children were more likely to be previously uninsured. While this did not translate into greater utilization among Healthy Families study children, these families may be less familiar with the health care system and how to appropriately utilize services because of their more limited experience. If so, previously uninsured children who are newly enrolled in Healthy Families (or Medi-Cal) may require focused assistance on how and when to obtain health services for their children.

Similar costs across enrollment groups: After adjusting for age and sex, the costs of Healthy Families and Medi-Cal children were largely similar to commercially insured children. However, Healthy Families and Medi-Cal children used fewer clinic services than commercially insured children; Healthy Families children used fewer inpatient hospital days and emergency room visits. This finding counters concerns among some that low-income children are more expensive to care for than more affluent children.

ENDNOTES

¹ Healthy Families is currently available to children with incomes between 100% and 250% of the Federal Poverty Level.

² For more information about enrolling in the Child Health Plan, go to Child Health Plan-1 at <http://www.kaiserpermanente.org/locations/california/individuals/> or call 1-800-255-5053.

³ The Henry J. Kaiser Family Foundation is an independent, national philanthropic organization and is not affiliated with Kaiser Permanente.

⁴ Throughout this report, the “commercial” group includes children with Kaiser membership obtained through their parents’ employment and through direct purchase by the family.

⁵ Kaiser Permanente subsequently dropped this eligibility criterion in March 1999 because of the negligible crowd-out effect.

⁶ Medi-Cal-covered children who were medically needy (i.e., had a “share of cost”) and those enrolled because they were blind and disabled were excluded from this analysis.

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Exhibit A

**Income and Age Eligibility Levels for Selected
Subsidized Insurance Programs, California, 1998**

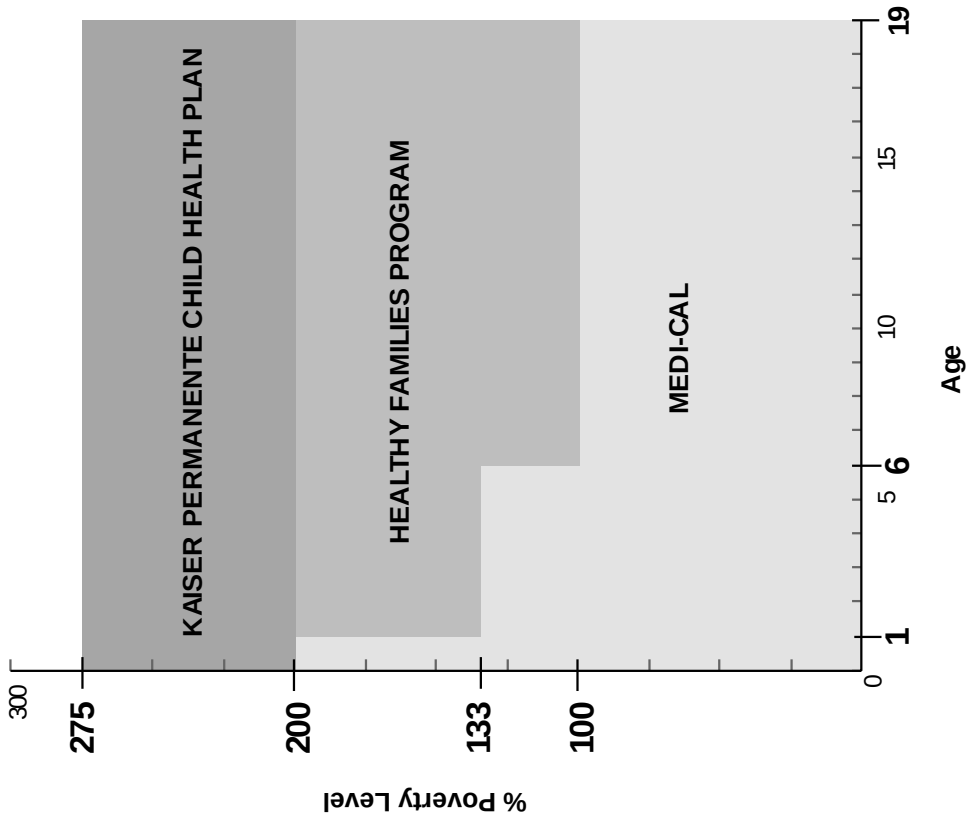


Exhibit B

**Income and Age Eligibility Levels for Selected
Subsidized Insurance Programs, California, 2002**

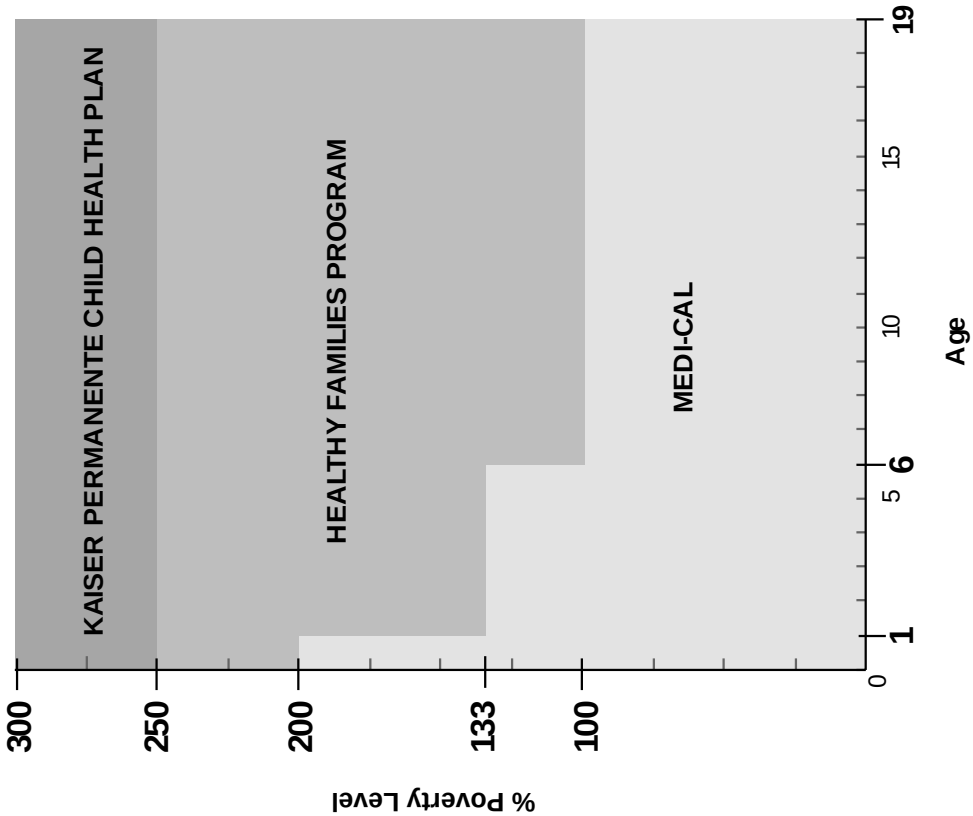


Exhibit C
Reasons for Denial by Child Health Plan,
Sept.-Dec. 1998

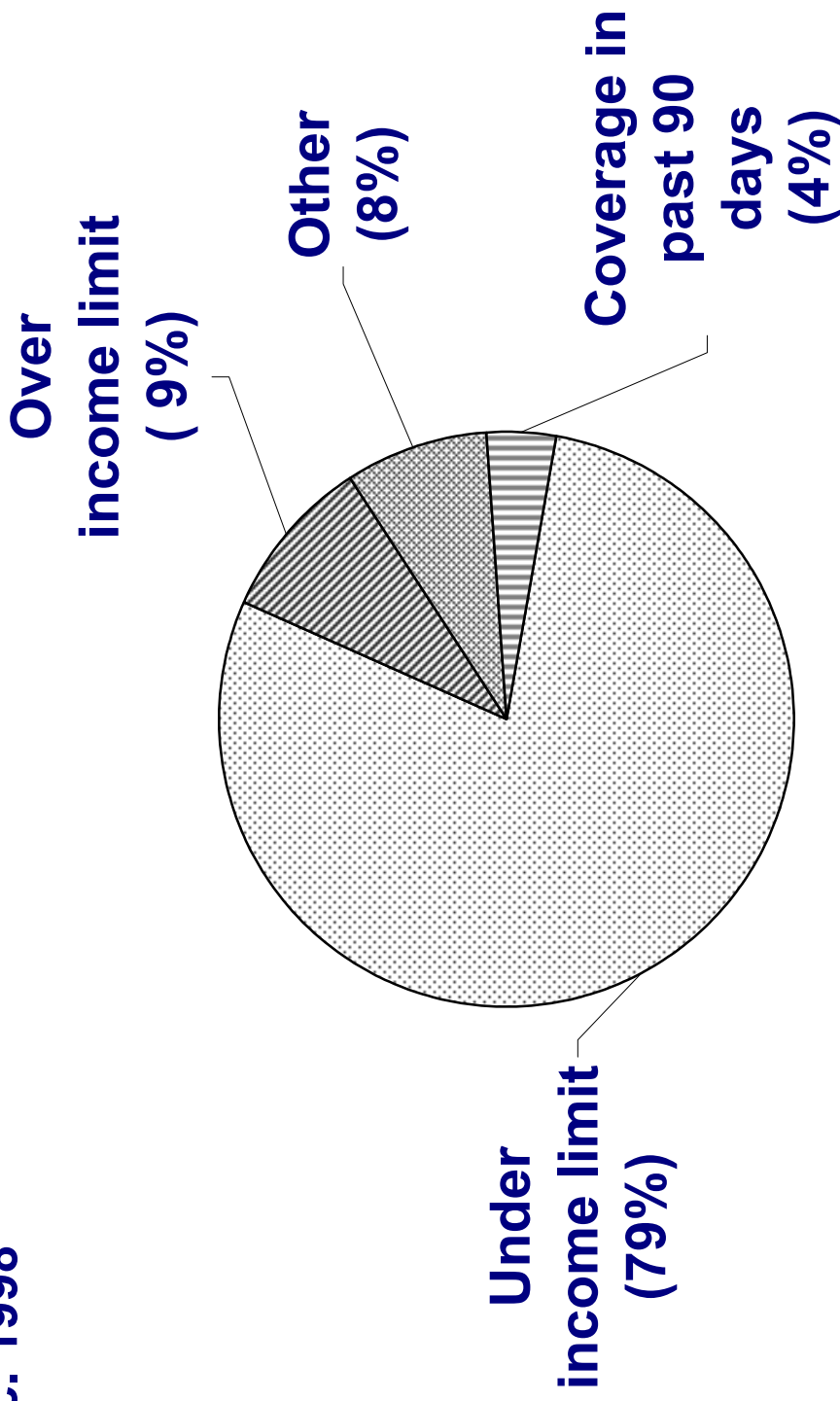
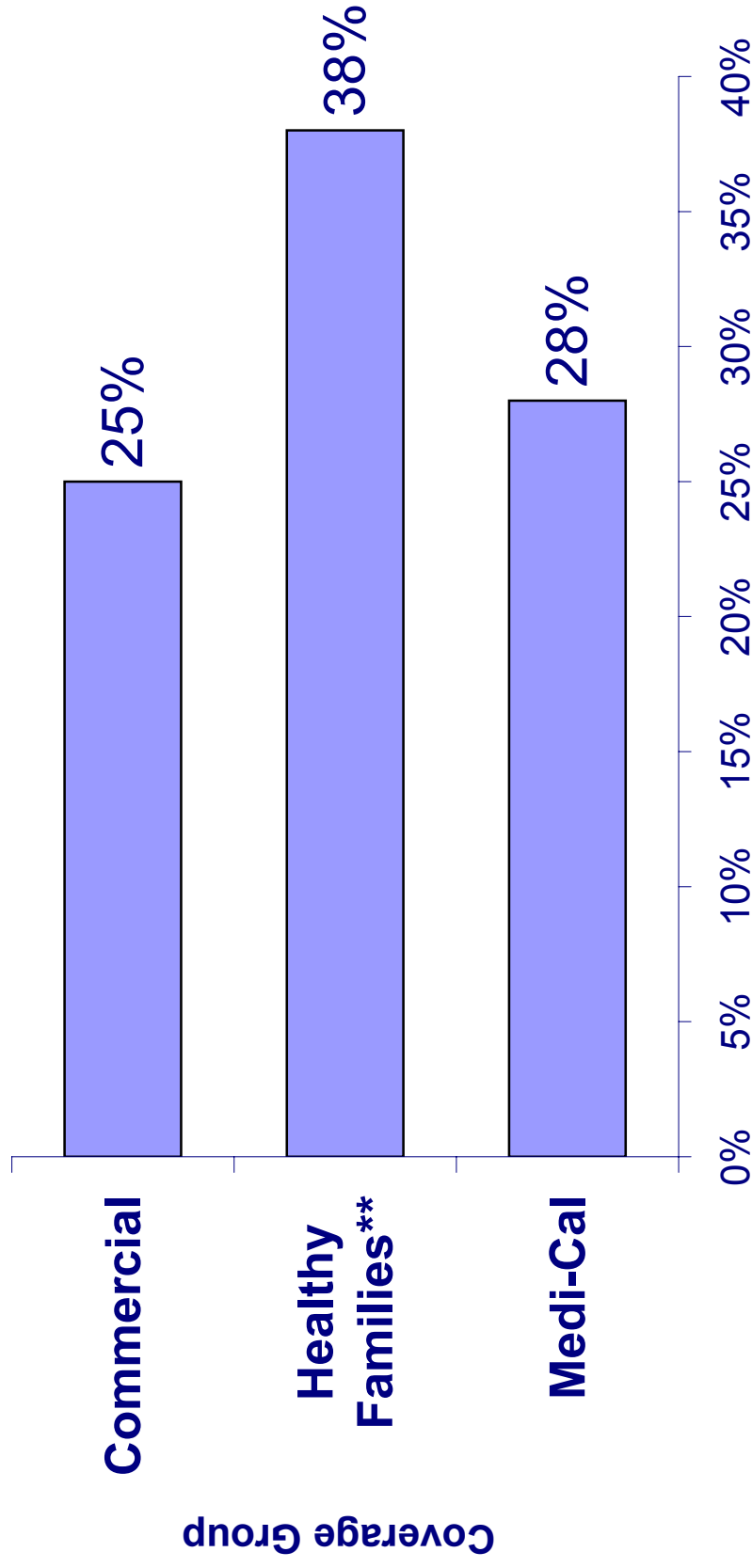


Exhibit D **Missed Fewer School Days Since Enrolling in** **Kaiser Permanente, June-Dec. 1999***



* Based on parental report

** Statistically different from commercially-insured children after adjusting for age and sex.

Source: Hughes D, Cart CU, Ng S, Arzaga S. *A Comparison of Publicly- and Privately-Insured Children in Kaiser Permanente*. Submitted for publication.

Exhibit E

Utilization by Source of Coverage, Sept. 1998-Sept. 1999

Mean Utilization Per Member Year	Coverage Group		
	Healthy Families	Medi-Cal*	Commercially Insured
Inpatient hospital days	0.04**	0.08	0.08
Hospital outpatient encounters a/	0.03	0.03	0.03
Clinic b/	3.11**	4.15	4.48
Emergency Dept. visits c/	0.14**	0.23**	0.17

* Excludes children enrolled through "share of cost."

a/ Includes outpatient surgery and other hospital-based encounters expected to be less than 24 hours.

b/ Does not include visits to injection clinic, unless provider was seen.

c/ Only includes Kaiser Permanente-owned emergency room visits.

** Statistically different compared to commercially-insured.

Source: Division of Research, Kaiser Permanente, Northern California Region. *Comparing the Relative Medical Expenses of Children with Healthy Families, Medicaid and Commercial Insurance in a Health Maintenance Organization.* January 2001. Unpublished.

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