

facsimile
TRANSMITTAL

to: **Diona Kristian**

re: **Modifications to Delaware CHIP Plan**

date: **August 28, 1998**

pages: **4, including this cover sheet.**

H Diona. Attached is the additional information we requested from Delaware. Please let me know as soon as you are able whether this is enough to go forward. Also, let me know if additional information is required.

From the desk of...
Betty Wheeler
Health Insurance Specialist
Division of Medicaid and State Operations

Delaware Division of Social Services responses to additional information requested related to Title XXI Plan- 8/28/98

1. Please provide a breakout of administrative costs.

The administrative costs related to the Delaware Healthy Children Program are on Attachment C that was sent on 8/26/98. Attached is a revised Attachment C making this information BOLD and adding a footnote to define administrative cost areas. This information includes:

Year	Costs	Total	Federal	State
1		\$838,358	\$544,932	\$293,426
2		\$1,421,146	\$923,919	\$497,495
3		\$1,464,057	\$951,637	\$512,420

This represents 10% of total program costs. It is impossible to break these dollars down any further until we actually get the program implemented and have experience with costs. The administrative costs represent:

- Systems modifications**
- Outreach**
- Claims Processing**
- Staffing**
- Health Benefits Manager Contract**
- Actuarial Services**

Obviously, where the cost is above the allowed match rate, the State will use State-only funds.

2. Please clarify the amended information under Section 4.3, that there will be due process for terminations due to failure to pay premiums.

If after review of "good cause" information received from a DHCP participant, the issue is not resolved to the satisfaction of the client, they can appeal to the Director for further consideration. This is true for all individuals served by the Delaware Division of Social Services. If the Director or the hearing officer agrees with the client, the agency continues or reinstates eligibility with no break in coverage. If the Director supports the decision to disenroll with a 6 month penalty period, the client can use the court system to take further action.

8/28/98 response to DHCP issues - continued

3. Please provide a narrative clarification that the CHIP plan offers the benchmark coverage under the employee's group plan and list the CHIP services that are offered in addition to the employer group plan. Also, please provide assurance that there is nothing in the benchmark package that is not in the CHIP benefit package.

Delaware uses the largest State employee health plan, Principal Health Care, as the benchmark for the Delaware Healthy Children Program (DHCP), and assures that all of the services in the Principal Plan are also provided in the DHCP. Coincidentally, Principal is the largest HMO in Delaware as well as being the largest State employee plan.

The only service included in the DHCP that is different than the State employee coverage is over-the-counter medication. The State Employee Plan does not cover this benefit but DHCP does. There is a very slightly richer mental health and substance abuse package in the DHCP and there are no copays on any services other than non-emergency use of the emergency room. The State Employee plan has copayments on office visits, prescription drugs, physical therapy, medical equipment, and other services (see Attachment A).

DELAWARE HEALTH & SERVICES
Delaware Healthy Children Program Budget Projections

ATTACHMENT C
 Addendum to Attachment B
 Pages 4a 4b

PROJECTED EXPENDITURES	Total	Federal	State (GF)
		66%	34%
Year 1 (January 1, 1999 to September 30, 1999)			
FY99 Full Year Projected Expenditures for DHCP	\$13,800,142		
FY99 Assuming Show Rate of 81%	\$11,178,115		
FY99 Expenditures for nine months	\$8,383,586		
FY99 * Administrative Costs (10% of above expenditures)	\$838,358	\$544,932	\$293,426
FY99 Expenditures for Services	\$6,975,478	\$4,534,061	\$2,441,417
FY99 Family Share back-out	(\$589,750)	(\$370,338)	(\$199,412)
Totals	\$7,244,886	\$4,708,655	\$2,535,431

Year 2 (October 1, 1999 to September 30, 2000)			
FY2000 Full Year Projected Expenditures for DHCP with 3% inflation	\$14,214,146		
FY2000 * Administrative Costs (10% of above expenditures)	\$1,421,414	\$923,919	\$497,495
FY2000 Expenditures for twelve months (federal and state)	\$11,826,737	\$7,687,379	\$4,139,358
FY2000 Family Share back-out	(\$865,996)	(\$627,897)	(\$238,099)
Totals	\$12,282,155	\$7,983,404	\$4,298,754

Year 3 (October 1, 2000 to September 30, 2001)			
FY2001 Full Year Projected Expenditures for DHCP	\$14,640,570		
FY2001 * Administrative Costs (10% of above expenditures)	\$1,464,057	\$951,637	\$512,420
FY2001 Expenditures for twelve months (federal and state)	\$12,181,637	\$7,917,999	\$4,263,638
FY2001 Family Share back-out	(\$894,976)	(\$646,734)	(\$248,242)
Totals	\$12,650,618	\$8,222,902	\$4,427,716

Pointers:

1. Year 1 assumes a show rate of 81% with expenditures for nine months; Years 2 and 3 assume 100% show rate.
2. Year 2 assumes 3% inflation over FY99; Year 3 assumes 3% inflation over FY2000.
3. Years 2 & 3 assume that benefit package does not change.
4. Delaware's federal allocation is \$8.09 million.
5. *Administrative Costs: staffing, outreach activities, claim processing, system changes, DCIS II Modifications, HBM contracts & Actuary Costs.

BSSU
 8/28/98
 dhcpbudget.xls