



August 12, 2011

Janette Casillas, Executive Director  
Managed Risk Medical Insurance Board  
1000 G Street  
Sacramento, CA 95814

Dear Ms. Casillas:

The Budget Act of 2011 provides approximately \$735 million (\$177 million General Fund) for the Healthy Families Program. This figure is approximately \$130 million below the estimated baseline program budget. The reduced funding level was necessary to address California's structural budget deficit totaling over \$25 billion in 2011-12. The Governor's Budget included a proposal to extend the gross premium tax along with increased co-payments and premiums for the Healthy Families Program administered by the Managed Risk Medical Insurance Board (Board). While the Legislature adopted increased co-payments and premiums, the extension of the gross premium tax was not included in the final Budget. However, the General Fund savings associated with this program remained as an unallocated reduction to the Healthy Families Program.

Given this large unallocated reduction and the possibility that the extension of the gross premium tax is not enacted, Finance would like an update regarding the steps the Board is considering to ensure that the program operates within its budget appropriation. The Board may not expend resources at a rate that will result in an operating shortfall.

In addition, two of the proposals adopted by the Legislature require federal approval to increase co-payments and premiums for covered individuals. To the extent these measures are not approved by the federal government, the Board will need to take measures to ensure that the Healthy Families Program continues to operate within the resources available.

As you discuss the State Budget during your next Board meeting, we encourage you to discuss what these reductions mean to your Budget. Please contact me as soon as possible to update me on what measures the Board is taking in the near term. Finance would also like regular updates on the impact to the program. Feel free to contact me at (916) 445-6423 if you have any questions or concerns.

Sincerely,

Kristin Shelton  
Assistant Program Budget Manager  
Health and Human Services Unit

cc: Michael Wilkening, Undersecretary  
California Health and Human Services Agency