



## The HUSKY Program Budget in Context: An Analysis of the Governor's FY 2011 Budget Proposal

Revised February 18, 2010

### Why Public Investment is Important

The HUSKY program is a central component of Connecticut's system of health care for children. Nearly one in three children in the state is enrolled in the program. The HUSKY program provides health insurance coverage for nearly 240,000 children and 118,000 parents and pregnant women through HUSKY A (Medicaid managed care) and over 15,500 children in HUSKY B (Children's Health Insurance Program managed care). Enrollment is up 8.0% in the past year, as fewer Connecticut families have been able to obtain or afford employer-based health insurance since the recession began. While children and parents/caregivers make up 75% of persons covered by Medicaid in Connecticut, they account for just 24% of all Medicaid spending.<sup>1</sup> The federal government currently reimburses Connecticut for 60% of the costs of HUSKY A and 65% of the costs of HUSKY B. Put in another way, for every \$3 Connecticut spends, the federal government reimburses the state almost \$2.

HUSKY is a smart public investment. National data show that children with health insurance are more likely to have a usual source for care, more likely to have had health care in the past year, and less likely to have gone without needed care. Families that have lost their jobs and health care coverage during this economic downturn have turned to the HUSKY Program to ensure access to needed care. But for the HUSKY Program, thousands more children, pregnant women and parents would be uninsured. Although we have made gains in covering more families, Connecticut still has over 340,000 uninsured residents, including about 44,000 children under 18.<sup>2</sup> Health care coverage is an essential part of Connecticut's core public infrastructure.

### Connecticut's Public Investment in Health Care Coverage

FUNDING FOR THE HUSKY PROGRAM					
	FY 08 Actual <sup>a</sup>	FY10 Estimated <sup>b</sup>	FY11 Appropriated <sup>b</sup>	FY 11 Governor's Recommended	Difference between Governor's recommended FY11 and FY11 budgeted
<b>HUSKY A</b>	\$830,653,499 <sup>c</sup>	Part of Medicaid budget			
<b>HUSKY B</b>	\$32,522,121	\$34,761,200	\$36,463,900	\$37,048,000	\$584,100
<b>HUSKY outreach, including HUSKY Infoline</b>	\$1,663,989	\$671,129	\$706,452	\$0	-\$706,452
<b>HUSKY Program performance monitoring<sup>d</sup></b>	\$218,317	\$207,401 <sup>e</sup>	\$218,317	\$218,317	\$0

<sup>a</sup> FY08 actual expenditures, not adjusted for inflation.

<sup>b</sup> Estimated expenditures for FY10 and appropriation for FY11, based on the budget that was passed by Connecticut General Assembly 8/31/09 and went in effect without the Governor's signature. The legislature passed a revised budget on 12/21/09 that was vetoed by the Governor.

<sup>c</sup> Medicaid expenditures for managed care organization payments (\$716,165,608) and behavioral health partnership services and administration (\$114,487,891), not including pharmacy payments after 2/1/08. Source: FY08-09 budget, Table I FY08 Medicaid Appropriations, p.338.

<sup>d</sup> HUSKY Program performance monitoring has been state-funded since 1995 in a line item labeled "Children's Health Council" in the FY10-11 budget for the Department of Social Service.

<sup>e</sup> The Department of Social Services had not contracted for HUSKY performance monitoring in FY10.

## Budget and Policy Trends

Under provisions of the American Recovery and Reinvestment Act (ARRA) of 2009, Connecticut and other states have drawn down enhanced federal matching funds for Medicaid. In return, states have been prohibited from cutting back on eligibility or taking steps to erect barriers to coverage. The enhanced payments and “maintenance of effort” requirements are scheduled to end in December 2010. Connecticut is counting on Congress to extend fiscal relief in 2011 (estimated \$265 million in state fiscal year 2011).

The HUSKY Program has recently undergone significant changes aimed at improving health care access for Connecticut children and families. In the past two years, new managed care organizations have come into the program, pharmacy care and dental care have been carved out of managed care, and primary care case management is now offered as an alternative for families in some parts of the state. Provider reimbursement was increased across the board in 2007 and for dental care providers in 2008. Meanwhile, enrollment has increased dramatically. Maintaining independent performance monitoring of the HUSKY Program will help to ensure that policymakers have the information they need for oversight and for evaluating the effect of program changes. Legislators need to know whether over \$800 million spent in the HUSKY program provides access to quality and timely health care to children and families.

When families experience hard times, it is important that they know health care coverage is available for their children. Outreach is a vitally important component of the HUSKY Program. In addition, the HUSKY Infoline provides invaluable one-to-one assistance for families with questions or difficulties obtaining coverage or needed care. In recent years, state funding for HUSKY outreach has been cut by half. In the meantime, community based organizations such as Healthy Start continue to help families obtain coverage. With funding from the Connecticut Health Foundation, Connecticut Voices for Children supports a statewide coalition of organizations that conduct HUSKY outreach. In 2009, the federal government awarded \$1.4 million for outreach in Connecticut.<sup>3</sup>

## Governor's Proposed FY 11 Budget Adjustments

The Governor has proposed the following cuts that will directly affect children and families in the HUSKY Program:

- **Increase premiums for children in HUSKY B:** Raise premiums for children in HUSKY B Band 2 (235-300% of the federal poverty level; over 5,000 children under 19) from \$30 per child per month (\$50 per family per month maximum) to \$50 per child per month (\$75 per family per month maximum). New and increased premiums would result in thousands of children losing HUSKY coverage. When HUSKY B premiums were raised in 2004 and again in 2005, thousands of children would have lost coverage had the premium increases gone into effect. Recognizing the harmful impact, policymakers repealed the premiums — twice. Connecticut should avoid repeating mistakes of the past. If families lose their HUSKY coverage, the costs for children's health care will shift elsewhere in the health care system in the form of increased use of emergency rooms and uncompensated care in clinics, provider's offices, and hospitals. Estimated savings: \$1,440,000.
- **Increase co-payments in HUSKY B:** Raise cost-sharing for children's health services to amount paid for services under the state employees' health benefits program; for example from \$5 to \$10 or \$15 per outpatient physician visit, from no co-payment to \$10 or \$15 for each outpatient visit for mental health care or substance abuse treatment. Co-payments discourage the use of needed health care. Families that have difficulties paying are likely to forego needed care or be turned away by providers who have been unable to collect for previous visits. The burden for increased co-payments will fall on families and on the providers and hospitals that must collect the new fees. Estimated savings: \$710,000.
- **Eliminate funding for HUSKY Infoline:** Discontinue funding for one-to-one telephone assistance now available to help families enroll eligible children and obtain needed care. Estimated savings: \$706,452.
- **Impose new co-copayments on parents and other adults in the Medicaid program:** Charge adults nominal co-payments for services other than inpatient, emergency, home health, laboratory or transportation, including preventive care, up to 5% of family income, with caps on pharmacy services. Children and pregnant women would be exempt from the co-payment requirement. Estimated savings: \$9,000,000.

- **Discontinue coverage of most non-prescription medication for parents and other adults in Medicaid:** With the exception of insulin and insulin syringes, eliminate coverage for analgesics, anti-inflammatories, and other over-the-counter medications used to treat health conditions alone or in combination with prescription medications. Estimated savings: \$7,670,000.
- **Eliminate coverage for eyeglasses and services provided by optometrists for adults in Medicaid:** Eliminate coverage for eyeglasses and contact lenses, but maintain coverage for eye exams and services by ophthalmologists. Estimated savings: \$4,600,000.

In addition, the Governor has recommended programmatic changes that will save money and, with proper oversight and contract management, may lead to improved service for children and families in the HUSKY Program:

- **Convert HUSKY to a non-risk model:** Eliminate managed care for children and families in HUSKY A and B, then continue support for families under a non-risk arrangement with an administrative services organization (as is currently the administrative model for behavioral health services and dental care in the HUSKY Program). Estimated savings: \$28.8 million.
- **Provide Medicaid coverage of medical interpreters through one vendor:** By restricting services to one centralized vendor, reduce costs associated with providing foreign language interpretation for Medicaid clients with limited English proficiency. Estimated savings: \$1,800,000.

## The Bottom Line

Just when the economic recession has increased unemployment and increased the risk of families losing employer-based health coverage, Governor Rell has proposed balancing the budget with some substantial cuts to health services for children and families in the HUSKY Program. During this economic downturn, Connecticut should step up its support for HUSKY and Medicaid, not cut back. These programs help children and families maintain their health by providing essential health care coverage when workers lose their jobs. Cuts to HUSKY are penny wise and pound foolish, particularly in this environment. Preventive care through HUSKY can help reduce costs for the entire health care system. Because the federal government currently covers a significant portion of the cost, Connecticut would have to cut about \$3 from HUSKY A or over \$3 from HUSKY B in order to save just \$1 in state funds.

Experience in Connecticut and other states has shown that decreasing outreach and increasing out-of-pocket costs for families may save the state money in the short run, but the savings come as a result of *keeping eligible children and parents from applying for coverage and getting needed care*. In addition, these reductions in coverage are likely to shift costs to families and other parts of the health care system when people seek care from safety net providers and emergency departments.

In addition, the federal government must be a full partner in helping Connecticut maintain essential services for children and families. Congress should step up to the plate and extend enhanced federal matching funds into 2011.

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**Connecticut Voices for Children is a non-profit organization that conducts research and policy analysis aimed at improving the lives of Connecticut's children and families. This brief was prepared by Mary Alice Lee, Ph.D., Senior Policy Fellow, and Sharon Langer, M.Ed., J.D., Senior Policy Fellow, with support from the Connecticut Health Foundation.**

<sup>1</sup> Kaiser Commission on Medicaid and the Uninsured. Connecticut: Distribution of Medicaid enrollees by enrollment group, FY2006; distribution of Medicaid payments by enrollment group FY2006. [www.statehealthfacts.org](http://www.statehealthfacts.org). Accessed January 19, 2010.

<sup>2</sup> US Census Bureau. 2008 data for Connecticut from the 2009 Current Population Survey. [www.census.gov](http://www.census.gov). Accessed September 10, 2009.

<sup>3</sup> The US Department of Health and Human Services awarded funding for outreach for a two-year period ending December 31, 2011, to the following Connecticut organizations: Community Health Center, Inc. (\$400,484), Community Health Center Association of Connecticut (\$988,177), and Hartford Catholic Charities (\$104,423).