CONNECTICUT VOICES FOR CHILDREN

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Testimony Regarding: H.B. 6402: An Act Concerning Maximization of Medicaid Reimbursement for the State of Connecticut and Federal Matching Percentage Rates

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Human Services Committee
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Dear Senator Doyle, Representative Walker, and Members of the Human Services Committee:

I am a Senior Policy Fellow with Connecticut Voices for Children, a research-based public education and advocacy organization that works statewide to promote the well-being of Connecticut's children, youth and families.[1]

I am here today to testify regarding **HB 6402, An Act Concerning Maximization of Medicaid Reimbursement for the State of Connecticut and Federal Matching Percentage Rates.** This bill would require the Department of Social Services in consultation with the Office of Policy and Management to conduct a study as to how the State can maximize federal funding for its Medicaid program. Our view can be summed up succinctly: The executive and legislative branches should be working together to maximize federal Medicaid reimbursement. Such a process should include other stakeholders, for instance, the Medicaid Managed Care Council, Behavioral Health Oversight Council and similar groups whose members have knowledge and expertise concerning this complicated program, its impact on beneficiaries and providers, and financing structure.

The bill requires the agencies to study whether Connecticut should seek a change in its FMAP. A state receives a set percentage reimbursement rate from the federal government. Generally, our state receives 50 cents back from the federal government for every dollar it spends in the Medicaid program (a 50% match rate). One can't tell from the bill language, but I assume the question to be answered by the study is whether the State should seek to *reduce* its federal share. The short answer is "no". Our neighbor, Rhode Island, is instituting a global Medicaid waiver in which it agrees to

[1] One of my roles at CT Voices is to coordinate the *Covering Connecticut's Kids & Families* coalition, which brings together state and community-based organizations to promote coverage and access to care in the HUSKY Program. It has been a successful vehicle for distribution of up-to-date information about the program to the many stakeholders who care so much about improving the health of vulnerable children and families, and has been invaluable to my understanding of how the program works "on the ground". I am also currently an appointed member of the HealthFirst CT Authority that is developing recommendations for how to enact universal health care coverage in our state. In addition, I was recently re-appointed to the Behavioral Health Partnership Oversight Council which advises the Departments of Social Services (DSS) and Children and Families (DCF) concerning the provision of mental health services to HUSKY families and many of the children served by DCF.

reduce the amount of money that it receives from the federal government in order to gain increased flexibility in its Medicaid program. This means that "under Rhode Island's proposal the state would receive an annual block grant of a fixed amount, and would get no additional federal funds to help address unanticipated increases in health care costs or enrollment. If such cost or enrollment increases occurred, the state would have to increase its own spending or cut eligibility, benefits, or provider payments." [2] Such an approach is a disaster when – as now - more people turn to Medicaid as they lose their jobs.

I will speak to maximization of federal funding in the context of the newly enacted Children's Health Insurance Program Reauthorization Act (CHIPRA, referred to below as CHIP) (P.L. 111-3) and the federal stimulus package (The American Recovery and Reinvestment Act). The latter is expected to be signed into law by the President this week. Together these two pieces of federal legislation will bring more than $1.3 billion in new federal Medicaid and CHIP funding over the course of the next few years. CHIP is authorized from April 1, 2009 through September 30, 2013. The federal stimulus covers the period October 1, 2008 through December 31, 2010. We believe that in light of this large infusion of federal health care dollars, and the role of Medicaid and CHIP as counter-cyclical measures, the state should not be cutting back its Medicaid and HUSKY programs as recommended by the Governor which shifts costs to low-income families and individuals. (HUSKY is financed with the help of both federal Medicaid and CHIP dollars).

The federal stimulus increases the amount that Connecticut will be reimbursed for its Medicaid program during 9 calendar quarters beginning October 2008. The FMAP will increase by at least 6.25 percentage points above the base rate - from 50% to 56.25% (i.e., from 50 cents to 56.25 cents for each dollar spent in Medicaid).[3] States with high unemployment (which includes Connecticut) will receive additional percentage increases in their federal matching funds.[4] As a result, DSS, as the state's Medicaid agency, must make sure that it and other agencies, such as DCF, DDS, DMHAS, DOE and DPH, claim federal matching funds for all services that may be reimbursed under Medicaid.

Examples, of state-funded programs that could but do not currently receive federal Medicaid matching funds:

- **State Administered General Assistance (SAGA) Medical Program**

Under 17b-192(g), DSS was authorized to seek a waiver from the federal government to make SAGA a Medicaid program no later than January 1, 2008. DSS has not pursued a federal waiver. To be eligible for Medicaid, an individual must fit into an eligibility category: child, parent, pregnant woman, person with disabilities or an elderly individual. A federal waiver is needed because Medicaid does not cover childless adults – those who are typically on SAGA. Currently, the state claims federal funding for the hospitalization costs of SAGA recipients (approximately $100M including the federal share). With a Medicaid waiver, DSS could claim a federal match on doctor fees, and other community-based medical services, thereby claiming another approximate $50M in federal reimbursement.

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[2] J. Solomon, Center on Budget and Policy Priorities, *Rhode Island's Medicaid Proposal Would Put Beneficiaries at Risk and Undermine the Federal-State Partnership* (September 4, 2008), *available at* www.cbpp.org/9-4-08health.htm

[3] I. Lav, E. Park, J. Levitis, M. Broaddus, Center on Budget and Policy Priorities, *Recovery Act Provides Much-Needed Targeted Medicaid Assistance to States*, available at www.cbpp.org/2-13-09sfp.htm

[4] *Id.*

- **Behavioral Health Services**

There is a long list of services for which federal funding could be claimed. For many of these services, the state would have to seek permission from the federal government through a waiver to obtain federal reimbursement. The list includes case management, illness self-management and recovery, family psychoeducation, support services related to supported housing, mobile crisis services, peer specialist services, telemedicine/telemental health, support services for supported education, assertive community treatment. We suggest that this Committee consult with mental health advocates for more information on ways in which the State may be able to maximize federal revenue currently, and ways in which we may want to change our program in order to take advantage of federal claiming in the future.[5]

Example of a program that should receive federal Medicaid matching funds with a small state investment:

- **Family Planning Services**

Under 17b- 260c, DSS was authorized to seek a waiver from the federal government to cover individuals who are ineligible for Medicaid but could utilize family planning services. It has yet to submit the waiver. The federal government reimburses the federal government ***90 cents*** on every dollar. Twenty Seven (27) states have taken advantage of this opportunity to cover family planning services by, for example, extending coverage for family planning services to women losing Medicaid postpartum coverage for up to two years, or to individuals based solely on their income who would otherwise be ineligible for Medicaid (e.g., childless adults).[6] Research shows that investment in family planning services saves states money. [7] It reduces unintended pregnancies and allows families to space their children. It is good fiscal and social policy.

Opportunities in the CHIP Legislation

There are new opportunities in the CHIP bill to help Connecticut maintain its commitment to children and families in HUSKY and also to make improvements to the program. CHIP reimburses Connecticut 65 cents on the dollar for the subsidized portion of our HUSKY B program that covers children between 185% and 300% of FPL. This means we have to cut $3.00 in HUSKY B to save a state dollar and $2.00 in Medicaid to save a dollar (with the increased FMAP for Medicaid, we will have to cut more than $2.00 to realize the same savings).

Unlike Medicaid – CHIP is a capped entitlement. Unlike most states, Connecticut has never used its entire federal CHIP allotment. If we don't use all the allotted money, the federal government redistributes the unspent portion to other states. From the beginning of the CHIP program in 1997

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[5] See,S. Geballe and S. Langer, Connecticut Voices for Children, *Moving Away from Crisis?: Alternatives in Financing Child Welfare Services in Connecticut* (May 2005), available at www.ctkidslink.org/pub_detail_235.html. Since the publication of this report, Connecticut has made some changes in the way it provides community-based mental health services to Medicaid/HUSKY enrollees in order to claim additional federal dollars. But more could and should be done.

[6] Guttmacher Institute, *State Policies in Brief: State Medicaid Family Planning Eligibility Expansions (as of February 1, 2009)*, available at www.guttmacher.org

[7] R. Gold, Guttmacher Institute, The Guttmacher Report on Public Policy, *Doing More for Less: Study Says Family Planning Expansions Are Cost Effective*, (March 2004, Vol. 7, No. 1), available at www.guttmacher.org

to 2007, *over $100M* allocated to Connecticut was left on the table for redistribution to other states.[8] Under the new CHIP bill, we will have only two – rather than three – years to spend our allotments. In addition, the amount of the allotments will now be based on the state's projected spending on its program rather than the estimated number of uninsured children in the state. Connecticut is slated to receive an increase from $29M to approximately $45.6M in federal funding in FFY 09.[9] Our *combined* state and federal spending on HUSKY B in FY 08 was only $32M.[10] (Some of the CHIP funds are used as well to increase the federal reimbursement for certain children on Medicaid; see below.)

Specific ways in which CHIP helps Connecticut:

- **Restores federal funding for recent legal immigrants**. Connecticut will be able to claim federal Medicaid and CHIP matching funds for pregnant women and children on Medicaid, and HUSKY A and B, who are recent legal immigrants. Under the 1997 federal "welfare reform" law, states were prohibited from using federal matching funds to cover legal immigrants in the US for fewer than five years. To the credit of state lawmakers, Connecticut has maintained coverage for this population with state-only dollars. Connecticut now has the opportunity to claim federal reimbursement of 56.2 cents and 65 cents on every dollar for eligible immigrants in Medicaid/HUSKY A and HUSKY B, respectively.[11]
- **Funds translation and interpreter services**. Connecticut will be able to claim ***75 cents*** on every dollar spent on translation and interpretation services to help individuals enroll and renew Medicaid and HUSKY A and B coverage and to use medical services.[12]
- **Increases federal match for pregnant women**. Connecticut may be able to claim the CHIP matching rate (65 cents on the dollar) for pregnant women above 185% FPL. Currently, Connecticut covers pregnant women with family income under 250% FPL under Medicaid.
- **Increases match rate for certain children in Medicaid**. Connecticut will be able to draw down the CHIP match for children in Medicaid with family income above 133% FPL. (The law rewards states, like Connecticut, that expanded Medicaid income limits for children before the original CHIP legislation was passed in 1997). Up until now states were limited to using no more than 20 percent of their CHIP allotment for children in Medicaid with income above 150% FPL.
- **Provides performance bonus payments to states**. The goal of the bonuses is to encourage states to enroll more uninsured but eligible children in Medicaid. A state will be eligible to receive a bonus if it uses five of eight simplification strategies and reaches a certain target level. (Connecticut already uses at least four of the strategies). The target is based on

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[8] See, R. McAuliffe and S. Langer, CT Voices for Children, *Connecticut Losing Out on Federal Funds for Children's Health Coverage*, (Feb. 2008), available at www.ctkidslink.org/pub_detail_392.html.

[9] See , D. Homer, J. Guyer, C. Mann, J. Alker, Center for Children and Families, Georgetown University Health Policy Institute, *The Children's Health Insurance Program Reauthorization Act of 2009: Overview and Summary (Feb. 2009*), for an overview of the new CHIPRA legislation, available at http://ccf.georgetown.edu. Much of the information above regarding CHIRPA comes from the Center's summary.

[10] Governor's Budget: FY 2010 and FY 2011 Biennium ("Governor's Budget"), at 538; available at www.ct.gov/opm.

[11] The Governor proposes to eliminate coverage for *all* legal immigrants, Governor's Budget, *supra* at 519.

[12] The Governor proposes to eliminate language interpretation services as a Medicaid covered service, Governor's Budget, *supra* at 519.

FY 2007 enrollment in Medicaid with adjustments for the annual growth in the population of children in the state plus an additional percentage.

- **Funds outreach.** The state (as well as local governments and other organizations, such as community-based organizations) will be eligible for new outreach and enrollment grant funds ($90M nationwide). The state will not have to put up matching funds; however, a state that receives a grant must maintain spending on outreach and enrollment from the previous fiscal year to qualify for the grant.[13]
- **Helps states verify US citizenship of new HUSKY applicants.** The law extends verification of US citizenship to children in CHIP (HUSKY B). Currently, children, parents and pregnant women in Medicaid (HUSKY A) are subject to the requirement. Under the Deficit Reduction Act of 2005 and implementing regulations, states have struggled with the rigid citizenship rules. This new option allows states to verify citizenship by submitting names and SSNs to the Social Security Administration. Connecticut currently does this in certain circumstances. States will receive 90% match rate for development of such an electronic system and 75% match rate for maintenance or operation of the system. Since Connecticut currently has an electronic interface with the SSA , it may be able to take advantage of the higher match rate for operation of its system.
- **Helps children, pregnant women and parents gain eligibility for HUSKY sooner.** *Effective immediately*, children, pregnant women and parents who meet other eligibility criteria, must be given Medicaid/HUSKY coverage while they are obtaining proof of citizenship. Prior to CHIP Reauthorization, they could not gain coverage until they provided proof of US citizenship, causing delay in coverage and access to care. Also, newborns who are enrolled in Medicaid for one year based on their mother's eligibility for Medicaid no longer have to provide proof of US citizenship when they turn age one. These changes mean that DSS will be able to devote fewer administrative resources to documentation of citizenship at a time when the agency is called upon to do more with less.

Thank you for this opportunity to provide testimony regarding the opportunities we now have available to maximize the claiming of available federal revenues through Medicaid and CHIP. In this way we will be taking full advantage of our partnership with the federal government in maintaining critically needed health care for so many of Connecticut's children and families.

[13] The Governor proposes cutting HUSKY community-based outreach in FY10 by $500,000, *Id.* at 538. This proposal would *eliminate* the community-based outreach grants put into place by the Governor in 2007.