CONNECTICUT VOICES FOR CHILDREN

Testimony Regarding H.B. 6380
An Act Concerning the Budget for the Biennium Ending June 30, 2013
HUSKY and Medicaid in the Governor's Budget Proposal[i]

Sharon D. Langer
Appropriations Committee
March 4, 2011

Senator Harp, Representative Walker and Members of the Appropriations Committee:

I am testifying today on behalf of 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 a Senior Policy Fellow, concentrating in policy analysis and advocacy related to Medicaid and HUSKY health insurance programs for low-income families and children.

We wholeheartedly **support** the following programmatic recommendations of the Governor that will save money and, with proper oversight and contract management, may lead to improved service for children and families in the HUSKY Program:

- **Converts HUSKY to a non-risk model for medical services,** effective January 1, 2012. Converting from risk to a non-risk arrangement has the potential to provide increased accountability, transparency, savings, and improved access to the right care at the right time for children and families.[ii] In short, it removes profit as an incentive for denying or failing to facilitate access to needed care.
- **Expands smoking cessation services to all adults in Medicaid.** Under this proposal all adults in HUSKY and Medicaid would be eligible for smoking cessation services. Currently only children and pregnant women in HUSKY A (Medicaid) and children in HUSKY B have access to such services. [iii] Helping parents quit smoking will improve their health and reduces children's exposure to secondhand smoke.
- **Upgrades the Eligibility Management System:** As the Governor's budget notes, replacing the eligibility system is long overdue. In order to support the health reform insurance exchange that will be in place by 2014, the state needs to upgrade its Medicaid eligibility system. The federal government will provide 90% reimbursement for these technological upgrades. The Governor proposes funding for planning and procurement of a new system in the next biennium.

We **oppose** the following proposals to impose cost-sharing, reduce preventive health benefits, and other cuts to HUSKY[iv]:

- **Imposes new co-payments on some children and most adults for some services in the Medicaid program:** Research demonstrates that cost-sharing required of low-income families is bad medicine. Increased cost-sharing does not save money in the program and is associated with worse health outcomes for low-income families, the elderly and individuals suffering from chronic illness – all populations currently on HUSKY A or Medicaid.[v] Under current federal law, children are exempt from co-pays for preventive services. Moreover, under state law,

children in Connecticut's Medicaid program should be exempt from the co-payment requirement all together.[vi] Under federal law, all pregnant women are exempt from the co-payment requirement. The federal health reform legislation outlawed co-pays for preventive services provided through commercial plans. It is not good policy to impose such costs on those among us with the worst health and least ability to pay.

- **Reduces dental services for parents and other adults in Medicaid:** This provision would limit regular dental check-ups, cleanings and x-rays to once per year for "healthy adults" and tighten up criteria for determining the medical necessity of procedures for children and adults. It is unclear from the Governor's proposal what is meant by tightening up the use of certain procedure codes and how that will affect children and adults. Children in Medicaid are eligible for all medically necessary dental services under the state and federal protections known as "early and periodic screening, diagnostic and treatment" (EPSDT) services. [vii]
- **Reduces coverage for eyeglasses for adults in Medicaid:** This provision would reduce coverage for eyeglasses from one pair per year to one pair every other year. While at first blush this may make sense, what happens if an individual breaks or loses his glasses? Do we really want people going without glasses and hindering their ability to drive, work and be productive citizens?
- **Eliminates funding for independent performance monitoring of the HUSKY Program:** Since 1995, the Hartford Foundation and its grantee Connecticut Voices for Children have provided state-funded independent data analysis of health services for children and families, such as well-child, dental, asthma, emergency care, and births to mothers with HUSKY or Medicaid coverage.[viii] This analysis has led to adoption of policies to reduce gaps in coverage, and improve asthma care, dental care, and access to prenatal care. As with other services provided in Medicaid, the federal government reimburses the state for about 60 cents on the dollar to provide this independent monitoring of the program. Without such analysis, policymakers and the public do not know how well the program is meeting its goals of providing quality and cost-effective health care to the more than 415,000 Connecticut children, parents, and pregnant women who rely on the HUSKY program for their care.
- **Reduces coverage and access to care for low-income adults (LIA) in Medicaid**. We oppose the Governor's proposal to limit the services available to some of the poorest individuals on Medicaid. These are adults ages 19 to 65 with income below 60% of the federal poverty level. They should continue to have access to the same benefits as other groups of Medicaid enrollees - HUSKY parents, seniors and adults with disabilities. In addition, we take this opportunity to reiterate our opposition to the Department's proposal through an amendment of the Medicaid Plan to reduce access to coverage for 19 and 20 year olds on Medicaid.[ix]

To maintain these vital services and avoid damage to Connecticut families and the economy, we need a balanced approach to closing the budget deficit that pays as much attention to revenue reforms as to spending smarter. Governor Malloy's revenue proposals are a good start in this direction, but they could be strengthened by focusing income tax increases on wealthy households that are most able to pay, closing corporate tax loopholes through combined reporting reform, eliminating more sales tax exemptions that don't have strong benefits for the economy or tax equity, reversing reductions in the estate tax rates, and reviewing the hundreds of millions of dollars in corporate tax subsidies and eliminating those that aren't producing good jobs.

Thank you very much for this opportunity to testify regarding the Governor's budget proposal and its impact on the HUSKY and Medicaid programs.

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[i] See, S.B. 1013, *An Act Implementing the Governor's Budget Recommendations concerning Human Services*.

[ii] We learned recently that the current HUSKY health plans, for example, were paying on average only70.6% of their monthly payment from the state toward medical care for children in HUSKY B; one plan reported paying only 62 cents of every dollar on health care. See, minutes of Medicaid Care Management Council meeting (Oct. 8, 2010) available at www.cga.ct.gov/ph/medicaid/default.htm This is particularly troubling given that the legislature last year increased the premiums and co-pays on many of these children.

[iii] As the Governor's budget notes, after Massachusetts began providing such services to Medicaid enrollees, the smoking rate fell 26% during the first 2.5 years after implementation and heart attacks and admissions to emergency departments for asthma symptoms decreased among those who used the smoking cessation services.

[iv] For a fuller analysis of the impact of the Governor's budget proposal on HUSKY, see, Lee, MA, Langer, S., *The HUSKY Program: The Impact of the Governor's FY 2012 Budget Proposal* (Feb. 18, 2011), Connecticut Voices for Children, available at www.ctkidslink.org and attached.

[v] Goodell, S., Swartz K., *Cost-sharing: Effects on spending and outcomes*, The Synthesis Project, Robert Wood Johnson Foundation, Policy Brief No. 20 (December 2010), and report, available at www.policysynthesis.org.

[vi] Conn. Gen. Stat. Sec. 17b-261(i): "The Commissioner of Social Services shall provide Early and Periodic Screening, Diagnostic and Treatment program services, as required and defined as of December 31, 2005, by 42 USC 1396a(a)(43), 42 USC 1396d(r) and 42 USC 1396d(a)(4)(B) and applicable federal regulations, to all persons who are under the age of twenty-one and otherwise eligible for medical assistance under this section." This statute codified the protections in federal law that pre-dates the Deficit Reduction Act of 2005 which allows the imposition of cost-sharing for certain services on children.

[vii] Conn. Gen. Sat. Sec. 17b-261(i); 42 USC 1396a(a)(43), 42 USC 1396d(r) and 42 USC 1396d(a)(4)(B).

[viii] Eliminates funding under the "Children's Health Council" line item for performance monitoring. See, *Independent Performance Monitoring in the HUSKY Program: Ensuring Accountability for Scarce State Dollars* (Feb. 2010), attached.

[ix] See, Notice of Proposed Changes to the State Medicaid Plan, SPA 11-002, available at www.ct.gov/dss/lib/dss/pdfs/spa11-002.pdf In our formal comments to the proposed change, we stated our "concern[ ]that the Department may drop many if not most of the nearly 4,000 19-20 year olds without any investigation of the circumstances that led their families to elect this health insurance coverage." (Connecticut Voices for Children comments available upon request).

CONNECTICUT VOICES FOR CHILDREN

Independent Performance Monitoring in the HUSKY Program: Ensuring Accountability for Scarce State Dollars

February 2011

Independent performance monitoring in the HUSKY Program fosters accountability in the Connecticut's largest health insurance program.

- Since 1995, the Connecticut General Assembly has appropriated funds for independent performance monitoring in the HUSKY Program as a means of ensuring that tax dollars are spent wisely. Through this monitoring, Connecticut can track enrollment trends and the health care that children and families actually receive, including well-child care, dental care, emergency care, prenatal care, and other services. Without independent tracking and oversight, families in HUSKY A may not get the care they need and no one will know.
- Health care coverage for over 405,000 children, parents, and pregnant women in HUSKY costs Connecticut about $800 million per year.

Funding for independent performance monitoring in the HUSKY Program is inexpensive and cost-effective.

- In FY10-11, the Connecticut General Assembly appropriated $218,317 annually to continue independent performance monitoring in the HUSKY Program. At this funding level, the cost to Connecticut for enhancing accountability is less than 0.02% of the cost of HUSKY Program.
- Since the federal government reimbursed 62 cents for every dollar on independent performance monitoring, the cost to Connecticut in state dollars was just $83,000 a year.

After a one-year lapse, independent performance monitoring has resumed.

- In the absence of a state budget on July 1, 2009, the Department of Social Services' contract with the Hartford Foundation lapsed June 30, 2009. The Rell administration delayed contracting for independent performance monitoring in the HUSKY Program for one year, until June 2010.
- Policy makers have not had the data with which to assess the effect of major program changes and resumption of managed care on access to care and utilization. In March, Connecticut Voices will report on enrollment trends and children's health services utilization in 2008. Although the data are three years old, this report will be the first to describe just what happened to utilization in the year that risk-based managed care contracts were suspended and the program reorganized.

The General Assembly should update and clarify the requirement for independent performance monitoring in statute.

- Funding for performance monitoring is in the Department of Social Services budget line item labeled "Children's Health Council," a specific reference to the long-standing contractual relationship between the Department and the Hartford Foundation for Public Giving for conduct of this work. However, the Children's Health Council no longer exists as an organization.
- Updating the line item language to refer to "Independent Performance Monitoring" and creating new statutory language requiring performance monitoring by an independent nonprofit organization will help to clarify legislative intent and ensure that essential, ongoing evaluation of the HUSKY program will continue.

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CONNECTICUT VOICES FOR CHILDREN

The HUSKY Program:
The Impact of the Governor's FY 2012 Budget Proposal

February 18, 2011

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 over 406,000 children, parents, and pregnant women, including almost 392,000 in HUSKY A (Medicaid) and nearly 15,000 children in HUSKY B (Children's Health Insurance Program). Since January 2010, enrollment is up 6.6% overall, as fewer Connecticut families have been able to obtain or afford employer-based health insurance during the economic downturn. While children and parents/caregivers make up 75% of persons covered by Medicaid in Connecticut, they account for just 26% of all Medicaid spending.[1] 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 in recent years have turned to the HUSKY Program to ensure access to needed care. Were it not for the HUSKY Program, thousands more children, pregnant women and parents would be uninsured. Although we have made gains in covering more families, Connecticut has an estimated 413,000 uninsured residents, including about 62,000 children under 18.[2] 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 [a]	**FY11 Estimated**	**FY12 Current Services** [b]	**FY 12 Governor's Recommended**	**Difference between FY12 Governor's recommended and FY12 Current Services**
HUSKY A[c]	$830,653,499	$998,279,348	Part of overall Medicaid budget—not reported separately		Could not be determined
HUSKY B	$32,522,121	$36,612,000	$38,700,000	$37,700,000	**-$1,000,000**
HUSKY outreach, including HUSKY Infoline	$1,663,989	$335,564[d]	$343,953[d]	$335,564[d]	**- $8,389**
HUSKY Program performance monitoring[e]	$218,317	$207,401[f]	$223,775	eliminated	**-$223,775**

[a] FY08 actual expenditures, not adjusted for inflation which has been about 1% annually in recent years.
[b] Budget requested by agencies to maintain currently funded services.
[c] Medicaid expenditures for Managed Care and Behavioral Health Partnership; may not include expenditures for pharmacy after 2/1/08 carve-out and for dental care after 9/1/08 carve-out.
[d] Funding for HUSKY Infoline.
[e] HUSKY Program performance monitoring has been state-funded since 1995 in a line item labeled "Children's Health Council" in the budget for the Department of Social Services.
[f] The Department of Social Services contracted for 5% less than the appropriated amount ($218,317).

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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 June 30, 2011.

In recent years, the HUSKY Program has undergone significant changes aimed at improving health care access for Connecticut children and families. New managed care organizations came into the program, pharmacy and dental care were carved out of managed care, and primary care case management is now offered as an alternative to families in some parts of the state. Provider reimbursement was increased across the board in 2007 and for pediatric dental care providers in 2008. Meanwhile, as a result of the recession, 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 the almost $1 billion spent in the HUSKY program provides access to quality and timely health care for 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, HUSKY Infoline (United Way 2-1-1) 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.[3]

Governor's Proposed FY 12 Budget

The Governor has proposed saving state dollars by increasing cost-sharing, reducing health benefits, or cutting other services for children and families in the HUSKY Program:

- **Impose new co-payments on some children and most adults for some services in the Medicaid program:** Charge some children and most adults nominal co-payments for preventive care and other services (not including inpatient, emergency, home health, laboratory and transportation), with caps of $20 per month for pharmacy services and no more than 5% of family income annually. However, under state law, children in Connecticut's Medicaid program may be exempt from the co-payment requirement.[4] Under federal law, all pregnant women are exempt from the co-payment requirement. Estimated savings: $8,250,000.
- **Reduce dental services for parents and other adults in Medicaid:** Limit regular dental check-ups, cleanings and x-rays to once per year for "healthy adults" and tighten up criteria for determining the medical necessity of procedures for children and adults. Estimated savings: $9,800,000.
- **Reduce coverage for eyeglasses for adults in Medicaid:** Reduce coverage for eyeglasses from one pair per year to one pair every other year. Estimated savings: $825,000.
- **Delay coverage for medical interpretation services:** Delay implementation of foreign language interpretation services until July 1, 2013; provide services through a centralized vendor rather than reimbursing medical interpreters directly for providing services to patients with limited English proficiency. Estimated savings: $6,000,000.
- **Reduce funding for HUSKY B (CHIP):** No explanation given. Estimated savings: $1,000,000.
- **Reduce funding for HUSKY Infoline**: Reduces funding for one-to-one telephone assistance now available to help families enroll eligible children and obtain needed care. Estimated savings: $8,389.
- **Eliminate funding for independent performance monitoring of the HUSKY Program:** Eliminates funding under the "Children's Health Council" line item for performance monitoring. Connecticut Voices for Children has provided independent data analysis of health services for children and families, such as well-child, dental, asthma, emergency care, and births to mothers with HUSKY or Medicaid coverage. Estimated savings: $223,775.

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**: Effective January 1, 2012, 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: $41 million.
- **Expand smoking cessation services to all adults in Medicaid.** Connecticut currently covers medications and counseling for children and pregnant women in HUSKY A (Medicaid) and children in HUSKY B. Under this proposal all adults in HUSKY and Medicaid would be eligible for smoking cessation services. As the Governor's budget notes, after Massachusetts began providing such services to Medicaid enrollees, the smoking rate fell 26% during the first 2.5 years after implementation and heart attacks and admissions to emergency departments for asthma symptoms decreased among those who used the smoking cessation services. Estimated cost: $3,750,000.
- **Upgrade the Eligibility Management System:** As the Governor's budget notes, replacing the eligibility system is long overdue. In order to support the health reform insurance exchange that will be in place by 2014, the state needs to upgrade its Medicaid eligibility system. The federal government will provide 90% reimbursement for these technological upgrades. The Governor proposes funding for planning and procurement of a new system in the next biennium. Estimated costs: $1,556,737.

The Bottom Line

The good news is that Governor Malloy appears to be holding the line on access to coverage and care for children in the HUSKY program.

Although there are reductions in the level of some benefits and imposition of cost-sharing on adults in HUSKY A, there is no wholesale elimination of benefits to adults. The imposition of co-pays on some children and most adults is worrisome, since research shows that even nominal co-pays, as proposed by the Governor, can reduce access to cost-effective, preventive care and prescription medications that keep chronic health conditions in check. Increasing out-of-pocket costs to families may save the state money in the short run, but could end up costing more when families wait until their conditions have worsened, and access more expensive care, such as through emergency departments. 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.

The state and federal governments combined spend over $1 billion on the HUSKY program. The Governor's proposal to eliminate funds for independent performance monitoring of the program will undermine the Legislature's ability to monitor how well the program is providing cost effective care to children and families. The amount of money appropriated represents 0.02% of the HUSKY budget, of which over 60% is paid for by the federal government.

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.

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[1] Kaiser Commission on Medicaid and the Uninsured. Connecticut: Distribution of Medicaid enrollees by enrollment group, FY2007; distribution of Medicaid payments by enrollment group FY2007. www.statehealthfacts.org. Accessed February 16, 2011.
[2] US Census Bureau. 2010 Current Population Survey data for Connecticut. www.census.gov. Accessed September 16, 2010.
[3] 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).
[4] Conn. Gen. Stat. Sec. 17b-261(i)