

June 9, 1999

Clarke Cagey
Project Officer
Health Care Financing Administration
Center for Medicaid and State Operations
Division of Integrated Health Services
7500 Security Boulevard
S-2-01-16
Baltimore, Maryland 21244-1850

Dear Mr. Cagey:

Vermont requests an amendment to its State Children's Health Insurance Program (SCHIP) to allow for the July 1, 1999 implementation of an increase in premiums to the households of uninsured children with family incomes between 225 and 300 percent of the Federal Poverty Level.

On December 15, 1998, HCFA approved Vermont's CHIP plan. Section 8 and Appendix 8 of the plan called for premiums of \$10 per month per household effective October 1, 1998 and \$20 per month per household as soon as administratively possible. The increased premiums were applied as of January 1, 1999.

The plan indicated that copayments would be effective July 1, 1999. They were to apply to visits to physicians, podiatrists, chiropractors, audiologists, psychologists, optometrists, opticians, nurse practitioners, and dentists. No copayment was to be imposed for well-child or well-baby visits, including age specific immunizations, or to preventive or diagnostic dental services. The copayment was to be the lesser of \$10 per visit over the Medicaid rate; the difference between \$10 plus the Medicaid rate, minus any other insurance payments; or the balance of the provider's usual and customary charge. In no case was the copayment to exceed \$10.

In no event was the total cost sharing to exceed five (5) percent of the family's income in a given year.

It was Vermont's position then and now that coverage to higher income groups justifies higher cost sharing. Vermont now requests an amendment to its plan to eliminate the copayment while increasing the premium by \$5 to \$25 per month per household. This premium increase is greater than Vermont's simultaneous 1115 demonstration amendment request because uninsured children will receive a greater level of Medicaid coverage. We do not anticipate any change to projected SCHIP expenditures as premium

collections will offset the greater service cost in the absence of copayments.

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Attached are revisions to Section 8 and Appendix 8 of Vermont's State Children's Health Insurance Program Plan.

We request that this matter be reviewed as expeditiously as possible so as to permit the premium increase to apply as of July 1, 1999. If you or your colleagues have any questions regarding this request, please contact *Ann* Rugg, Managed Care Senior Administrator, at 802-241-2766. We appreciate your assistance in this matter.

Sincerely,

M. Jane Kitchel
Commissioner

cc: Ronald Preston, Ph.D., Associate Regional Administrator, Region I, HCFA
William MacKenzie, Region I, HCFA
Cornelius Hogan, Secretary
Paul Wallace-Brodeur, Director, OVHA

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Section 8. Cost Sharing and Payment (Section 2103(e))

- Check here if the state elects to use funds provided under Title XXI only to provide expanded eligibility under the state's Medicaid plan, and continue on to Section 9.

See Appendix 8 for a summary of cost sharing and payment aspects.

8.1. Is cost-sharing imposed on any of the children covered under the plan?

8.1.1. YES

8.1.2. NO, skip to question 8.5.

8.2. Describe the amount of cost-sharing and any sliding scale based on income:
(Section 2103(e)(1)(A))

8.2.1. Premiums: *Effective 10/1/98 - \$10 per month per household. Effective 1/1/99 - \$20 per month per household. Effective 7/1/99 - \$25 per month per household.**

8.2.2. Deductibles: _____

8.2.3. Coinsurance: _____

8.2.4. Other: _____

8.3. Describe how the public will be notified of this cost-sharing and any differences based on income:

8.4. The state assures that it has made the following findings with respect to the cost sharing and payment aspects of its plan: (Section 2103(e))

8.4.1. Cost-sharing does not favor children from higher income families over lower income families. (Section 2103(e)(1)(B))

8.4.2. No cost-sharing applies to well-baby and well-child care, including age-appropriate immunizations. (Section 2103(e)(2))

8.4.3. No child in a family with income less than 150% of the Federal Poverty Level will incur cost-sharing that is not permitted under 1916(b)(1).

8.4.4. **NO** Federal funds will be used toward state matching requirements. (Section 2105(c)(4))

8.4.5. No premiums or cost-sharing will be used toward state matching

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- requirements. (Section 2105(c)(5))
- 8.4.6. No funds under this title will be used for coverage if a private insurer would have been obligated to provide such assistance except for a provision limiting this obligation because the child is eligible under the this title. (Section 2105(c)(6)(A))
- 8.4.7. Income and resource standards and methodologies for determining Medicaid eligibility are not more restrictive than those applied as of June 1, 1997. (Section 2105(d)(1))
- 8.4.8. No funds provided under this title or coverage funded by this title will include coverage of abortion except if necessary to save the life of the mother or if the pregnancy is the result of an act of rape or incest. (Section 2105)(c)(7)(B))
- 8.4.9. No funds provided under this title will be used to pay for any abortion or to assist in the purchase, in whole or in part, for coverage that includes abortion (except as described above). (Section 2105)(c)(7)(A))
- 8.5.** Describe how the state will ensure that the annual aggregate cost-sharing for a family does not exceed 5 percent of such family's annual income for the year involved: (Section 2103(e)(3)(B))
- See Appendix 8.*
- 8.6. The state assures that, with respect to pre-existing medical conditions, one of the following two statements applies to its plan:
- 8.6.1. The state shall not permit the imposition of any pre-existing medical condition exclusion for covered services (Section 2102(b)(1)(B)(ii)); **OR**
- 8.6.2. The state contracts with a group health plan or group health insurance coverage, or contracts with a group health plan to provide family coverage under a waiver (see Section 6.3.2. of the template). Pre-existing medical conditions are permitted to the extent allowed by HIPAA/ERISA (Section 2109(a)(1),(2)). Please describe:
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Appendix 8 Cost Sharing and Payment

8.2.: Cost Sharing

Nominal cost sharing will be required for SCHIP eligible populations just as it is currently required under the Dr. Dynasaur and Vermont Health Access Plan (VHAP) programs. The State believes that the incomes of these families is sufficient to allow them to pay out-of-pocket for many covered services, so that the added coverage will represent a substantial benefit despite the requirement for supplemental payments. The State further believes that it can reasonably assure that the cost sharing does not favor children from higher income families over lower income families and that costs will not exceed five percent (5%) of any family's income in a given year. Specific cost sharing requirements are as follows:

There are no deductibles or coinsurance for covered services. The following premiums will apply:

Families up to 185% of the FPL (Medicaid):
None as Medicaid eligible.

Families above 185%, up to 225% of the FPL (Dr. Dynasaur):
\$10 per month per household (as approved by HCFA and currently charged).

Families above 225%, up to 300% of the FPL (SCHIP):
\$10 per month per household effective 10/1/98.
\$20 per month per household effective 1/1/99.
\$25 per month per household effective 7/1/99.

Non-covered services and services that are not medically necessary do not count towards the family out-of-pocket limit.

8.3.: Public Notification

Premium payments are related to current Dr. Dynasaur payments but will be increased to reflect the higher income of the SCHIP families. Notification for past and current premium amounts has been provided under the same public notification requirements used for public policy promulgated under Vermont's Administrative Procedures Act. Information on the specific cost sharing amounts will be included in outreach activities, as described in Appendix 5. Additionally, the State will continue to use the committees established for the VHAP/Medicaid program as sources of feedback and input on this initiative. For more information on these committees see Appendix 9.

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8.5.: Annual Aggregate Cost Sharing

Vermont proposes to establish a single annual maximum for all households with incomes 225% to 300% of the Federal Poverty Level (FPL). This maximum will be an amount that does not exceed 5% of the 225% FPL for a household of two. This assumes that at least one child must be in the household to qualify for Title XXI and that selecting the 225% FPL income level to set the maximum assures that no household in the income bracket will exceed the 5% mark.

The maximum will be compared to the annual premium cost to assure that premium cost does not exceed the maximum. This will occur at any time that the FPL is adjusted and/or premium changes are proposed.

For example, effective July 1, 1999, the maximum is \$1,245 per year based on the 225% FPL for a household of two being \$24,894. The annual premium cost will be **\$300**.

Only premium costs will count towards the family out-of-pocket limit. Non-covered services and services that are not medically necessary will not be considered.
