City of Alexandria, Virginia

MEMORANDUM

DATE: MARCH 14, 2003

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: LISA CHIMENTO, CHAIR
BUDGET AND FISCAL AFFAIRS ADVISORY COMMITTEE (BFAAC)

SUBJECT: FAMILY DAY CARE PROVIDERS HEALTH INSURANCE COVERAGE STUDY

On December 10, 2002, Mayor Donley and Councilwoman Woodson, on behalf of City Council, asked BFAAC to study the issue of the City possibly providing health insurance coverage for family day care providers and to report back to City Council by March 14. Attached is BFAAC's report, which was finalized today. It is my understanding that the City Manager has scheduled BFAAC to present this report to City Council for discussion at the Wednesday, March 26, 2003 budget work session.

Attachment: Report on the Family Day Care Providers Health Coverage

cc: Honorable Members of City Council
Philip Sunderland, City Manager
Mark Jinks, Assistant City Manager
Beverly Steele, Interim Director, Department of Human Services
Kathleen Henry, UNITY

City of Alexandria Budget and Fiscal Affairs Advisory Committee

Report on the Family Day Care Providers Health Coverage

Lisa Chimento, Chair
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Anna Leider, Secretary
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INTRODUCTION

During the FY 03 budget process, UNITY proposed using City funds to provide health care benefits for family child care providers. UNITY, a chapter of The Tenants' and Workers' Support Committee, is a community based, democratic organization of child care providers in Alexandria, Virginia. After the budget was adopted, City Council requested that the Budget and Fiscal Affairs Advisory Committee (BFAAC) assess five specific issues regarding City funding of health insurance benefits for family child care providers in the City. Specifically, BFAAC was asked to prepare a report addressing:

1) Alternative ways such coverage could be obtained and administered;

2) Costs and benefits associated with those alternatives;

3) How each alternative would or could be funded;

4) Other local or state government programs that played a role in obtaining health insurance for low-income, private wage earners; and

5) Any precedent providing coverage to child care providers may create and how the City should handle it.

BFAAC did not analyze the adequacy of the compensation or payments made by the City for child care services or the value of the child care providers' service to the community. Rather, BFAAC examined only the budget impact as requested in the charge from Mayor Donley and Councilwoman Woodson.

In preparing this report, BFAAC members held several meetings with UNITY, family child care providers, Alexandria Department of Human Services staff, Campagna Center leadership, the Director of the Alexandria Health Department, and other interested parties. BFAAC wishes to thank them for taking the time to meet and work with committee members over the course of the past several months. BFAAC also acknowledges the contributions of Sammie Moshenberg who recently resigned from the Committee due to her relocation to South Africa.

BFAAC notes that the issue of affordable health coverage is a growing local and national concern. On the local level, a survey of the working poor conducted by The United Way and the City found that 41% of those surveyed (n=251) reported that they had no health insurance. While the UNITY providers have a relationship with the City by virtue of their status as receiving vendor payments on behalf of Alexandria Department of Human Services clients served (further described below), BFAAC points out that the United Way report highlights the difficulties that many other residents also face in obtaining access to health insurance coverage.

Many organizations and municipalities are finding it difficult to manage, afford and offer a wide range of health coverage options/alternatives due to continually rising costs. In addition, cost-sharing requirements for employees continue to rise. According to a recent Kaiser Family

Foundation and Health Research and Education Trust, 44 percent of employers report that they are likely to increase what employees pay out of pocket for health premiums in the next year.[1]

The reality is that, across the United States, one in six Americans is without any form of health insurance.[2] The problems of the uninsured in the U.S. are well documented – poor health status, lack of access to necessary preventive care, primary care, and specialist services, use of the emergency room as a regular source of care, avoidable hospital admissions, and medical indebtedness. In Alexandria, these problems are seen every day in the overcrowding of the emergency room at INOVA Alexandria Hospital, long waiting lists for services at the Casey Clinic, large hospital bills for City residents, and so on.

Absent a Federal or Commonwealth program that provides health insurance to the uninsured, these problems are not likely to improve.

In his recent "State of the City" Address, Mayor Donley noted:

> "Local government cannot be all things to all men and women. As state programs continue to be slashed and revenues reduced, we must realize that we cannot fill every gap. . . .As the national government wrestles with issues like health care reform, we need to realize that local government is least able to solve problems which are national in scope."[3]

In light of BFAAC's finding that most of the programs currently available that provide healthcare coverage to the uninsured were created through state initiatives, it is critical that the state legislature be part of the solution in Alexandria. BFAAC recommends that the City lobby the Commonwealth for the following:

1. Expand Medicaid and Virginia's SCHIP program, Family Access to Medical Insurance (FAMIS) to serve more low-income families, garnering federal dollars to help fund needed coverage.

2. Identify other programs, such as high-risk pools where federal funding is available, to provide coverage for high-cost persons to prevent further erosion of affordable small employer and individual insurance coverage.

3. Modify insurance regulations in the individual market to ensure that self-employed persons and sole proprietors can access affordable health insurance.

Overview of Alexandria's Family Child Care Program

Family child care providers contract with the Alexandria Department of Human Services (DHS) to provide child care services to DHS clients that are part of a subsidized child care program. DHS administers the federally funded Child Care and Child Development Fund pursuant to a

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[1] http://coveringtheuninsured.org/factsheets/

[2] "Economic Report of the President," February 2002.

[3] Mayor Donley, "State of the City Address," February 24, 2003.

block grant to the Commonwealth that provides financial assistance for child care costs to eligible families. Effective July 1, 2001 pursuant to an Alexandria City Council initiative, the fund was further subsidized by a $150,000 grant to help fund an increase to the rate at which Family Child Care Providers child care workers are paid. Although the fund exists to help pay the cost of child care for eligible families (DHS clients), the payments are made through DHS directly to the child care provider. Most parents are also responsible for a co-pay that is paid to the provider by the parent and is based on family size and income according to a sliding fee scale that is approved by the Virginia Department of Social Services.

1. ALTERNATIVES

Despite the challenging and ever-changing health care environment, there are health coverage alternatives available to the City Council. The alternatives represent a wide range of benefits and costs commonly found in cafeteria plans offered by not-for-profit organizations and municipalities throughout the metropolitan DC area.

In an effort to curtail healthcare costs while still providing coverage to eligible workers, some private- and public-sector employers have begun to offer a cafeteria plan, which allows eligible full and part time employees to choose from medical, dental, life insurance and/or a dependent care flexible spending account. Employees may receive a monthly benefit contribution to pay for various levels of coverage. The monthly benefit contribution (in most cases) does not cover the monthly benefit costs, requiring employees to cover the difference. Employees can purchase additional benefits from earnings on a pre-tax basis.

For the purposes of this discussion, BFAAC has identified three categories of health coverage options - full comprehensive health coverage, a combination of limited coverage augmented by existing community health clinics and affordable catastrophic coverage.

Full Comprehensive Coverage – Major medical coverage including office visits, access to specialists, full pharmaceutical drug benefits, hospitalization, flexible out of network options, low (annual) deductibles and reasonable out of pocket expenses. Comprehensive health coverage is expensive and typically is not an option for most employers *(and employees)*. Even if an organization qualifies for this type of health coverage it might be cost prohibitive to most employees and the organization itself.

> **Pros**: Provides a flexible comprehensive medical, hospitalization and pharmaceutical drug benefit coverage.
>
> **Cons**: Expensive annual and monthly benefit costs and high annual benefit cost adjustments. Most private-sector employers can only obtain full comprehensive coverage by participating (often through memberships) in a large buying cooperative.

Limited Coverage – Medical coverage through health management organizations (HMOs). HMOs offer office visits, specialty services, pharmaceutical drug benefits, pre-approved hospitalization, limited access to out of network options (unless patients pay out of pocket), and slightly higher deductibles and out of pocket expenses than full comprehensive coverage for

specialists and extraordinary expenses. Several not for profit organizations and municipalities offer several limited (HMO) coverage options due to their lower costs and affordability to employees.

> **Pros:** A restricted form of comprehensive medical, hospitalization and pharmaceutical drug benefit coverage typically administrated by a HMO, a more affordable health coverage option for not for profit organizations and their employees.
>
> **Cons:** Most non-profit organizations can only obtain HMO coverage through membership in a large buying cooperative.

Catastrophic/Hospitalization Coverage – A reimbursement program for hospitalization confinement, limited physician office visits and diagnostics services. Catastrophic health coverage generally only covers emergency illnesses and accidents.

> **Pros:** Covers the most expensive part of health care if a person is in an accident or requires emergency care or diagnostic services, an affordable option for not for profit organizations and their employees, a person would not go in to serious financial debt if hospitalized.
>
> **Cons:** Does not provide basic health care options such as regular physician visits and a pharmaceutical drug benefit and, in most cases, can only be obtained through a membership in large buying cooperative.

Catastrophic coverage is becoming an increasingly attractive option for several not for profit groups because it is more affordable, may provide emergency/accidental health coverage and can usually be augmented by community health clinics that provide affordable basic health services, including basic pharmaceutical drugs. The Campagna Center offers a similar policy as one of its options for health insurance for its employees; the current monthly premium is $47 for an individual.

BFAAC notes one possible option for health coverage might be a catastrophic plan augmented by Alexandria's existing health clinics. Despite some shortcomings and limitations with the existing health clinics, they do provide a level of care required for good overall health. In addition, as described in Section 4 below, there are exciting opportunities in the near future with federal community health care grants that would allow for expansion of health care services and pharmaceutical drug coverage to qualified Alexandria residents.

B. UNITY's Response to Alternatives

BFAAC met with UNITY representatives and others to discuss these and other alternatives. Several specific concerns were raised regarding other approaches to providing health care services, namely:

- UNITY representatives have informed BFAAC and staff that child care providers, even those employed by centers, cannot afford to pay premiums for health coverage.

- UNITY representatives stated that clinics, such as Arlandria and Casey, do not solve the problem of health insurance and health care access for child care providers because of the need for inpatient services, timeliness of appointments (especially at Casey), long-waiting lists, clinics not accepting new patients and hours of operation. Such facilities generally are only open during normal working hours – the precise times that child care providers are working. Providers, therefore, may be forced to choose between receiving healthcare or earning money.

- UNITY representatives also stated that the City should make payments for insurance directly to the organization or entity managing the fund rather than the family child care providers themselves.

2. COST/BENEFIT ANALYSIS

BFAAC notes that estimating the costs of City-funded health insurance coverage for child care providers is extremely difficult, and likely will vary from year-to-year and even within a given year. There are a number of factors leading to the variance, including: (1) UNITY has proposed that child care providers meet an eligibility standard based upon six-months' earnings. Figures supplied by DHS indicate that, using UNITY's proposed eligibility standard, there would have been 116 qualifying providers in the first six months of FY 03, 123 in the first six months of FY 02 and 124 during the second half of FY 02. (2) The costs of health insurance premiums are rising rapidly and at an unpredictable rate.[4]

UNITY initially proposed eligibility based upon a minimal payment to child care providers of $1,960 during a six-month period, based on the criteria used in Rhode Island, as discussed in Section 4. This payment level was equivalent to providing services to one child. DHS and BFACC concluded that the minimal amount of earnings over a six-month period to make a provider eligible for coverage, using a similar approach to Rhode Island, would be $3,640 for providers who cared for one child. (BFAAC does not take a position on the issue of eligibility criteria.)

UNITY estimates that of the current 188 child care providers, 125 would meet UNITY's proposed eligibility standard. Based on the review of Department of Health Services data, DHS staff estimated 120 providers would be eligible using the UNITY standard.[5] For purposes of this report, BFAAC is relying on the DHS estimates of eligibility. The following table provides a summary of payments to family child care providers for a six month period.

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[4] Budget Memo #44, April 23, 2002. The City Manager notes that the costs of health insurance coverage increased by 15% in FY 03 and that double-digit increases are expected "for the foreseeable future." While the FY 04 proposed budget shows a lower rate of growth, escalation in the costs of health coverage continue to be a source of concern.

[5] Using the higher eligibility threshold of $3,640, there would be 93 qualifying providers based on payments made during the first half of FY 03.

Summary of Family Child Care Provider Payment Data
July 1, 2002 – December 31, 2002

Provider Type	Total Number	Total Number Receiving Payments of At Least $1,960*	Total Number Receiving Payments of At Least $3,640**	Total Number Receiving Payments of At Least $7,280***
Agency Approved	116	100	85	54
Relative	3	3	1	1
Grandparent	12	10	7	3
TOTAL	131	113	93	58

*UNITY's original proposed eligibility level.
**$3,640 is equal to the maximum reimbursable rate of $140 for one preschool age child for six months, the equivalent of Rhode Island's eligibility standard.
***$7,280 is equal to the maximum reimbursable rate of $140 for two preschool age children for six months.

As a result of the potential variance in total costs given the numerous combinations of eligibility thresholds and insurance benefit designs, and the extreme time constraints under which this report was researched, drafted and presented to Council, BFAAC did not undertake an analysis of the costs of alternative plans. This section, instead, looks at the costs of the UNITY proposal.

Proposal: UNITY's proposal would cost $252.00 per child care provider, per-month (the lowest bid submitted in response to UNITY's request for quotes). UNITY has indicated that the proposal for coverage does not include any premium cost sharing by their child care providers. This plan would offer office visits, prescription benefits, emergency room and hospitalization coverage. Child care providers would be required to make co-payments of between $15 and $250 for services.

Costs: The proposal as made in 2002 would have cost the City $362,880 in FY 03.[6] Assuming a 10% increase in health coverage costs, the FY 04 cost could be $399,168.

Proposal: An alternative proposal considered but rejected by UNITY would have been priced at $471.00 per provider, per month. This proposal would have provided for both a Preferred Provider Option and out-of-network coverage.

Costs: The annual cost to the City for this proposal would have been $678,240 in FY 03. Assuming a 10% increase in health coverage costs, the FY 04 cost would be $746,064.

As noted above, regardless of which plan is selected, the annual cost to the City will vary depending on the number of participating employees, the projected annual increase in cost of coverage, and the eligibility threshold that is set.

[6] Using the eligibility threshold of $3,640 per six-month period, the costs of premiums in FY 04 would be about $323,400 for the 93 providers who would qualify based on payment data for the first six months of FY 03.

BFAAC notes, however, that the costs of coverage for child care providers would be extremely large when compared to their payments from the City. Under UNITY's initial proposed eligibility threshold, child care providers would receive health insurance coverage costing $3,478 per-year, while earning $3,920 per-year. In other words, the cost of health care coverage would be worth 89% of their annual payments from the City of Alexandria.

If the higher eligibility threshold were to be used, child care providers would receive $7,280 in annual payments from the City, and $3,478 in healthcare coverage. In this instance, the coverage would amount to nearly 48% of their annual payments from the City(47.7%).

3. FUNDING AND ADMINISTRATON

Under UNITY's proposal, the City would contribute a monthly amount for each eligible child care provider into a fund for use in purchasing the health benefits, which UNITY would manage and administer (at no cost to the City or the child care providers). As a private entity, UNITY thus would be in the unique position of managing City funds for the benefit of its eligible participants with no apparent oversight by the City. BFAAC notes that this arrangement could raise potential legal issues, which are beyond the scope of this report and BFAAC's expertise. One issue that was discussed with UNITY is whether providers would be required to join UNITY in order to access the benefits program. While this was not fully resolved, UNITY seemed open to further discussion of this. Clearly this required membership could raise other issues for providers who may not wish to join the organization or "sign on" to UNITY's other advocacy activities.

In addition to managing the funds, UNITY also would be responsible for determining which child care providers are eligible for coverage; nevertheless, DHS tracks the hours, payments and number of children assigned to each provider. It should be anticipated that this accounting requirement would remain the responsibility of the City. One additional issue that BFAAC identified was the question of how the payments would be made to the management entity and whether the City's payments on behalf of their contractors would be taxable income to them.

4. OTHER GOVERNMENT PROGRAMS

In its brief investigation, BFAAC has discovered only five instances of state or local governments providing such service, and two Federal programs.[7] Two municipalities (New York City and San Francisco) do have programs to assist independent family child care providers.

[7] There are currently no less than 6 federal bills pending to expand availability of health insurance coverage through pooling of individuals or small employer groups. While some of the pending legislation does provide for federal funds to the states to defray administrative expenses, there appears to be no direct premium subsidy. http://coveringtheuninsured.org/factsheets/

BFAAC notes that none of these programs are directly applicable to the situation in Alexandria. All of the programs, except the one in New York City, are state-level programs that are funded and/or created by state governments rather than localities.

A. Municipal Programs

San Francisco

Coverage: Child care centers and family child care providers. The insurance only covers the individuals themselves, not their families.

Requirements: Centers must join a purchasing pool in order to cover individual employees. Family providers must have total family incomes not exceeding 250% of the federal poverty level (FPL).

Benefits: Health benefits, dental and vision care.

Payments: Family child care providers pay one-third of premiums, the remaining two-thirds are paid by the City. Child care centers pay one-third the cost of employee health insurance; the individual employee pays one-third; the remaining one-third is paid by the City.

San Francisco officials have told BFAAC that the program is paid for by state funds. As a result, this program is not applicable to Alexandria.

New York City

Coverage: Child care centers and family child care providers. The insurance can cover either the individuals or the individuals and their families.

Requirements: As a requirement for receiving city funds, agencies that sign contracts to provide child care services must offer health insurance to family providers located in the same geographic area.

Benefits: Vary, depending upon the insurance policies purchased by the child care center.

Payments: Vary, depending upon the individual policy.

BFAAC notes that Alexandria relies on far fewer family providers than does New York City. Alexandria also has fewer center contractors with small numbers of employers as well. Because of the small numbers in Alexandria and some of the difficulties that center employers have in sustaining coverage for their employees, BFAAC does not believe that New York City's approach would work in Alexandria. Instead, mandating inclusion of family child care providers in the health insurance purchasing of center employers may reduce the long-term viability of health insurance for these center employees. Such an approach may also raise legal issues.

B. State Programs

Rhode Island

Coverage: Individuals employed by child care centers and family child care providers. The insurance only covers the individuals themselves, not their families.

Requirements: Child care centers: 40% of children served must receive subsidized care (centers are pre-qualified on a quarterly basis, and are eligible for six-months' insurance). Family child care providers must care for subsidized children and have been paid at least $1,800 within a six-month period. Once again, eligibility is reviewed every six months.

Benefits provided: Inpatient and outpatient hospital services, doctors' visits, laboratory and x-rays, mental health and substance abuse treatment, home health care, prescriptions, dental and vision benefits.

Payments: Family child care providers make no co-payments or premiums. Child care centers pay half (50%) of premiums, up to a maximum of $85/month per employee.

BFAAC notes that this program is part of Rhode Island's far-reaching Medicaid expansion program, funded by the state of Rhode Island. Therefore it is not applicable to the situation faced by Alexandria.

North Carolina

Coverage: Child care centers and family child care providers. The insurance covers only the individuals, not their families.

Requirements: Centers must have between one and three staff members (depending upon how many children are enrolled) must participate in a state-run training program, or all teaching and administrative staff must have associate or college degrees in child care or education. Family providers must receive a state scholarship to pursue an associate's or college degree, or a degree in child care or education.

Benefits provided: Covered centers and individuals choose their own insurance carrier and coverage.

Payments: State-run child care centers pay one-third the cost of premiums; the individual employees pay the remaining two-thirds. Family child care providers pay the full cost of the premiums.

BFAAC notes that the vast majority of family providers in Alexandria lack associate or college degrees in child care or education, and the Commonwealth does not have a similar teacher training programs. As a result, this program is not applicable to the City's situation.

New York State

Coverage: Small employers, individuals and sole proprietors. Covered people and organizations can purchase individual or family coverage.

Requirements: Employers must have 50 or fewer employees, who work at least 20 hours-per-week and one-third must have annual wages of $30,000 or less, have had no group health insurance for the past 12 months, half (50%) of eligible employees must participate in the state-run program, and at least one employee must receive an annual salary of $30,000 or less. Individuals must not be covered by employer-provided health insurance, most not have had insurance in the proceeding 12 months (the only exception to this requirement is if the individual had a gross household income not exceeding 250% of the FPL and is ineligible for Medicare). Sole proprietorships must be uninsured for the preceding 12 months, have a gross household income not exceeding 250% of the FPL, and generally did not receive employer-provided insurance over the preceding 12 months.

Benefits provided: In-patient hospital services, doctors' visits, maternity care, preventive care, diagnostic and x-ray services, emergency room services, and a limited prescription benefit.

Payments: Employers and employees share the costs. In addition, covered people are charged co-payments and subject to deductibles.

New York's solution is a state-level program that mandates participation by licensed insurers in the State. The State pays the cost of reinsurance to help with insurance pool risk issues posed by the mandatory program. The State also passed legislation that exempts this program from state-mandated health insurance benefits, such as mental health treatment, in order to make the premiums more affordable for individuals and small employers. Again, this program is a state-created and mandated insurance program and as such is not applicable to Alexandria.

C. Federal Programs

The Arlandria Clinic's service area, with the support of the City of Alexandria's Department of Health, was recently designated as a medically underserved area. The Director of the Health Department met with BFAAC regarding the continued progress on this front. First, the City and Arlandria Clinic will be seeking federally qualified health center (FQHC) status for the clinic. In addition to the federal grant funding that the new FQHC would receive, the clinic will receive higher reimbursement rates for services to Medicare, Medicaid, and FAMIS beneficiaries. It will also provide for an on-site pharmacy that will also receive special pricing for drugs dispensed to clinic users.

Staff said that such a grant application process could take between 12 and 18 months. Staff indicates that, assuming the application is approved, establishing a clinic would take an unknown additional time. Once fully operational, the Arlandria FQHC will fill an important void in the health care delivery system in the area, but will not completely fill the need for specialty and hospitalization services.

Another federal program, the Community Access Program, is designed to help communities reorganize their health care delivery systems to provide better coordinated, more efficient care for uninsured residents. Beginning in federal fiscal year 2000, CAP grants have been given to fund community-based approaches to serve the uninsured and underinsured. CAP grants are designed to increase access to health care by eliminating fragmented service delivery, improving efficiencies among safety net providers, and by encouraging greater private sector involvement. Underscoring all CAP efforts is the vision and reality of providing "better health for more people for less cost." For the most part, CAP grants are intended to better organize existing charity or uncompensated care funding and redirect these dollars to improve access to primary care and ambulatory services, while reducing reliance on emergency room and similar services.

The FY 03 budget submitted by President Bush includes additional funding for the CAP grant program, which would provide additional CAP grants to states and local governments for clinics in medically underserved communities. With the recent designation of the Arlandria Clinic area as a medically underserved area, the City may be eligible to apply for a CAP grant. This would require collaboration and cooperation across the City's health care system, including the Department of Health, the Arlandria and Casey clinics, and INOVA Alexandria Hospital.

BFAAC notes that there are many uncertainties involving these federal grant programs. While the City is moving to better avail itself of federal health program funding, the timing of these initiatives makes it unlikely that they will able to assist family child care providers within the next two years.

Further, as noted above, the clinic program will only solve part of the lack of access to health care services UNITY and other uninsured persons in the community face. The high cost of inpatient services and medical indebtedness difficulties that individuals face would only be partially solved through a CAP grant, which would require the full commitment of INOVA Alexandria Hospital. Again, the lead time for developing a grant proposal and implementing a CAP in Alexandria would not address the problem for a period of three to four years.

5. PRECEDENT

There are two potential types of precedent that having the City fund health insurance for child care providers may set: (1) precedent for City employees (e.g., part-time, temporary/seasonal) and (2) precedent for other City contracted providers (e.g., companion aides). This section also examines how the City should or could handle such precedents.

BFAAC cautions that providing health insurance to child care providers likely will create a precedent to provide similar services to a large number of other City employees or contractors. Requests by such employees or contractors may be difficult to rebut. In addition, granting health insurance to child care providers may increase the pressure on Council to grant other benefits (such as paid time off/vacation) to the providers. BFAAC wishes to acknowledge the comments received from UNITY representatives, who stated that the level of compensation that

the family child care providers receive is significantly below these other groups and therefore differentiates the situation of the family child care providers from those of others who might seek similar benefits.

BFAAC notes that the City Manager has stated that health insurance "is one of the fastest growing expenditure categories," and that large rate increase are expected "for the foreseeable future."

City Employees

1,054 City employees are currently ineligible to receive health insurance through the City. The total includes 491 part time employees and 563 temporary workers. Those employees could request the same health insurance benefits as may be granted to child care providers.

Other City Contract Providers

Companion Aides
As of February 11, 2003, the Department of Human Services reports there were 104 persons who provided companion aide services to eligible residents. Those companion aides, as with the child care providers, are paid as contractors and do not receive City benefits. The companion aides could request the same health insurance benefits as may be granted to child care providers.

Campagna Center
The City also contracts with Campagna Center and other local organizations to provide child care services for low-income residents. In an August 2001 memorandum, staff noted that workers at those day care centers "will want the same benefit" as is granted to child care providers. Those comments are proving to be prescient: Representatives of the Campagna Center requested to be kept informed of the UNITY study and to meet with BFAAC to present their position on the issue. They have told BFAAC they will request benefits similar to any granted the child care providers.

Other Social Service Providers
In addition, there are 167 organizations, companies and individuals who provide social services to low-income residents on a contract basis, with payments made by the City to those entities on behalf of the low-income residents who receive the services. These services and individuals range from taxicabs providing no-cost or low-cost rides, psychologists, psychiatrists, social workers and drug treatment counselors. DHS staff believes that 30 of the professional service providers already have health insurance, leaving 130 who may request the same health insurance benefits as may be granted to child care providers. While there may be others, these were the entities and individuals that BFAAC was able to identify and for which estimates could be made.

Handling the Precedent

UNITY representatives have stated that they do not believe granting health insurance to child care providers sets a precedent. UNITY stated that health insurance would not be a benefit, but merely a way of increasing the reimbursement rate absent a new market survey and regulations. They also believe that the Council already set a precedent when it decided to raise the level of compensation for the family child care providers to the same level paid in Arlington, which did not result in any changes with regard to other providers in Alexandria. UNITY stated that in this case, City Council set a precedent that differentiates the family child care providers from others in the City.

BFAAC notes that child care providers are not City employees; rather, they are "employed" by their clients, for whom they perform child care services. Although the City administers the program by making payments on behalf of these clients with a combination of Federal and state dollars at a "reimbursement rate" set by the Commonwealth, the City has no contractual or employment relationship with the providers.

Judging by the comments made by representatives of the Campagna Center to BFAAC, BFAAC believes that it is not a question of *whether* certain other groups will also request the health benefits, but *when*.

BFFAC notes that it could be difficult to explain why other uninsured employees or contractors are not eligible for taxpayer-provided health insurance. For example:

- 104 companion aides likewise provide contract services to the City and are reimbursed by state and federal dollars. These aides may perceive that, if the child care providers are granted health insurance, they should receive such a benefit as well.

- 1,054 current City employees do not receive health insurance. Those employees could argue that, as employees and not contractors, they should receive City-provided health insurance. While the health insurance status of these individuals is unknown, some number of them are uninsured or underinsured and would wish to access City health insurance.

- Other non-profit groups also employ working poor who also provide child care and other services to City residents outside of UNITY. If the contracted child care providers are receiving health insurance, these other providers may desire consideration as well.

Long-Term Fiscal Impact

Given the potential precedent, BFAAC advises the City to carefully consider the potential fiscal impact of granting health insurance benefits to contractors. As noted above, staff and BFAAC believe that numerous other groups representing City employees, contractors, retired employees and low-income residents likely will seek the same type of health insurance benefit. Therefore, Council should examine not just the fiscal impact of granting benefits to child care providers but also the costs of providing health insurance to all other groups in its decision making process.

BFAAC's rough estimate is that, using the low-bid included in UNITY's 2002 proposal, the potential costs of providing health insurance to child care providers and at least some of the other groups would be as follows:

(NOTE: The following formula was used in the calculations below: Number of affected individuals X $252 (amount of low-bid for single insurance received by UNITY) X 12). Note that these figures would likely be escalated by 10% in FY04.

Cost for Child Care Providers (in FY 03):	$363,000
Cost for City Employees (in FY 03)[8]:	$1,594,000 – 2,390,000
Cost for Companion Aides (in FY 03):	$315,000
Costs for Other Contract Providers (in FY 03):	$393,000

CONCLUSION/ALTERNATIVES

BFAAC has discovered only five instances of state or local governments provided such services. Several possible federal programs could address some of the health care needs of the uninsured population. However, all have lead times of two or more years. BFAAC finds that none of these programs are directly applicable to the situation in Alexandria.

BFAAC cautions that providing health insurance to child care providers likely will create a precedent to provide similar services to potentially thousands of other uninsured or low-income employees, contractors or individuals. Requests by such employees, contractors or individuals may be difficult to rebut. In addition, granting health insurance to child care providers may increase the pressure on Council to grant other benefits (such as vacation) to the providers. BFAAC also notes that health insurance is one of the fastest growing expenditure categories in the City Budget.

While the clear goal of the UNITY proposal is to provide health coverage to its eligible child care providers who would be otherwise uninsured, the reality of the matter is the one in six Americans is without any form of health care coverage. Absent a form of national healthcare coverage, the City, its employees, private-sector employers and workers, and individuals must rely upon benefits through private insurance, employer sponsored group healthcare, or benefits available through state and federal programs.

UNITY's goal of providing health insurance coverage to contract employees is understandable. However, the costs of providing such coverage to these providers, coupled with the potential costs of making similar coverage available to other similarly situated contractors and City employees, make the potential cost to the City (in the near-term and beyond given escalating

[8] Because of the uncertainty surrounding the estimated number of these employees who would seek insurance, BFAAC estimated that 50 to 75 percent of the part-time City workers would enroll in health insurance if it was offered to them.

costs of health care) something that must be carefully considered by Council in the context of the City's overall budget priorities.

That is not to say that the City cannot help obtain coverage for child care providers and, indeed, all uninsured Alexandrians. The City should explore other options, including:

1. Pursue investment of state, federal and City funds to make current City health clinics and INOVA Alexandria facilities more readily available and affordable.[9] Medical indebtedness is a large concern for the family child care providers (and others in the community). The City should focus on garnering additional indigent care funds, increasing funding for the state and local hospitalization program, and improving Medicaid and FAMIS enrollment for those who are eligible. INOVA should assist the City in these efforts.

2. Facilitate relationships among other child care providers or groups for purposes of group health coverage underwriting.

3. Pursue efforts to improve Virginia's use of innovative strategies at the state level to reduce the number of uninsured persons in the City such as the recent legislation passed in the Commonwealth's House of Delegates and Senate. For example, H.B. 1882, which was approved by the General Assembly, essentially gives a state subsidy for up to 200 working families with disabilities, thereby allowing them to buy into Medicaid. BFAAC notes that H.B. 1822 does not address the issue of health insurance coverage for child care providers, but it is a step in the right direction. BFAAC urges the Council to work with the Governor, and Members of the General Assembly to expand such programs in order to allow more persons without health insurance, including child care providers and others, to receive coverage.

[9] The Health Director, Dr. Charles Konigsberg, has advised BFAAC that although not yet a reality, he was hopeful that Alexandria could demonstrate the need for a federally qualified Community Health Center. The non-profit Alexandria Neighborhood Health Services Inc. (ANHSI) will be applying for a grant to start a Community Health Center.