



TERRY E. BRANSTAD, GOVERNOR

DEPARTMENT OF HUMAN SERVICES

AUG 26 1998

CHARLES M. PALMER, DIRECTOR

Mr. Dan McCarthy, Project Officer  
for Iowa's Title XXI Proposal  
Division of Integrated Health Systems  
Health Care Financing Administration  
Mail Stop S2-03-08  
7500 Security Boulevard  
Baltimore, Maryland 21244-1850

Dear Mr. McCarthy:

We are replying to your letter of August 21, 1998 requesting additional information related to Iowa's State Children's Health Insurance Program (S-CHIP) under title XXI of the Social Security Act. Specifically you asked 1) that we clarify the relationship between S-CHIP and our Health Insurance Premium Payment Program (HIPP) for non-eligible Medicaid children. Does the State plan on allowing the non-eligible Medicaid children to enroll in S-CHIP? and 2) You asked for a more detailed breakout of our administrative costs.

Following is our response to question number 1.

Iowa is not providing Medicaid coverage to non-eligible persons. In response to an earlier question from you, regarding the HIPP program, the term "non-eligibles" was used. In this reference, we were referring to children who were not eligible for Medicaid but who were covered under the family's health insurance plan. Following is an example that illustrates how the HIPP program worked before and after the July 1, 1998, Medicaid expansion.

<u>Example:</u>	<u>Family Member</u>	<u>Age</u>
Household Composition:	Dad	40
	Mom	38
	Child A	17
	Child B	16
	Child C	12
	Child D	5
	Child E	4

Mom and Dad are both employed and family income is 128% of the federal poverty level.



Only Child D and Child E are Medicaid eligible (because family income is less than 133% of FPL and they are under age 6). Dad has health insurance coverage available for \$13.00 per week. The HIPP Unit determines that it would be cost effective for Dad to enroll in the family health insurance plan in order to provide a third party resource for the two children on Medicaid. Only the Medicaid-eligible children were considered in the cost effectiveness determination.

Since the only way to provide coverage for the two Medicaid eligible children is through the family plan, Dad enrolls in the family plan. As a result, all members of Dad's family have health insurance coverage.

After July 1, 1998

The same scenario except that due to the Medicaid expansion, Child A, B, and C are now all eligible for Medicaid. When determining the cost effectiveness of buying the family health insurance, all children will be considered.

Iowa is using the provisions allowed under 1902 (r) (2) to provide Medicaid to these children. As specified in State Plan Amendment MS-98-10. Therefore, children with health insurance whose income is between 100% and 133% of FPL are being funded with Title XIX rather than Title XX1 funds.

Following is our response to question number 2.

Phase I of Iowa CHIP  
Medicaid Expansion to 133%

Outreach \$131,400

Administrative Expenditures  
Implementation Costs

- State Eligibility System \$180,000
- Fiscal Agent MMIS
- Policy Manual \$2,300
- Training \$4,000

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Ongoing Costs	
• Fiscal agent claims processing (7/1/98 - 6/30/99)	\$355,800
Two CHIP policy staff	
100% from 7/1/98 - 12/31/98	\$60,500
28% from 1/1/99 - 6/30/99	\$16,940
Cost Allocation	\$37,364
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	\$656,904

Thank you for the opportunity to provide this clarification. Please advise if you need any further information in order to approve Iowa's S-CHIP plan.

Sincerely,

Charles M. Palmer  
Director

CMP:DWH:rg