CONNECTICUT VOICES FOR CHILDREN

33 Whitney Avenue
New Haven, CT 06510
Voice: 203-498-4240
Fax: 203-498-4242

53 Oak Street, Suite 15
Hartford, CT 06106
Voice: 860-548-1661
Fax: 860-548-1783

www.ctkidslink.org

Testimony Regarding the Department of Social Services Budget: HUSKY Program

Sharon D. Langer, M.Ed., J.D.
Appropriations Committee
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Dear Senator Harp, Representative Geragosian, Senator Prague, Representative Hamm, Representative Villano and Members of the Subcommittee on Human Services:

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.

I am here today to *oppose* the Governor's Budget recommendations for the HUSKY Program. Jamey Bell, Executive Director of CT Voices, is also submitting written testimony regarding the Governor's budget and its impact on adult and children's dental services, medical interpretation and HUSKY independent performance monitoring. I will therefore highlight other areas of the Governor's budget that negatively impact the HUSKY program. The Governor's budget reductions in HUSKY will result from *eligible* families failing to enroll in the program due to unaffordable premiums, *eligible* families failing to utilize preventive health care due to unaffordable co-pays, and health care providers being on the hook for co-pays that they cannot collect from many of the individuals whom they treat.

The Governor's proposals to cut $273M[1] from health care programs for families and individuals should be carefully evaluated in light 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). Together these two pieces of federal legislation will bring more than ***$1.32 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.

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).[2] States with high unemployment, including Connecticut, will receive additional percentage increases in their federal matching funds.[3]

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. (HUSKY is financed with the help of both federal Medicaid and CHIP dollars). The Governor's recommendations shift costs to low-income families and individuals – costs they simply cannot afford. We have enacted or attempted to enact many of these proposals before. The results: Thousands became uninsured, utilization of more expensive health care services increased, and investment in our health care infrastructure suffered.

We urge lawmakers to evaluate the cost effectiveness of modifying the structure of the HUSKY managed care program. Instead of paying private health plans a monthly capitated fee to manage the risk associated with providing health care to families, DSS would contract with an administrative services organization to provide administrative functions of the program, as it now does for behavioral health and dental services under HUSKY. An ASO can credential providers, help with scheduling appointments, transportation, etc.[4]

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 about $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 even more to realize the same savings.*

Unlike Medicaid – CHIP is a capped state entitlement. *Connecticut has never used its entire federal CHIP allotment.* If we do not use all the allotted money, the federal government redistributes the unspent portion to other states. From the beginning of the CHIP program in 1997 to 2007, *over $100M* allocated to Connecticut was left on the table for redistribution to other states.[5] 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,[6] far more than our combined state and federal spending on HUSKY B in FY 08 ($32M).*[7] Additional CHIP funds will be available to increase the number of children in *Medicaid* whose coverage qualifies for the higher federal match rate.[8]

We **oppose** the following specific proposals in the Governor's budget:

- **Elimination of state-funded health care coverage for legal immigrants:** Immigrant families in Connecticut work and pay taxes to contribute to HUSKY, yet they and their children will be denied coverage for non-emergency care. This is wrong. In addition, under the new CHIP legislation, Connecticut will be able to claim federal Medicaid and CHIP matching funds for pregnant women and children on Medicaid (HUSKY A) and HUSKY 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.[9]

- **Reduction in access to health care by increasing premiums and co-pays for HUSKY families:**
    - Imposes premiums and co-pays on adults in HUSKY A
    - Imposes co-pays on children in HUSKY A
    - Increases premiums on many of the children in HUSKY B [10]

  Past attempts to increase premiums for HUSKY families have resulted in thousands of families dropping off the program when they could not afford the increased costs.[11] These increases were reversed by policymakers when the effect became clear. Research shows that the uninsured are increasingly less likely to obtain health insurance as premiums increase.[12] The federal stimulus package may prohibit DSS from imposing premiums on Medicaid enrollees if premiums are considered a change in eligibility rules that reduce coverage. The stimulus requires states to maintain their eligibility rules and procedures as a condition for receiving the higher FMAP.[13]

- **Imposes needless and duplicative paperwork requirements by eliminating rules that allow "self-declaration" of income.** The state already has the ability to verify income through electronic databases and other means. Adding more paperwork requirements will delay health care, increase administrative costs, and burden DSS staff. Lawmakers *reinstated* self-declaration rules when they and DSS officials recognized that cumbersome income verification rules acted as a barrier to enrollment of eligible children and families. The federal stimulus package requires states to maintain their eligibility rules and procedures in order to qualify for the increased Medicaid funding. [14] *This means that DSS will not be able to eliminate self-declaration rules in order to obtain the savings noted in the Governor's budget* ($2M in FY10 and $2M in FY11).

- **Reduces access to preventive and cost-effective health care for families in HUSKY by reducing benefits:**
    - **eliminates access to coverage for over-the-counter medications for adults** Low-income residents often do not have the money to purchase less expensive over-the-counter drugs, forcing them to go without needed medications or to use more expensive prescription drugs.
    - **narrows the definition of medically necessary services**. Access to a full array of medically necessary services is vital to those with chronic and disabling conditions. This proposal has been rejected many times by the legislature and should be rejected again. The Governor gives no description of the services that would be cut in order to garner the millions in dollars of savings ($4.5M in FY10 and $9.0M in FY11). Children are entitled to *all* medically necessary services as a result of the protections in the Early and Periodic Screening, Diagnostic and Treatment requirements codified in state and federal Medicaid law.[15]

- **includes mental health-related drugs** in the Department's Preferred Drug List. The Govenor's budget estimates a cost savings of $1.9M in FY 10 and $2.0M in FY11). There is concern that inclusion of these medications on the PDL will prevent children and adults from receiving timely access to necessary prescriptions to reduce the effects of serious mental illnesses.

- **Reduces community-based HUSKY outreach .** Most uninsured children in the state are eligible for coverage in the HUSKY program. Community-based outreach organizations that can help families fill out applications and answer questions are a central and absolutely necessary prerequisite to reaching, educating, and enrolling uninsured families. The state, as well as local governments and 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.[16]

- **Suspends supplemental payments to Federally Qualified Health Centers (FQHCs) and hospitals for un-reimbursed costs for pregnant women.** In light of the deepening recession this is not the time to reduce funds to our safety net providers, especially funds targeted for care of pregnant women.

Thank you for the opportunity to submit this testimony concerning the Governor's budget proposals related to the HUSKY program. Please free to contact me if you have questions or need additional information.

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[1]See attached list of cuts that include services to HUSKY children and parents, seniors and others who rely on Medicare Part D for prescription drugs and recent legal immigrant families.

[2] 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

[3] *Id.*

[4] See, M. Lee, S. Langer, Opportunities for Improving Care for Families in the HUSKY Program (April 2008), available at www.ctkidslink.org/pub_detail_407.html

[5] 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.

[6] 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.

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

[8] Connecticut will be able to draw down the higher 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.

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

[10] The Govenor proposes to impose premiums of between 10% and 20% of the cost of services on HUSKY A parents. It is not clear from the proposal how the amount of the premium will be calculated. Per federal law, the premium and co-pay proposals include exemptions for certain groups: "some children under 18,

individuals with income below 100% FPL, SSI recipients, pregnant women, and people in institutions." It is unclear *which* "children under 18" are exempt. The proposal also includes increasing the monthly premiums on HUSKY B children with family income between 235% and 300% FPL from $30 for one child/$50 for two or more children to $50 for one child/$75 for two and $100 for 3 or more children. It will become even more unlikely that an uninsured parent of HUSKY B children will be able to afford the individual Charter Oak premiums for adult coverage as well as the increased premiums for their children. The costs are prohibitive.

[11] See, for example, *Avoiding Past Mistakes: Increasing HUSKY B Premiums Would Leave Thousands of Children Uninsured*, (May 2005) CT Voices for Children, available at www.ctkidslink.org/pub_detail_241.html ; *Families at Risk: The Impact of Premiums on Children and Families in HUSKY A*, Connecticut Health Foundation (November 2003).

[12] Ku L., Coughlin T., *Sliding Scale Premium Health Insurance Programs: Four States Experiences*, Inquiry, 1999-2000; 36:471-480.

[13] I. Lav et al., *supra*, *Recovery Act Provides Much-Needed Targeted Medicaid Assistance to States*, available at www.cbpp.org/2-13-09sfp.htm

[14] *Id.*

[15] See, Conn. Gen. Stat. Sec. 17b-261(i); 42 U.S.C. Secs. 1396a(a)(43), 1396d(r), 1396d(a)(4)(B) and implementing federal regulations.

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