STATE OF NEW HAMPSHIRE
DEPARTMENT OF HEALTH AND HUMAN SERVICES
OFFICE OF HEALTH MANAGEMENT

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Terry L. Morton
Commissioner

Dianne Luby
Director

August 13, 1998

Ms. Diona Kristian
Health Care Financing Administration
7500 Security Boulevard, S2-01-16
Baltimore, Maryland 21244-1850

Dear Ms. Kristian:

Thank you for the prompt review of our July 27 and August 5 CHIP plan submissions. I offer the following information in response to your letter dated August 11, 1998. Please note the format is such that HCFA's question is presented first, followed by the State's response in italics.

1. Section 6.2.3, actuarial analysis: Your response to Question 10 indicates that the Healthy Kids Corp. (HKC) benefits for mental health are more valuable than the FEBHP benefits because the higher cost-sharing in FEBHP will discourage utilization. You also indicate as part of your response to Question 11 that evaluation of the value of the HKC benefit package to the nearest percent is "unlikely" because future utilization is unknown. According to section 2103(c)(4)(C), a standardized set of utilization and price factors must be used in determining the actuarial value of the plan. Please explain whether projected future utilization was a factor in determining the actuarial value of the HKC plan.

   The actuarial analysis of the HKC plan was based upon national, standard utilization and price factors as required in the Balanced Budget Amendment. As noted in the detailed actuarial summary, "Mercer began the analysis with a pro forma of expected cost and utilization for the Healthy Kids population. The pro forma displays major categories of services and assigns a standardized average utilization and average cost to each category. The average utilization and average costs are based on standardized, privately insured children as required by the BBA." [1]

   The reference to future utilization as contained in Question 11 refers specifically to the anticipated increase in value of the proposed benefits package should future utilization be greater than the national standards used to evaluate the benefits package. At a minimum, based upon standardized utilization and price factors, New Hampshire's proposed benefits package is 15% greater in value than the FEBHP.

[1] Letter dated March 24, 1998 from Mr. Tom Carlson of William M. Mercer, Inc. to Mr. Rob Werner, NH Department of Health and Human Services, outlining actuarial analysis of the proposed CHIP benefits package. A copy of this letter was included in the May 30, 1998 Title XXI NH State Plan submission.

2. Section 8.5, cost sharing limit. In regard to your plans to increase premium cost-sharing, please be aware that premiums are considered to be a part of the cost-sharing limit, which overall, may not exceed 5% of family income for a year. Once a family reaches its 5% limit, the family would not pay further premiums and copayments. Furthermore, the State must have in effect a mechanism that identifies when the family reaches the cap so it may stop paying the cost-sharing. A system that routinely reimburses families for payments beyond the cap is not appropriate. Our February 13 letter to State Health Officials states..... Please provide additional clarification on how the State will ensure that families do not make payments beyond their out-of-pocket maximum.

   The Healthy Kids Corporation (HKC) will be under contract with the State (specifically the NH Department of Health and Human Services), to provide for the administration of the cost-sharing provisions of the Title XXI plan. As part of its role, HKC will educate families about the cost sharing rules and requirements including premiums and co-pays. The education will include how much money 5% of the family's income translates into in terms of dollars and cents, what period of time the monitoring period covers and it will explain that the responsibility for monitoring out of pocket expenses will be shared by the family and HKC. The education will instruct families in tracking their out of pocket expenses on a monthly basis (the emphasis will be on tracking and documenting medical/dental office and pharmacy co-pays) and to contact HKC immediately (via mail or the statewide toll free number) should their out of pocket expenses equal or exceed the previously determined amount of money or if the family income should suddenly decrease. HKC will also be monitoring medical and dental co-pays on a quarterly basis via a cost sharing report generated by the health and dental plans. Premium cost-sharing will be monitored directly by HKC via their accounting system.

   Families who exceed the 5% cap will be formally notified by HKC in writing and all cost sharing will cease for the remainder of the current 12 month eligibility period. The letter will include the specific date that the cost-sharing exemption expires (coincides with the eligibility redetermination date). The family will utilize the HKC formal notification as proof of exemption from cost-sharing, to be presented to providers as needed. The State and HKC will emphasize and re-emphasize cost-sharing rules and regulations in its provider education and communications. Out of pocket expenses that exceed the 5% cap will be reimbursed to the family after review of all cost sharing documentation from the family, HKC and medical/dental plans. At the end of the first 12 months of eligibility, eligibility will be redetermined; the 5% cap will be recalculated for the family and the monitoring cycle will begin anew.

3. Section **8.5,** dental cost sharing. You requested clarification of the cost-sharing rules and asked whether dental copayments are included in the **5%** cap. The **5%** limit on cost-sharing is not limited to the categories of basic and additional services in Section 2103(c)(1) and **(2).** It applies to all cost-sharing included under the Title XXI plan including dental services. Please verify that cost-sharing for dental services will be included in determining whether families have reached their cost-sharing limit.

   Thankyoufor clarifying the rules relative to dental co-pays. The State agrees that dental co-pays are included in determining whetherfamilies have reached their cost-sharing limit.

We acknowledge your statement regarding HCFA's continuing discussions to resolve various issues surrounding the source of funding for the State share of the CHIP program, and we appreciate your efforts. Please contact me directly should you require further information regarding our CHIP plan. Thank you again for your assistance and we **look** forward to working with you as our project officer.

Sincerelv.

Dianne Luby
Director

cc Mr. Richard Fenton, Deputy Director, HCFA
Mr. Ron Preston, Associate Regional Administrator, HCFA Region 1 Office
Karen Hicks, Office of the Governor
Kathleen Sgambati, Deputy Commissioner, NH DHHS
Katie Dunn, Assistant Administrator, OHM

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