



STATE OF WASHINGTON
DEPARTMENT OF SOCIAL AND HEALTH SERVICES
MEDICAL ASSISTANCE ADMINISTRATION
PO Box 45535 • Olympia WA 98504-5535

August 18, 1999

Ms. Linda Welle, Project Officer
Center for Medicaid and State Operations
Health Care Financing Administration
Mail Stop C2-01-16
7500 Security Boulevard
Baltimore, Maryland 21244-1850

Dear Ms. Welle:

Thank you for your response to our August 6, 1999 update to our CHIP application. As requested in your August 11th letter to Secretary Lyle Quasim, I have submitted answers to HCFA's follow-up questions.

Effective August 11, 1999, HCFA stopped the 90-day review period for our application. We would like assurances from HCFA that this delay will not prohibit approval of our State Plan before the September 30th deadline.

If you have any questions, or need additional information about CHIP, please contact our CHIP Program Manager, Bill Stoner. He can be reached at (360) 586-3339 or at stonewh@dshs.wa.gov

I look forward to our continued collaboration and HCFA's prompt approval of Washington's Title XXI State Plan.

Sincerely,

Thomas W. Bedell, Acting Assistant Secretary
Medical Assistance Administration

cc: Teresa Tremble
Steven Wish
Roger Gantz
Bill Stoner

Enclosure

**Questions and Comments on Washington State's Children's Health Insurance Program
Title XXI State Plan**

Section 3 General Contents of the State Child Health Plan

Section 3.1

During the application process, the beneficiary will be required to enroll in a managed care plan. Please explain the process if the applicant does not select a plan.

ANSWER

In order to become eligible for CHIP, an applicant's family must:

- Submit a completed joint Medicaid/CHIP application,
- Indicate whether the child has had employer-sponsored health coverage within the prior 30 days,
- Select their health care plan (unless their service area only has fee-for-service (FFS) coverage), and
- Agree to the program's cost-sharing (premiums and copayments) requirements.

The applicant cannot be eligible for CHIP until the child's plan has been selected and plan enrollment occurs.

If the family has not selected a CHIP plan in their application submittal, MAA staff will contact the family by telephone to complete the application, including assistance in choosing a plan for their child. If the family is not able to be reached by telephone, staff will pend the application and send the family a written notification that the application has been pended, state the reasons for pending the application, request the family to select a plan, and provide basic information about the plans in their service area. The application will continue to be pended until the child's plan has been selected.

Section 4 Eligibility Standards

Section 4.3.

We are concerned that the State does not provide a strategy that is adequate to prevent "crowd out" of private coverage for children. As you know, this is an issue particularly when public coverage is being offered at higher income levels as proposed by your state. Although the State indicates that the cost-sharing requirements will discourage crowd out, the State fails to provide

evidence indicating that the cost sharing requirements are comparable to the private sector. In addition, the State does not provide any information regarding the percentage of children with insurance at this income level to support their argument that families will not drop private coverage in order to enroll in CHIP. Please provide a detailed description of how the proposed crowd out strategy will enable the State to prevent substitution of coverage.

ANSWER

As requested by HCFA, Washington will adopt a "waiting period" as a strategy to address Congressional concerns over families substituting publicly financed health coverage for privately financed coverage. Washington will impose an enrollment waiting period of 30 days for children whose families have dropped employer-sponsored coverage for their dependent children. MAA will make the waiting period publicly known through written materials to strengthen its potential effect on reducing crowd-out. MAA also will monitor crowd-out through CHIP household surveys.

The CHIP waiting period will commence on the date of dropped employer dependent coverage and will end on the first day of the month of enrollee coverage. MAA will complete the eligibility determination process for children subject to the waiting period. The effective date of CHIP coverage will then be set to comply with the waiting period requirements.

There will be a CHIP exception policy for the waiting period requirement. Exceptions will be granted in cases where the household has lost employee dependent coverage due to:

- Loss of employment;
- Expiration of COBRA coverage period;
- Discontinuation of dependent health benefits by the employer;
- Change in employment to new employer that does not offer dependent coverage;
- Change of address so that employer-sponsored coverage is not available; or
- Health benefits are terminated due to a long-term disability.

Exceptions may be granted if there is:

- A substantial reduction in medical benefits offered to dependents; or,
- An increase in employee coverage costs resulting in the family's cost-sharing exceeding \$130.00 per month (i.e., 5% of income for a 3-person family at 225% of poverty).

Exceptions also will be granted in the event of death of parent or parent becomes self-employed.

The waiting period requirement will be only applied in cases where the family has dropped employer-sponsored dependent coverage. It will not be applied to cases where the family has dropped individual market coverage for their child. Washington State is encountering a

significant deterioration in its individual market. Currently, there are only two major health carriers offering individual coverage in multi-county areas. Seventeen of the state's 39 counties have no individual market coverage. The Basic Health Plan (BHP) non-subsidized program, which offers individual coverage, is phasing out. Only one plan in one county will be offering new coverage in 2000. These conditions are expected to worsen until the state legislature modifies pre-existing condition and portability insurance reform requirements and develops a method for "pooling risk" between the individual market and group markets. Until such time, both CHIP and Medicaid will provide critical health care access for low and moderate-income children.

In addition to the above waiting period requirement, MAA also will monitor crowd-out. We will conduct periodic surveys of all CHIP households to determine if they had dependent coverage prior to enrollment. If so, the survey will ask when the coverage was dropped and the reason(s) why it was dropped. The survey findings will be reported to HCFA, the Governor and state legislative health committees.

Section 8 Cost Sharing and Payment

Section 8.5

The State says that the enrollee handbook will include information how to submit necessary documentation to MAA for "repayments of amounts in excess of the 5.0% limit." The enrollee should not be liable for any cost-sharing once the 5.0% limit is reached. The enrollee cannot face cost-sharing in excess of the 5.0% limit that is later repaid. Please provide clarification on how the beneficiary might apply for exception as the enrollee approaches the 5.0% limit.

ANSWER

As specified in Section 8.2 of our CHIP application, we will be imposing a \$10 per month premium for each child enrolled in CHIP, with a family maximum of \$30 per month. We estimate that these premium obligations will not exceed 1% of families' gross household incomes for Washington's CHIP families that have incomes between 200% and 250% of the federal poverty level (FPL).

Families also will have modest copayment obligations. These include: \$5 per physician office visit, excluding visits for well-baby and well-child care including age-appropriate immunizations; \$5 per brand name prescription; and \$25 per emergency room visit, which is waived if admitted to the hospital for inpatient care. Our consulting actuaries estimate that the average monthly cost of such copayments across all CHIP enrollees should be about \$5 per month. In combination with premiums, the average total cost-sharing of \$15 per month would be

less than 2% of family income.

However, an individual family could incur greater cost-sharing due to high copayments for extraordinary medical care. To address this possibility, Washington's CHIP will have an annual "cost-sharing cap" of \$300 per child per year with a \$900 family maximum. Under this cap, we estimate that average maximum cost-sharing will be less than 2% of family income and should not exceed 3% for any family covered under CHIP.

If a family's incurred cost-sharing exceeds the cap, the family may submit necessary bills to MAA and receive a repayment for amounts in excess of the cap. The CHIP enrollee handbook will include information on the \$300/\$900 cap and how to bill MAA for amounts in excess of the cap. The handbook will include information on their maximum copayment amounts that they should use to initiate a payment request at their cap. For example, a family with one CHIP child would have a \$300 annual cap and a \$180 ($\$300 - (\$10 \text{ premium} \times 12 \text{ months})$) copayment cap.

Given that families can begin to bill and receive payments from MAA for amounts in excess of the cap, which in every case will be less than 3% of family income, this should ensure that any family's incurred cost-sharing will not reach the 5% limit imposed under Title XXI. Also given that Washington's CHIP is covering relatively higher income children, the family should be able to handle any associated cash-flow.