

CHILDREN'S HEALTH INSURANCE PROGRAM

FFY 1998 ANNUAL REPORT

MICHIGAN

As required by federal law, Michigan is submitting the following report summarizing the state's experience in implementing the Children's Health Insurance Program (CHIP), known as MICHild in Michigan. The report addresses the major topics of general interest and assumes a familiarity with details identified in the Michigan's MICHild State Plan.

Overview: Michigan is pleased to report that it successfully implemented its CHIP program during fiscal year 1998. The program is off to a good start, and we have the systems in place to add large numbers of children to the program during fiscal year 1999. We purposely began the program on a phase-in basis to have some time to develop administrative structures while simultaneously gaining, and profiting from, actual enrollment and service delivery experience. The Health Care Financing Administration approved Michigan's State Plan on April 7, 1998. We began our program on May 1 in five counties and extended the program into additional counties over the summer. Governor Engler gave a MICHild press conference on August 24 and launched statewide implementation of the program as of that date. In response to the Governor's press conference, we immediately began receiving a large response of telephone inquiries and applications for enrollment. Implementation has gone generally smoothly. As of January 1999, we had 6,037 beneficiaries enrolled in MICHild with at least an equal number of new Medicaid (Healthy Kids) eligibles generated by the MICHild initiative. Below, we recount the major developments in our first year of operation.

Service Delivery System: One of our initial, major decisions was to develop a private, managed-care model CHIP coverage rather than simply extend Medicaid eligibility to CHIP eligibles. We therefore chose to contract with health maintenance organizations and licensed health insurers with a preferred provider product to deliver the medical benefits. As of January, we have thirteen medical benefits providers. For the dental benefits, we are contracting with four dental plans. All applicants choose a health plan and a dental plan in their area as part of the application/enrollment process. Applications without plans designated are considered incomplete applications, which must be completed in order for eligibility processing to continue. There is no state "assignment" of children to plans. The mental health and substance abuse benefits are delivered solely by local community mental health service programs and (for the substance abuse benefit) coordinating agencies. We have fifty-four community mental health service providers and fifteen coordinating agencies providing services. Under state authorizing legislation for MICHild, the Michigan Legislature extended Healthy Kids coverage to 16, 17, and 18 year olds with incomes up to 150% of the federal poverty level (the limit was the protected income level-about 60% of the FPL). Accordingly, Michigan has implemented

a “mixed” system, with a private CHIP coverage and also a Healthy Kids eligibility expansion. In practice, this is working well.

Income Eligibility: With the expansion of Healthy Kids eligibility for older teenagers, Michigan’s income eligibility structure is straightforward: 1) For children, 1 year of age through 18 years, incomes between 150% and 200% of the federal poverty level (FPL) qualify the children for MICHild. Incomes below 150% of the FPL, qualify for Healthy Kids. 2) Infants (under age 1), qualify for Healthy Kids up to 185% of the FPL. 186%-200% of the FPL is the MICHild eligibility range.

Coordination Between Healthy Kids & MICHild Eligibility: We have been very sensitive to properly placing Medicaid eligibles in the Medicaid program and CHIP eligibles in MICHild. To that end, we have a close working relationship between our Administrative Contractor, Maximus, and state workers processing Medicaid applications. Maximus was hired, through a competitive bid process, to assist the state with administrative work involved in implementing and operating MICHild. Maximus operates a telephone bank (1-888-988-6300), from its East Lansing office location. Maximus enrollment counselors answer telephone inquiries from prospective MICHild applicants and send applications to callers. Maximus is available daily with evening and weekend hours. Upon receipt of MICHild applications, Maximus does an initial quick sort of the applications and immediately forwards applications to state workers when it appears most likely that the child(ren) will be Medicaid eligible. The criteria used for this sort are: receipt of SSI income, no income, a pregnant female, and other insurance coverage. Applications not forwarded to the state are processed by Maximus to determine MICHild eligibility. Applications subsequently determined by Maximus to likely be Medicaid eligible are forwarded to the state, and all eligibility approvals, whether MICHild or Medicaid, are ultimately approved by a state worker. There is close interaction, on a daily basis, between state and Maximus staff.

Additional Administrative Contractor Responsibilities: Maximus also assists the state by enrolling MICHild beneficiaries with participating health and dental plans, by interacting on a daily basis with plans, by collecting the family MICHild premium (\$5 per family per month), preparing plan invoices for state payment, and is starting to become involved in some quality assurance work. One of the unique contributions that Maximus made to the program was to develop a soft ware package that assists in determining beneficiary eligibility. Workers input information relevant for determining each applicant’s eligibility (personal identifying information, income, and legal relationships attendant to income affecting the child), and the software generates a decision on Healthy Kids or MICHild eligibility by going through a step-by-step decision making process.

Benefit Package: Michigan selected the medical benefit package offered to the children of state workers as its MICHild benefit package. The package is comprehensive and has been well accepted. We are stressing with providers the importance of preventive services, including immunizations. The dental package was structured to offer preventive, diagnostic, and restorative work that typical, generally healthy youngsters would be expected to need. We placed a \$600 annual limit per enrollee on the package and do not

offer orthodontics. Our participating dental plans have been supportive of the package chosen. The mental health benefit and substance abuse benefits are also comprehensive, including outpatient and inpatient services, counseling for typical children's issues, and related pharmaceuticals.

Common Application: Michigan developed a common MICHild/Healthy Kids application with the intent of making the application as family-friendly and easy to use as possible. We simplified and we shortened. Families do not have to be concerned with whether their children might be Healthy Kids or MICHild eligible. They simply complete the application and forward to the mailing address given. State staff, with a Maximus recommendation, determine whether the children are Healthy Kids or MICHild eligible. Because some families will make applications directly at local Family Independence Agency offices, we have also worked with the local Family Independence Agency offices so applications received there are properly handled. Determinations of Healthy Kids eligibility are made at local FIA offices as well as at the state/Department level. Local FIAs forward to Maximus the applications of children appearing to be MICHild eligible. We have done extensive training of eligibility determinations with Maximus staff, with local health departments, and local outreach groups.

Outreach: Michigan recognizes that outreach to potential eligibles is a crucial part of MICHild. We realize that if outreach does not work to bring potential eligibles into contact with the program, children needing the offered coverage will never receive the benefits established. To that end, we have mounted a major effort that proceeds on state and local levels; includes various forms of communication media; and involves local agencies, schools, grass-roots organizations, faith-based and business organizations. We have done special outreach to Native American tribes, including training sessions that covered MICHild and Healthy Kids benefits, eligibility criteria, and how the programs operate within a managed care delivery system. Detail on outreach includes:

- I. As of 9/98, 375,000 applications and 1.7 million brochures distributed through the schools.
- I. As of 9/98, 200,000 applications and 200,000 brochures distributed through the local Multiple Purpose Collaborative Bodies (MPCBs-coalitions of local human service agencies).
 - A.
- II. As of 9/98, 300,000 applications and 250,000 brochures distributed by Maximus.
 - I. As of 9/98, 90,000 applications distributed by local health plans, health departments, and Family Independence Agencies.
 - I. \$1.33 million was made available to the MPCBs for local marketing and outreach efforts.

Startup & Implementation Issues: Michigan has not experienced any major difficulties in its first half year of program implementation. Early in the program's experience, we noticed that a larger than expected proportion of applicants were Healthy Kids rather than MICHild eligible. The proportion has varied some over the months but generally remains at about 80% Healthy Kids. This distribution has necessitated some shifts in administrative attention. The state hired an Administrative Contractor to assist with the MICHild program. The state had not anticipated hiring additional state workers to process a large increase in Healthy Kids applications. As a result, we have had applications in our processing system for a longer time than planned. In December, we did hire some additional state workers to process the larger than anticipated number of Healthy Kids applications.

Relative to applications received, we also note that a large percentage (about 50%) are incomplete. This occurs mainly with applications completed without the assistance of local agency outreach workers and results in time spent attempting to contact families to secure the needed information. These additional steps delay the approval process significantly.

Regarding HCFA's requested assessment of crowd out, we report that Michigan has not experienced crowd out as an issue. Our policy is as follows: Applicants are not eligible for MICHild if employer-based coverage is current or held within the past six months. During 1998, we denied MICHild coverage to only one-two percent of applicants due to other insurance coverage. We are continuing to monitor this aspect of the program and will take actions as they are warranted.

Progress Toward Achieving State Objectives & Goals:

Michigan has met its initial goal of designing and implementing a functioning, quality program with a state-wide service delivery system. Although the program has been in existence for a limited period of time (seven months), we would have been gratified to have a larger enrollment than achieved to date. However, we note that enrollments are increasing quickly at this time. For the month of January, we added more MICHild enrollees than the total number added in all previous months of the program's existence. We expect that rapid enrollment gains will be made in the coming months.

The federal estimate of MICHild eligibles was approximately 156,000 with perhaps 30,000 of those being Healthy Kids eligible. As noted above, the actual proportional distribution of eligibles has varied significantly from that estimate. We also note that the Urban Institute's reassessment of the federal estimate found that Michigan's MICHild eligible number could be as low as 47,000. With such a wide variance in the potential target population, Michigan, and other states, are going to have difficulty in determining success in enrolling those potentially eligible. This is an area in which the federal government and states could cooperate in arriving at a realistic target.

One of our early objectives was to integrate Caring Program for Children enrollees in MICHild. We remain in process of doing that, and we have taken care that these children would not lose health care coverage. Our assumption has always been that Caring Program children would be almost totally MICHild eligible. When Blue Cross and Blue Shield of Michigan (provider for the Caring Program enrollees) joined MICHild in October as a participating health and dental plan, we granted the Caring Program children continued coverage with BCBSM under MICHild. In the fall, we wrote all Caring Program families to explain that the Caring Program was discontinuing as of October 1, that their children had continued coverage under MICHild, and we also enclosed a MICHild application with a turn-around date required of December 1. It was our intention to process the returned applications in December so a disposition could be made for January enrollment. The response from families was problematic. As of January 1, about 200 of 2,000 applications sent were returned and processed as MICHild eligible, another approximate 400 were processed as Healthy Kids eligibles, and 200 more were incomplete. Most troublesome, was that we received no reply from some 1,200 of the families. Since we did not want to discontinue coverage for those not replying, we have extended the deadline and are trying again to contact these families. Maximus is again writing, and attempting to call the families, and we have also forwarded names and addresses of these families to local health departments for their assistance in contacting the families and helping to obtain completed applications. Our current plan is to extend coverage through at least February as we try to obtain completed applications or determine that coverage is not needed.

Due to the program's brief implementation history, Michigan has not collected HEDIS or encounter data and accordingly is not in a position at this time to assess the type of MICHild care received and progress toward impacting specific concerns of child health. The HMOs participating in MICHild also participate as managed care providers with the Medicaid population. As such, we have been working with these plans to collect and forward encounter data to the state. Plans have begun sharing Medicaid encounter data with the state, and we are in process of assessing the quality of these data and working with the plans, where needed, to ensure good data are provided. It should be relatively easy for these plans to also collect and forward MICHild data once the Medicaid data are flowing smoothly. Our largest PP0 provider, Blue Cross & Blue Shield of Michigan, signed with us in October to provide MICHild medical and dental coverages. Our focus with them thus far has been to implement interactive mechanisms between them, Maximus, and the state. We anticipate beginning discussion this winter on encounter data reporting.

Attached is the HCFA required financial/statistical data reports for MICHild (HCFA-21E). Michigan will forward the two required Medicaid reports (HCFA 64.21E & HCFA-64EC) under separate cover.

January 29, 1999

Mr. Walter V. Kummer
Associate Regional Administrator
Division of Medicaid and State Operations
Region V Health Care Financing Administration
Department of Health and Human Services
105 West Adams Street, 15th Floor
Chicago, Illinois 60603-6201

Dear Mr. Kummer:

Enclosed with this letter is Michigan's MICHild (Children's Health Insurance Program) annual report for calendar year 1998. We are pleased with our progress to date in implementing MICHild and wish to thank you and Region V staff for your assistance in getting this program started in such a positive fashion.

We will forward the two required Medicaid reports (HCFA-64.21E & HCFA-64EC) under separate cover as soon as possible. Regretfully, we have experienced some unexpected delays in generating these data and apologize if this presents any difficulty for you.

Please do not hesitate to contact us if you have any questions about our report, and we look forward to continuing to work with you as we further develop MICHild.

Cordially,

Robert M. Smedes

Deputy Director for

Medical Services Administration