

March 19, 1998

Ms. Nancy-Ann Min DeParle
Administrator
Health Care Financing Administration
Bureau of Policy Development
Office of Chronic Care and Insurance Policy
7500 Security Boulevard
Baltimore, Maryland 21244-1850

Dear Ms. Min DeParle:

Thank you for your response, dated March 16, 1998, regarding California's Healthy Families program. We are pleased to note that you have approved several significant issues within our State Plan. We appreciate your guidance to us on the Administrative Vendor contract, the Application Assistance Fee, the Resource Disregard, and Copayment Amounts. Below, we answer the questions you posed to us on Income Disregards, the Access for Infants and Mothers (AIM) program, the Family Value Package, and Administrative Costs and clarify a few points your letter raises regarding the Vaccine for Children Program, Application Assistance Fee, and Copayments.

RESPONSE TO QUESTIONS:

Income Disregards. California will follow federal law that precludes certain income from being counted in determining eligibility for federally means tested programs and will not count this income. In determining Healthy Families eligibility, California will not count income from the following sources:

- Disaster Relief Payments (federal disaster and emergency assistance and comparable assistance provided by State and local governments and disaster assistance organizations;
- Per capita payments to Native Americans from proceeds held in trust and/or arising from use of restricted lands;
- Agent Orange Payments;
- Title IV Student Assistance;
- Energy Assistance Payments to Low Income Families;
- Relocation Assistance Payments;
- Victims of Crime Assistance Payments;
- Spina Bifida Payments; and
- Any other federal income deduction required for a federal means tested program.

Some federal income deductions, such as Earned Income Tax Credit and Japanese Reparation Payments, apply only to certain federal programs and not all federally means tested programs, including Title XXI. In cases where the income deduction does not apply to Title XXI, this income will be counted.

Access for Infants and Mothers (AIM) Program. The actuarial analysis, prepared by Coopers and Lybrand, demonstrating that the AIM benefit package is actuarially equivalent to our benchmark plan is enclosed.

Family Value Package (FVP). We note your refusal to approve the state's proposal to allow subscribers to voluntarily choose a health plan with cost-sharing beyond the limits specified in Title XXI. We continue to feel strongly that subscribers should have the option of choosing these plans, but will restructure our program to be consistent with your dictates. We interpret HCFA's direction to mean that we must exclude from our participating plans those plans whose rates do not fall within the Title XXI allowable limits.

Should your policy decision result in a significant loss of choice for our subscribers, we reserve the right to revisit this issue in a State Plan amendment.

Administrative Costs. We continue to view this approach as penalizing states that: 1) pursue a non-Medicaid expansion approach; and 2) invest in outreach and education activities. However, we appreciate your understanding of our financial needs in starting up the Healthy Families Program and look forward to working with you on possible legislative options that would remedy this problem for us and the other states which have insufficient start up funds because they have chosen to implement a health insurance, rather than Medicaid, program. Consistent with your direction, we confirm that we will not request federal matching payments on costs that exceed the 10 percent limit.

POINTS OF CLARIFICATION:

Vaccines for Children Program. We appreciate your efforts to try to develop some

mechanism by which states implementing non-Medicaid programs can benefit from the low vaccine costs under the Vaccine for Children Program (VFC). However, we note that this suggestion essentially shifts costs previously 100 percent federally funded (when children were uninsured) to costs of 35 percent state and 65 percent federal. We continue to believe that the federal government should not discriminate against states which have chosen to implement private health insurance programs under CHIP. We also believe that there are a number of serious implementation issues for providers as well as health plans associated with your suggested approach which make it most unlikely that the state could develop an acquisition and distribution system that takes advantage of your suggestion by July 1, 1998. We encourage you to reexamine your position on this matter.

Application Assistance Fee. While not an issue for state plan approval, we understand that HCFA's direction is that California claim application assistance fees for persons in non-Medicaid outstationed locations under Title XXI (65 percent FFP) and claim payment for persons in Medicaid outstationed locations under Title XIX (50 percent FFP).

Copayments. We appreciate your approval of the \$5 copayments we described in our March 4, 1998 letter to Richard Fenton. You also indicated in your March 16, 1998 letter that states should apply one copayment for a bundled set of services, rather than impose copayments for each service rendered during a physician visit. We note that California will bundle copayments in some instances. For example, under Healthy Families, services rendered during a physician's visit (office visit, laboratory work, and x-ray, for example) will be bundled under the \$5 copayment.

We want to thank you and your staff for all of the assistance you have provided to us as we implement our Healthy Families Program and look forward to your approval of our State Plan in the next week.

Sincerely,

Sandra Shewry S.
Executive Director
Managed Risk Medical Insurance Board

Kimberly Belshé
Director
Department of Health Services

Enclosure

cc: Sally K. Richardson
Claude Earl Fox, M.D.
Kathleen Farrell
Richard Chambers
Richard Fenton