



Appendix 23: CHBRP Funding Process and Operating Costs

In order to effectively support CHBRP, Section 127662 of the Health and Safety Code provides that:

- The Health Care Benefits Fund be established in the State Treasury.
- For fiscal years 2006–07 to 2009–10, each health plan and each health insurer be assessed an annual fee for which the total annual assessment not exceed \$2 million.
- The California Department of Managed Health Care (DMHC) assess health plans.
- Health plans be notified of the assessment on or before June 15 of each year
- The California Department of Insurance (CDI) assess health insurers.
- Health insurers shall be notified of the assessment in accordance with the notice for the annual assessment or quarterly premium tax revenues.
- Assessed fees be paid on an annual basis no later than August 1 of each year.
- DMHC and CDI forward the assessed fees to the Controller for deposit in the Health Care Benefits Fund following their receipt.

This Appendix details the process by which DMHC and CDI determine the amount to assess health plans and insurers for a given fiscal year. The annual amounts transferred into the Health Care Benefits Fund (HCBF) are equal to the total assessments less whatever amount was not collected by DMHC or CDI. This appendix also provides a summary of the actual funding provided under the HCBF since CHBRP's inception and details of the 2006-07 through 2009-10 fiscal years (FY).

DMHC and CDI Processes to Determine Amounts to Assess and to Transfer into the Health Care Benefits Fund (HCBF)

1. During the spring, CHBRP provides the following pieces of information to DMHC:
 - a. Actual expenditures for the previous fiscal year
 - b. Projected expenditures for the remainder of that fiscal year
 - c. Projected budget for the next fiscal year

For example in June, 2008, CHBRP provided DMHC, actual expenditures for FY06-07; projected expenditures for FY07-08 and the budget for FY08-09.

2. Based on the information provided in step #1, in the spring, DMHC determines the total amount to be transferred to the HCBF for the next FY. For example they completed this calculation in June, 2008 for FY08-09. DMHC determines the total amount to be transferred to the HCBF for the next fiscal year by:

- a. Subtracting the projected expenditures for that FY from the amount transferred to HCBF for that FY.
 - b. Adjusting the difference by the actual amounts of expenditure for the previous FY.
 - c. Applying these differences to the next FY
 - d. Adjusting for small differences in amount calculated to be transferred versus the amount actually collected and transferred from the previous FY.
3. Simultaneously, DMHC calculates the percentage share it and CDI are required to collect and transfer to the HCBF.
- a. The CDI and DMHC percentage shares are based on the market shares of the privately insured population enrolled in health plans regulated by DMHC versus the privately insured population enrolled in preferred provider organizations or fee-for-services insurance policies regulated by CDI.
 - b. The market shares were determined in 2002 and are set at: 87.6% for DMHC and 12.4% for CDI. For example, if the total amount CHBRP may receive by law is \$2 Million, the maximum both Departments would be required to assess and transfer into the HCBF would be calculated as follows:

ASSESSMENT SHARES (example)

DMHC portion	87.6%	\$1,752,000
CDI portion	12.4%	\$248,000
Total	100%	\$2,000,000

4. DMHC notifies health plans of the amount they will be assess, usually by mid-June.
5. CDI notifies health insurers of the amounts they will be assessed, usually by October.
6. DMHC transfers collected funds to the HCBF, usually by September. CDI transfers collected funds to the HCBF , usually in December and in March. For example, for FY08-09, DMHC transferred collected funds into the HCBF in October, 2008 while CDI transferred the first installment in December, 2008, and the 2nd in March, 2009.

Summary of Actual Funding to Support CHBRP Operations

The following tables provide a summary of the actual funding provided to CHBRP since the program's inception and then provide detail for the 2006-07 through 2009-10 fiscal years (FY). Please note the 09-10 FY details are projected expenditures.

Table 1. CHBRP Operating Costs: Summary of FY02-03 through FY09-10

Fiscal Year	Operating Costs	Actual Transferred (a)		
		DMHC Share	CDI Share (b)	Total
2002-03	\$15,200.95	\$500,000.00	\$10,686.25	\$510,686.25 (c)
2003-04	\$1,181,619.66	\$1,248,054.19	\$210,447.96	\$1,458,502.15
2004-05	\$1,536,330.00	\$917,513.74	\$128,165.92	\$1,045,679.66
2005-06	\$1,586,295.00	\$1,385,298.59	\$181,371.12	\$1,566,669.71
2006-07	\$1,662,839.00	\$1,418,896.41	\$245,019.31	\$1,663,915.72
2007-08	\$1,680,015.00	\$1,483,042.85	\$208,338.52	\$1,691,381.37
2008-09	\$1,618,683.00	\$1,451,272.52	\$204,478.99	\$1,655,751.51
2009-10	\$1,919,900.00 (d)	\$1,407,894.87	\$200,401.37	\$1,608,296.24

Notes:

- (a) These amounts reflect the actual amounts transferred into the HCBF, not the actual amounts assessed on plans and insurers by DMHC and CDI. Slight differences in the amount assessed and the amount transferred are due to differences in the amounts assessed and actually collected by DMHC and CDI.
- (b) The CDI and DMHC percentage shares are based on the market shares of the privately insured population enrolled in health plans regulated by DMHC versus the privately insured population enrolled in preferred provider organizations or fee-for-services insurance policies regulated by the CDI. The market shares were determined in 2002 and are set at: 87.6% for DMHC and 12.4% for CDI.
- (c) During CHBRP's first fiscal year of operation, DMHC authorized a transfer of \$500K. Minimal costs were expected since the bill establishing the program was not passed until late September 2002 and program startup did not occur until even later into the FY.
- (d) The 2009-10 FY is a projection and will be likely reduced based on the actual work conducted and operating costs in 09-10.

Table 2. CHBRP Expenditures: FY06-07 through FY09-10 (a)

Category	2006-2007	2007-2008	2008-2009	2009-2010 (b)
Salary, Wages, Benefits (c)	\$376,412	\$343,651	\$389,135	\$455,900
Actuarial Services (d)	\$275,313	\$423,472	\$323,599	\$425,000
Payments to Campuses (e)	\$727,759	\$790,810	\$801,810	\$855,700
Other (f)	\$283,355	\$122,082	\$104,139	\$183,300
Total	\$1,662,839	\$1,680,015	\$1,618,683	\$1,919,900

Notes:

- (a) These figures correspond to the most recent reports to DMHC and CDI on 05/12/09 and were used by those agencies to determine the assessments and funds to be transferred for the current fiscal year.
- (b) The 2009-10 FY is a projection and will be likely reduced based on the actual work conducted and operating costs in 09-10.
- (c) Salaries, Wages, and Benefits for central offices operations.
- (d) CHBRP's authorizing statute requires use of actuarial services to conduct the cost impact analyses.
- (e) Campus payments are for services provided by the faculty and researchers to conduct the medical effectiveness, cost impact and public health impact analyses.
- (f) This includes payments for travel, workshops, advisory council services, content expert services, librarian services, editorial services, supplies and equipment, and other vendor payments.