

## Leaders look for ways to keep Healthy Kids afloat and kids insured

Seven years ago, a group of Santa Cruz County leaders came together around a shared vision: They wanted to provide health insurance to every child in the county, regardless of immigration status or ability to pay.

The program that grew out of that vision, called Healthy Kids, has proved an inspiring success in a generally hope-filled decade for children's health, its founders say. Because of Healthy Kids, some 13,000 local children who might otherwise have been uninsured instead gained access to comprehensive health, dental and vision coverage. In 2007, the California Health Interview Survey, a biannual report conducted by the UCLA Center for Health Policy Research, showed 98 percent of the county's children were insured -- one of the highest rates in the state.

The same year the Santa Cruz program reached that milestone, the state and national economies were on the verge of plunging to levels not seen since the Great Depression. As unemployment spiked, more people looked to Healthy Kids for help.

Now, Healthy Kids' leaders are scrambling to shore up the program, which is facing challenges that threaten its existence. Even the most optimistic advocates are unsure about its survival.

"We're at a very big crossroads because the system is profoundly broken," said Rama Khalsa, a co-founder of Healthy Kids who runs the county Health Services Agency. "I just feel sad that, despite wonderful local achievement, we're still facing really, really rough times."

While several studies have documented the benefit of Healthy Kids programs in counties throughout California -- fewer unnecessary hospitalizations, higher rates of preventive care, fewer missed school days -- no one has figured out how to pay for them.

Frustrated by the state's failure to adopt a universal children's coverage plan, several major foundations are pulling out millions in future funding from Healthy Kids programs in Santa Cruz and other counties. These foundations have supported the effort since its inception -- hoping to demonstrate both its social and economic effectiveness so that the state would take it over and expand it.

With the state in dire fiscal straits and the hope of expansion currently forgotten, Santa Cruz -- like other counties with Healthy Kids -- is trying to figure out how to keep its program alive. In the absence of foundation funding and state support, its leaders are appealing to the community for help.

"We are not planning to walk away from this project," said Ellie Littman, executive director of the Health Improvement Partnership of Santa Cruz County, which manages Healthy Kids, "because everyone believes in it so much."

Congress has been working on a health reform plan that, if it passes, could provide universal coverage for most of the nation's children. After Tuesday's Massachusetts vote, however, the future of the entire plan is in doubt. Any proposed reforms likely would not include coverage for undocumented children, many of whom are now covered by Healthy Kids. And, even if a reform package of some kind does pass, it will likely not roll out before 2013.

In the meantime, California's youngest residents find themselves at a crossroads. Depending on which path stretches out before them in the coming months, they may be heading toward near-universal health insurance coverage, or they may be knocked off the public health insurance rolls by the thousands.

## **HOPE LOST**

Until recently, the prospects for universal children's health care in Santa Cruz, and across California, seemed bright. The program had broad-based support that included the county, local hospitals and businesses, community foundations and individual donors, among others. Twenty-nine other counties had adopted programs similar to Healthy Kids. Hopes were high that the Legislature would pass a bill expanding that coverage to children across the state.

In 2007, Gov. Arnold Schwarzenegger launched a "Year of Health Reform" in California. He proposed a health care overhaul that included universal coverage for children, regardless of citizenship status, whose families earned up to 300 percent of the federal poverty level. But, a year later, disagreements between the governor and state Legislature effectively killed the reform.

By this past summer, advocates were no longer talking about expansion -- at least at the state level. They were focusing on survival. The state of California was considering axing the state-run Healthy Families program, jeopardizing coverage for 875,000 children of the working poor.

To save that program, which receives two-thirds of its funding from the federal government, state legislators patched together a year's worth of funding from several revenue streams, including an \$81.4 million donation from the state First 5 Commission, which administers state tobacco tax revenues for early childhood health and education programs, a tax on health insurance plans that administer the state Medi-Cal program, and an increase in patients' premiums and co-pays. But, with California still facing a \$19.9 billion deficit, the future of Healthy Families remains in doubt.

## **HELP WANTED**

All of this is happening as a deep recession has forced many parents out of work; others have kept their jobs but lost insurance for their families. Census data from 2008 produced an unsettling statistic: 51.5 percent of the county's 18-and-under population was covered by a public insurance program for low-income families. That same data showed some 4,000 of the county's 59,000 children were uninsured -- a number that surprised and alarmed local leaders. Although the 2009 California Health Interview Survey data has not yet been released, many expect the numbers to have worsened from two years ago.

This coming year's program "will be a pale reflection of the need," said Khalsa, the county Health Services Agency chief.

She and others in the Healthy Kids' multi-agency steering committee are publishing ads, sending out appeals, and doing whatever they can to convince supporters to reach deep into their pockets to find the money to help cover each of the 1,950 children currently insured through Healthy Kids -- \$1,020 a year for older children, \$1,620 for newborns to 5-year-olds.

In 2008, after the waiting list for the program grew to 500 kids, Sutter Health upped its annual contribution by about \$175,000, most of it the result of revenues it receives from renting land for the Santa Cruz Flea Market.

Recently, a nonprofit local public insurance plan, the Central California Alliance for Health, came forward with \$500,000 for 2011; that will replace the first year of funding lost from the foundations pulling out.

Over the years, local institutions have offered substantial support for the program. Since the inception of Healthy Kids, Sutter has given \$1.075 million \$840,000 to Healthy Kids; \$235,000 to help pay for Healthy Families' premiums for families unable to afford them, while Dominican Hospital has contributed \$175,000, plus extensive staff time and leadership.

In part because they have such an exceptionally strong base of local support, Santa Cruz Healthy Kids' directors are more optimistic about the near future than their counterparts in some other counties.

"I do have faith in the Santa Cruz community and the Healthy Kids leadership that we will figure out the solution as best as we possibly can, I absolutely do," said Leslie Conner, program and policy director at Santa Cruz's Health Improvement Partnership, which manages Healthy Kids. "The solution may just be dollars and cents. If there's any other answer besides dollars and cents, we'll figure it out."

Nonetheless, Conner says, last June the organization froze enrollment for children over 5. There are currently about 160 children ages 6 to 18 on the waiting list who have little likelihood of getting off. The county Healthy Kids' leadership is making contingency plans that include increasing many families' share of costs and potentially disenrolling older children.

## **OTHER COUNTIES STRUGGLE**

So far, only one county, Alameda, has shut down its Healthy Kids program entirely, although plenty of others are making contingency plans, and at least eight plan active disenrollment of children starting this spring.

In December 2008, after Alameda County decided to reroute its local First 5 tobacco tax dollars to other programs, the local Healthy Kids went under.

"It was just insurmountable," said Amanda Flores-Witte, senior director of communications and marketing for Alameda Alliance for Health, a public, nonprofit managed care health plan.

Before the shutdown, Flores-Witte said, Healthy Kids' champions tried everything within their power to keep it alive. They appealed to community-based organizations. They wrote letters to their donors. They met with elected officials. They described their plight in the local newspapers.

"You don't want something that wonderful to just go away without some kind of fight," she said.

After the shutdown, approximately 1,000 children were disenrolled from the program -- many more had been on the waiting list, but the program had inadequate funding to meet much of that need. Flores-Witte said clinics in the county have seen a surge in need since then, although she doesn't know whether that's directly attributable to the closure of the program, or just the bad economy.

She periodically receives phone calls from other counties, asking for advice on how to end a program gracefully. Her heart goes out to them, she said: "It's just a terrible predicament to be in."

Jennifer Kwan, the executive director of a regional health initiative that includes Sacramento, Colusa, Yuba, El Dorado and Placer counties, said her program is scheduled to begin disenrolling children in May. In cases where children have no other alternatives, she expects they will seek care in safety net clinics and emergency rooms.

"All the work that we've done will go backward," she said. "We want to go forward. We want to save the program."

Kwan said her program is looking at all options for potential funding, and is considering the possibility of keeping enrollment open at least for newborns to 5-year-olds. The state and local First 5 commissions -- which receive their revenue from tobacco taxes -- are the biggest funders of Healthy Kids programs, and have been unwavering in funding the program for young children.

Some counties are making plans to funnel their Healthy Kids members into Kaiser Permanente's Child Health Plan. That plan offers similarly low-cost comprehensive health, vision and dental coverage to the same demographic group served by Healthy Kids -- provided they live in counties with Kaiser centers.

Cliff Coates, manager of the children's health initiative in Sonoma County -- which insures about 700 children -- says his program has been planning for the foundations' withdrawal for more than a year. They're focusing

efforts on enrolling as many children as possible into existing public insurance plans such as Healthy Families and Medi-Cal. After that, they hope Kaiser's Child Health Plan can absorb 500 more.

Jean Nudelman, director of the community benefits program for Kaiser Permanente in Northern California, said Kaiser will accept as many Healthy Kids children as it can. The low-cost plan, which is financed by Kaiser -- a nonprofit -- covers approximately 78,000 children in 30 counties statewide. Absorbing the additional 75,000 children covered by the 29 Healthy Kids county programs is simply not feasible, she said. This is especially true given that, in Southern California, Kaiser Child Health has been closed to new enrollees, having reached its funded capacity more than a year ago.

"We are happy to play a role but I don't think this is a problem that Kaiser Permanente can really solve on our own," Nudelman said.

Santa Cruz County does not have a Kaiser center, so it does not have the option of enrolling children in the Kaiser plan.

Other counties are exploring a range of measures to keep their programs alive, said Suzie Shupe, executive director of the California Children's Health Initiatives, a statewide collaboration of local Healthy Kids programs.

A few of those programs are considering trying to pass local bond measures, she said, while others are looking into buying insurance from the nonprofit CaliforniaKids Healthcare Foundation, a cheaper, less comprehensive coverage option that does not provide inpatient services.

But while CaliforniaKids might be a more affordable option for counties, it is facing many of the same problems as the county Healthy Kids insurance programs. Michael Koch, the organization's executive director, said CaliforniaKids may have to begin disenrolling the 6,000 children it covers in the next few months.

Like Healthy Kids, CaliforniaKids has depended on statewide foundations to fund coverage for low-income children who are ineligible for state and federal help. This year, the California Healthcare Foundation and the Blue Shield of California Foundation are both ending their support.

"I understand the foundations don't want to be doing this forever," Koch said. "But on the flip side, if they're not going to do it, who is? And why did they get into it in the first place?"

Koch said a number of counties with Healthy Kids programs have approached him in recent months about changing to CaliforniaKids' less comprehensive -- and cheaper -- insurance. But they still don't have the means to pay for it. And he worries that, without an influx of donations, his program may not survive long enough to remain an option for them.

"Our backs are against the wall on time," Koch said.

He said he is racking his brain for potential ways to save low-cost local children's health insurance programs. One idea he has floated to state legislators is a small tax on Western Union transfers to Latin America. It has not gained traction, he said.

## **SAFETY NET**

At least in the near term, as counties reckon with the possibility that their children's health insurance programs may vanish, some are planning to depend more on safety net clinics to help needy children, said Shupe, of the statewide group.

Brenda Solorzano, chief program director for the Blue Shield of California Foundation, said her foundation is planning to invest an additional \$2 million to \$3 million in community clinics this year, bringing the total investment in that area to \$11 million. Even if children aren't insured, she said, she hopes this model will allow them to have regular primary care doctors at safety net clinics.

"What we're doing is making sure these kids don't fall through the cracks," she said.

Over the past decade, Solorzano's foundation, along with the Packard Foundation and the California Endowment, has invested a total of \$116 million in Healthy Kids initiatives. Although representatives of each of those foundations had only positive things to say about the model and struggled with their decisions to discontinue funding, they all thought it was not sustainable for them to fund the county programs indefinitely. Some are facing funding shortages themselves; others are seeking to invest money in efforts that they feel may have better prospects for eventually standing on their own.

Three years ago, they -- and county and statewide children's health advocates -- were focused on a California-wide plan for universal children's health coverage. Now, all eyes are on the federal government.

Lucien Wulsin, executive director of the nonprofit, nonpartisan Insure the Uninsured Project at the Center for Governmental Studies in Los Angeles, said federal reform would expand funds for existing public health insurance programs and provide subsidies to help many working and middle-class families buy insurance.

By covering more children in this way, Wulsin said the reform could free up local funding, allowing county-level Healthy Kids programs to stay alive for that smaller group of children who are ineligible for federal programs because of their immigration or economic status. Healthy Kids -- and CaliforniaKids -- were formed to help very poor children, but in recent years have been serving a growing number of unemployed families who make slightly too much to qualify for the other programs.

After a decade of positive strides toward insuring children, Wulsin says he is now hearing more reports of middle-class families losing health insurance.

"We've been making progress," he said. "Bad economy, bad budget and suddenly we've been going the wrong way."

In Santa Cruz, some pediatricians and clinics say they've already seen an uptick in the number of uninsured children coming through their doors. Others say they have not yet seen an increase -- though they're bracing for it.

To stave off such a scenario, the local Healthy Kids program is beginning its fundraising efforts with an increased sense of urgency. Many supporters remain optimistic that they can keep the program afloat until longer-term solutions come available.

"Healthy Kids is an example of what the local community can do to solve its health care problems, whether or not there are state or federal solutions," said Conner, whose Health Improvement Partnership manages the program. "The goal of Healthy Kids has been to create access to quality health care and a medical home for all children. Just because the Healthy Kids product faces threats or cutbacks doesn't mean we can't make good on that goal."

Martina O'Sullivan, co-chair of Healthy Kids and director of community engagement for Dominican Hospital, echoed Conner's optimism: "We're continuing with fund development that is right here in our county. People in this community indeed have responded. There is the hope that through health care reform, at least children would be insured."

Dr. Nannette Mickiewicz, president of Dominican Hospital, said an immediate need is for the community to raise the money necessary to get kids off of the Healthy Kids waiting list.

The local program is also pursuing a statewide strategy, said Conner. Santa Cruz leaders plan to work with statewide advocacy partners, including the Children's Defense Fund and United Way, "to move the issue forward in the Legislature and find new sources of funding."

Still, local leaders acknowledge, if circumstances don't improve within the next two years, Healthy Kids may be forced to close down. Should that occur, they prefer to look at the program's legacy. The Healthy Kids experience in Santa Cruz, they say, is a near-perfect symbol of the county's collaborative spirit. The story of Healthy Kids, they say, is the story of a county's hope.

"We know that it probably won't last forever," said Alan McKay, co-founder of the Healthy Kids program and executive director of the Central California Alliance for Health, which just chipped in \$500,000 to keep the local program afloat. "But it feels good to us that it's come this far."

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