

**COUNTY OF SACRAMENTO
CALIFORNIA**

For the Agenda of:
September 15, 2005
9:30 a.m.

To: Board of Supervisors

From: Department of Health and Human Services

Subject: REPORT BACK – Transfer Of \$500,000 SacAdvantage Funds To “Cover The Kids By 2006”

Overview

On September 7, 2005, your Board requested information on transferring \$500,000 from the SacAdvantage Tobacco Litigation Settlement (TLS) Healthcare/Uninsured Reserve to the Cover the Kids by 2006 (CTK) initiative.

Should your Board approve this direction, the following actions are required.

1. Authorize the release of \$500,000 from the Healthcare/Uninsured Reserve to fund the County’s financial participation in the Cover the Kids Program.
2. Direct the Office of Budget and Debt Management to add \$500,000 in appropriations and reimbursements to the Healthcare/Uninsured Budget Unit for the Cover the Kids program.

Measures/Evaluation

The transfer of funds from SacAdvantage to CTK is consistent with the two of the Department’s priorities: people in the community are healthy and people in the community are self-sufficient. The Department will track and report on the number of Sacramento County children for whom coverage has been obtained under the CTK program.

Fiscal Impact

The balance remaining in the Healthcare/Uninsured Reserve on June 30, 2005 was \$2,129,538. Transferring \$500,000 from the reserve will shorten the life of the SacAdvantage funding by approximately two years.

BACKGROUND:

The Department of Health and Human Services manages the SacAdvantage Health Insurance Subsidy Program, a health insurance subsidy program for lower income, previously uninsured employees of small employers of Sacramento County.

In 2001 your Board authorized the utilization of \$2,000,000 of TLS funding to create a Healthcare/Uninsured Reserve to finance programs that provide a solution to access to health care for the "working uninsured population in the County." Since October 15, 2002, your Board has authorized DHHS to execute agreements with SacAdvantage, a nonprofit, tax exempt corporation operating under the umbrella of the County, to operate this program.

Subsidies for health insurance coverage began in November of 2002. During Fiscal Year 2003/04, SacAdvantage was awarded a federal grant of \$695,450, with a local match requirement of \$133,000 met with the Healthcare/Uninsured Reserve. The match money funds DHHS administrative staff work. This grant has been extended once and SacAdvantage has requested a second extension to utilize the remaining federal funds of \$472,961. DHHS expects this extension will be granted for 2005-06 (September 30, 2005 through September 29, 2006).

DISCUSSION:

SacAdvantage

SacAdvantage provides subsidized health insurance through Sacramento employers with two to fifty employees. Eligible employees are subsidized 40% to 65% of the premium cost based on their income level, phasing out at 300% of the Federal Poverty Level. The balance of the premium cost is typically split between the employer and employee.

On June 30, 2005, the program had 26 active employers participating in the program and was subsidizing 123 employees and family members. The average subsidy per employee was \$183 per month.

The governing board of SacAdvantage, in consideration of the original intention of the reserve for the uninsured, believes the transfer is consistent with the goals outlined by your Board and supports the proposed transfer.

Cover the Kids, by 2006

The CTK task force is comprised of government agencies, community based organizations, health care providers, foundations, and many others that are interested in children's health. CTK seeks to provide comprehensive health insurance for every child in Sacramento County that lives below 300% of the Federal Poverty Level. The program includes an aggressive outreach and enrollment plan and plans to create a new insurance product for kids that are ineligible for MediCal and Healthy Families.

FINANCIAL ANALYSIS:

The balance remaining in the Healthcare/Uninsured Reserve on June 30, 2005 was \$2,129,538. Estimated interest earned in Fiscal Years 2005-06 and 2006-07 will be \$45,000. The remaining match requirement is \$98,548, leaving approximately \$2,075,990 available in the Healthcare/Uninsured Reserve at June 30, 2007.

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SacAdvantage is now expending approximately \$216,000 annually on insurance subsidies. The planned October addition of another contractor, Western Health Advantage, is expected to expand the program and increase subsidies. The federal grant will likely be fully expended by June 30, 2007.

Assuming the subsidies increase 10% per year and the reserve earns 2% interest per year after Fiscal Year 2006-07, the reserve will last approximately eight and one half years. Transferring \$500,000 from the reserve will shorten the life of the SacAdvantage funding by approximately two years.

Respectfully submitted:

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County Executive

By: _____
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