



FEDERAL BONUS PAYMENTS IN FY 2011-12 FOR CHILDREN IN CHIP AND MEDICAID

Last year and the year before, Pennsylvania missed an extraordinary opportunity to receive tens of millions of dollars in federal funding by simplifying pathways for uninsured children to obtain health care. In reauthorizing the Children’s Health Insurance Program in 2009, Congress created a financial incentive for states to enroll uninsured, low income children into public health programs. By increasing the number of insured children and simplifying enrollment and renewal practices, Pennsylvania can draw down these payments in FY 2011-2012.

The Lewin Group’s Medicaid Bonus Payment Calculator estimates Pennsylvania left at least \$84 million dollars on the table for federal fiscal year 2010 and \$61 million for federal fiscal year 2009. In December 2010, the federal government awarded \$206 million to 15 states (including New Jersey and Ohio) that streamlined processes and boosted enrollment for uninsured children. CMS has developed a spreadsheet to calculate the bonus payments and shared that with state officials in all 50 states and the District of Columbia.

Pennsylvania has enough uninsured children. The Urban Institute estimates that 171,000 (almost six percent of the state’s child population) have no health coverage. More than 35% of eligible but unenrolled children live in households with no phone in the home, an indication that they are very poor. And the share of children without health insurance is twice as high in rural parts of Pennsylvania as in urban areas.

To enroll more children and to garner federal funding, Pennsylvania must choose five of eight approaches (known as “simplifications”) to enroll uninsured children in CHIP or Medicaid. These simplifications make eligibility systems easier for families to navigate and assure state officials receive accurate and verifiable information. These simplifications will have an impact on the number of children enrolled in Medicaid, particularly improving the rate of retention but the bonus payments are designed to offset that growth.

To qualify for the bonus payments the five simplifications must be in place by April 1, 2012. The Commonwealth can choose any five of the eight simplifications. They include:

1. Continuous 12-month eligibility
2. No assets test for children or if there is an assets test, state workers will verify rather than require families to produce verification
3. No requirement for a face-to-face interview
4. A joint application for Medicaid and the state's CHIP program
5. Administrative or automatic renewal
6. Presumptive eligibility
7. Express lane eligibility (i.e., using a means-tested program such as Free School Lunch to authorize eligibility for Medicaid without additional information from the family) or
8. Premium assistance

With the exception of premium assistance, each strategy must be implemented in both Medicaid and CHIP. See CHIPRA, Title I, Section 104 amending Section 2105(a)(3) - (4); State Health Official Letter #09-015.

The Commonwealth already has in place two simplifications:

- Option # 2 - No Assets Test for Children
- Option # 3 - No Requirement for a Face-to-Face Interview

With relatively minimal effort, Pennsylvania could implement:

- Option # 4 - A Joint Application for Medicaid and CHIP
- Option # 5 - Administrative Renewal, and
- Option # 8 - Premium Assistance

These are proven strategies. Neighboring states like Ohio, New Jersey and Maryland that implemented these simplifications have increased enrollment and decreased administrative costs. These simplifications helped states (and families) overcome a number of frustrating administrative issues: the dis-enrolling of children whose families fail to complete the renewal process as well as the difficulties families encounter when they try to enroll for the first time.

NECESSARY STEPS AND BENEFITS TO SECURE THE BONUS FUNDING:

Here's how Pennsylvania could take the necessary steps to secure the CHIPRA bonus funding and the benefits for children and families. The first three options below require relatively minimal effort to implement:

Option #4: Joint Application and Verification Process

Pennsylvania's Medicaid and CHIP programs already meet the standards for joint application and verification at enrollment through the "any form is a good" form and the Healthcare Handshake policies and procedures. But CHIPRA requires the same alignment for renewal (or re-determination). In Pennsylvania, CHIP and Medicaid have identical verification

processes at renewal but CHIP notifies families about their renewal date 90 days in advance and again at 60 and 30 days. Medicaid provides only 30 days notice of renewal.

In addition, Pennsylvania requires that a Semi-Annual Report (SAR) be completed at the six-month interval between annual renewal for children in Medicaid but does not require the same for children in CHIP.

Necessary steps: To address the timing of renewal notices, Pennsylvania must align the timing of renewal notice to either provide more advance notice to Medicaid enrollees or less advance notice to CHIP enrollees. Changing the notice about renewal in CHIP can be done administratively through contract amendments or a CHIP Transmittal to the contractors. Changing the notice about renewal or re-determination in Medicaid can also be done administratively through an operations memo.

To address the additional six-month reporting for children in Medicaid, Pennsylvania must eliminate the SAR requirement. This will require amending statutory language put in the 2006-07 State Budget.

Option #5: Automatic/Administrative Renewal

CMS broadly interprets administrative renewal and gives states several design options for minimal family involvement, program integrity and efficiency. States can implement one or a combination of procedures.

For example, using “administrative renewal” simplification a state could, in advance of the renewal date, send families a renewal form pre-populated with all available eligibility information. This information could include the most recent income information available through electronic databases. Pennsylvania could continue the child’s coverage based on that pre-populated information unless the family responds with additional information. As further confirmation, Pennsylvania could send a pre-populated form to the family in advance of the renewal date and require the family to confirm the accuracy of the information by signing and returning the form and noting any changes or corrections.

The other option that qualifies under this category of simplifications is “*ex parte*” renewal. Under this option, the state could seek as much eligibility information as possible through data matches and other third-party sources. If the Pennsylvania is able to obtain all the needed information, it could complete the renewal process and inform the family of the child’s continuing coverage. If the state is unable to obtain all the necessary eligibility information, it could contact the family and ask *only* for the missing information.

Necessary Steps: With eleven databases including the TALX and New Hire employment systems as well as Social Security Administration data now connected to the Department of Public Welfare, *ex parte* renewal could be undertaken by both Medicaid and CHIP. The CHIP program is already pilot testing this concept for CHIP renewals. DPW caseworkers are using the databases to verify paper proof and could easily reverse their process to use electronic proof as their primary verification and rely on paper proof obtained from the family as a secondary verification process, if necessary.

Option #8: Premium Assistance

Premium Assistance is the only one of the eight simplification strategies that can be implemented in either CHIP or Medicaid. Premium Assistance allows a child to stay on his or her parent's employer-based coverage with Medicaid or CHIP paying all or part of the employer-based insurance premium.

Premium Assistance for children in Medicaid exists now through the Health Insurance Premium Payment (HIPP) program. HIPP operates through the rules under section 1906 of the Social Security Act. For employer-based policies that do not provide the full range of medically necessary benefits for children, Medicaid acts as secondary coverage.

The Pennsylvania CHIP statute provides the option for a premium assistance program, but it is not currently operational.

Under CHIPRA, premium assistance for Medicaid expands through section 1906A and makes several changes to the rules for 1906:

- The premium assistance option applies only to children under 19 and their parents.
- Medicaid must pay all of the cost sharing and premiums for children and their parents.
- Enrolling in the premium assistance program must be voluntary and families can opt out in any month.
- Employers must contribute at least 40% of the premium cost.
- Providing premium assistance must be cost-effective; it cannot exceed the cost of providing Medicaid coverage alone.

Under section 2105 (c) (10), non-Medicaid child health programs (CHIP) can provide premium assistance with similar rules:

- The premium assistance option applies primarily to children under 19. Parents and other family members are eligible only for incidental coverage.
- Cost sharing must meet the same benchmarks as direct CHIP coverage.
- Enrolling in premium assistance must be voluntary and families can opt out in any month.
- Benefits in the employer-sponsored coverage must meet the CHIP benchmarks.
- Employers must contribute at 40% of the premium cost.
- The cost of the employer sponsored coverage cannot exceed the cost of direct CHIP coverage.

Next Steps: A CHIP premium assistance option was created in the Cover All Kids Act. The option allows payment for part or all of the employer-based insurance premium if the coverage is cost-effective and meets the minimum coverage requirements. The statute's language allows the

federal requirement of employer contribution of 40% of the premium cost to be added to the option. The Department of Insurance would have to complete an actuarial evaluation of the employer-based policy under consideration for premium assistance and implement a payment mechanism for employer-based insurance. Based on previous studies by the Office of CHIP and adultBasic, few, if any, employer-based plans will meet the requirements of cost-effectiveness, benefit comparability and a 40% employer contribution. CMS may approve the option even though it may not be utilized.

Option #1: 12-month Continuous Eligibility

Children enrolled in CHIP have 12-month continuous eligibility. Continuous eligibility works similarly to employer-based coverage: it assures families and providers that coverage will be maintained throughout the 12-month period. Pregnant women and infants under age one have continuous eligibility in Medicaid as do children with disabilities.

Under current rules children enrolled in Medicaid, except those in the children with disabilities category, must report and verify their family income and other information through the semi-annual report (SAR) form. Families are also required to report significant changes in their income or status throughout their enrollment period. Failure to complete and return the SAR or to report changes results in disenrollment. Many children who are dis-enrolled remain eligible for Medicaid and return to the program as new applicants. Continuous eligibility for twelve months would eliminate the requirement to report changes through either the SAR or other mechanisms.

Necessary Step: Amend Pennsylvania's Public Welfare Code to eliminate the semi-annual reporting requirement for children and allow 12-month continuous eligibility for all children in Medicaid.

Option #6: Presumptive Eligibility

Presumptive eligibility allows children who appear eligible for CHIP or Medicaid to enroll pending a full determination of eligibility. States can choose to authorize certain providers to enroll children using the presumptive eligibility option. When used in health care setting, presumptive eligibility allows children to receive health care services right away rather than waiting for eligibility to be determined. Coupled with electronic verification of income and other eligibility information, presumptive eligibility can be accomplished easily, efficiently and maintain program integrity.

For instance, New Jersey allows acute care hospitals, federally qualified health centers (FQHC) and local health departments that provide primary care services to enroll children into New Jersey Family Care using a short application form. Health care services are provided and paid for while the application is reviewed for eligibility.

Pennsylvania could choose a category of health care providers such as acute care hospitals, Federally Qualified Health Centers or primary care offices and allow the sites to enroll children using presumptive eligibility. Pilot testing on a small scale with the intent to implement more broadly would allow the state to measure the effectiveness of presumptive eligibility and to adjust the requirements and procedures before taking the option statewide.

Necessary steps: Pennsylvania would have to set criteria for presumptive eligibility sites and create the necessary forms and verification processes for presumptive eligibility building on the existing system for pregnant women. The state would have to design a payment mechanism for CHIP since Medicaid has an existing system for paying providers who enroll pregnant women through presumptive eligibility. This Medicaid system could easily be adapted for children. CHIP operates exclusively through a prospective payment system and would need to develop a fee-for-service payment system or build on Medicaid's system.

Option #7: Express Lane Eligibility

Express Lane eligibility uses reliable information regarding one or more programmatic eligibility requirements gathered by non-Medicaid or CHIP agencies to determine eligibility for Medicaid and CHIP. A state's Medicaid or CHIP program may use different entities and may choose more than one entity. The Medicaid or CHIP agency remains responsible for the actual determination of eligibility based on the findings from the Express Lane entity.

An Express Lane entity or agency can be a public agency that determines eligibility for SNAP, TANF, Free and Reduced Price School Meals and Snacks (school lunch), Head Start, Child Care subsidies under Child Care and Development Block Grant, Homelessness Assistance and Housing Assistance. The state may also designate a government agency that has fiscal liability or legal responsibility for the accuracy of eligibility determinations. State may also use information obtained directly from state income tax records or returns.

States have used information from the Food Stamp program, Free and Reduced Price School Meals and Snacks and the Special Supplemental Nutrition Program for Women, Infants and Children (WIC) to find eligible children. In some states, this information is used as an outreach tool to encourage parents and caregivers to apply for Medicaid and CHIP. Six states (Alabama, Iowa, Louisiana, Maryland, New Jersey and Oregon) use Express Lane entities for enrollment and three (Alabama, Louisiana and New Jersey) use them for renewal.

In states like Pennsylvania where one caseworker can determine eligibility for more than one program, using SNAP or TANF information does not count as Express Lane. Pennsylvania could, however, use Free and Reduced Price School Meals and Snacks or Child Care Subsidy Information (CCIS) as Express Lane entities. The COMPASS application may be a resource in developing an Express Lane option. In the 2009 CHIP State Plan Amendment, DOI proposed using the Express Lane simplification for CHIP.

Next steps: Build and strengthen the capacity to exchange and match information across designated agencies (school districts, Head Start agencies, public housing sites) and the Departments of Public Welfare and Insurance. Either Medicaid or CHIP would have to develop administrative mechanisms for providing the subsidy payment to employers and to monitor the employer-sponsored insurance continued compliance with the 1906A or 2105 (c) (10) rules.

SUMMARY

Pennsylvania can draw down additional revenue for the Commonwealth and at the same time improve a now cumbersome and inefficient enrollment system.

Pennsylvania should move forward to optimize the opportunity to leverage additional federal funds. These bonus payments under CHIPRA extend to 2013. The bonus payments have the capacity not only to ensure that the most vulnerable children have access to health care services, they may also serve to address the budget shortfalls for fiscal year 2011-12. Further, the enrollment and renewal simplifications have the potential to reduce administrative costs, improve the efficiency and integrity of the eligibility systems and improve children's access to care.

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