

DATE: September 7, **1999**

TO: Kathleen Farrell
HCFA Project Officer

FROM: Sandra Shewry
Managed **Risk** Medical Insurance Board

J. Douglas Porter
Department of Health Services

SUBJECT: Answers to Questions for Clarification on California's Title XXI Amendment
dated July **26, 1999**

Please find our responses to the August **26, 1999** questions on California's July **26, 1999** Title XXI Amendment. Question **3** mirrors similar questions asked by HCFA on California's December **22, 1998** Title XXI Amendment, which is pending approval. We will address questions about the application assistance fee for annual eligibility review in our correspondence related to the December **22, 1998** amendment. We prefer to maintain the separation between the two amendments in order to obtain approval of the July **26,1999** amendment as quickly as possible.

We are looking forward to speaking with you during the conference call scheduled for September **9** at 9:30 am **PST**.

Answers to Questions for Clarification on
California's July 26, 1999 XXI Amendment

Section 9.10

1. Kindly revise your budget to reflect actual expenditure data for the period in Federal Fiscal Year **1999** in which it is available.

See attached revised FFY 1999-2001 estimates chart.

2. Are the costs for legal immigrants included in the three-year budget?

No. Costs for legal immigrants are funded from 100 percent State Funds and are excluded in the budget display. See accompanying attachment from the Budget narrative for total costs projected by federal fiscal year for legal immigrants.

3. Case Management costs for application assistant fees for annual eligibility review are included as a benefit cost. There was no case management benefit approved as part of the State's benefit package in the State Plan. Additionally, the annual eligibility review assistance would not meet the requirements for health benefits coverage under section **2103** of the Title XXI statute. We have stated in previous conversations and correspondence with you that this type of assistance is not a benefit cost, but is clearly an outreach activity that would be considered an administrative cost under section **2105 (a)(2)** and is subject to the limitations in section **2105 (c)**. Therefore, the actual and projected expenditures for this fee must be reflected in the administrative section of the revised budgets.

This question relates to California's December 22, 1999 Title XXI State Plan Amendment. Since this question is not relevant to the expansion of HFP under discussion in the July 26, 1999 amendment we will address Question 3 in our correspondence with HCFA on the December 22, 1998 Amendment. We furthermore wish to maintain the separation between the two amendments in order to obtain HCFA's approval of the HFP expansion amendment as quickly as possible.

Kindly elaborate on the costs associated with the Rural Health Demonstration Project, which you have reflected as a benefit cost. The listing of awarded demonstrations we have shows activities funded, i.e. hiring staff, improving MIS, telecommunications and equipment purchases, renovating clinics, as those whose costs are normally recouped through the rates paid to the providers, with Medicaid or Title XXI portion as services costs through the rates paid for services provided to Title XXI eligibles. Are any of these activities reflected in the rates being paid to these providers? Are these sites providing services only to title XXI eligibles? If other populations are being served, only the pro rata share of costs applicable to the Title XXI population

they serve would be picked up by this program.

The Rural Health Demonstration Projects (RHDP) were created and implemented to increase access to health care for HFP subscribers living in rural areas and to subscribers who are members of special populations (seasonal and migrant farmworkers, workers in the fishing and forestry industry and American Indians).

The state appropriates **\$5** million General Fund annually for these projects. \$3 million of this amount is appropriated to DHS for direct grants to providers and clinics for infrastructure improvements (for example: renovation, equipment purchases and improving information technology at the provider's office). These DHS direct grants to providers **are not billed to Title XXI** and are not being matched with federal financial participation. The remaining \$2 million is appropriated to MRMIB for direct services to HFP subscribers through participating HFP health and dental plans. The Managed Risk Medical Insurance Board purchases increased access through its contracts with its participating health and dental plans through either monthly capitation reimbursement increases per subscriber or through lump sum payments. These projects include: higher rates of payment to rural providers to increase the number of providers participating in the HFP, mobile health and dental services brought directly to subscribers in remote areas **and** farm labor camps, addition of providers in rural areas, expansion of provider hours to improve accessibility to services for subscribers and increased access to specialists for subscribers in rural areas.

The MRMIB RHDPs are not reflected in the initial capitation ~~reimbursement~~ rates negotiated between MRMIB and the HFP plans but are additional payments ~~made to plans specifically~~ to assure that adequate access is provided to rural and special **populations**. The RHDP's funds provide direct benefits to HFP subscribers. There is no pro-rata share to these projects for non-HFP subscribers since the rate enhancements are paid only for HFP subscribers and the lump sum payments for a project are fixed costs necessary for successful implementation of the **RHDP** for HFP subscribers. For example, providing dental screenings to HFP subscribers directly at school sites 2 days a week in Humboldt, Trinity and Del Norte counties is a fixed cost. The providers, van, dental equipment and their necessary costs brought to the school are the same regardless of whether 10 or 20 children are provided dental screens during that visit. While the providers are at the school site providing screenings to HFP subscribers, if time permits, the providers may also provide screenings to non-HFP children. Even if non-HFP children were explicitly precluded from receiving dental screenings at the school site from the RHDP, the cost of the RHDP for HFP subscribers would remain the same.

Have the sources of your non-federal share changed from the previously approved State Plan budget? If so, please describe the sources in this budget.

The sources of ~~non-federal share~~ have not changed. Per the State Plan budget dated 11/18/97, sources of non-Federal share of plan expenditures will be the state funds for all program elements except for:

1. County mental health which will be matched by local funds;
 2. California Children's Services (CCS) which will be matched by General
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- Fund and local funds;
3. Child Health Disability Prevention program (CHDP) which will be matched by General Fund and local funds.
 4. California's Proposition 99 tobacco tax monies for for children eligible through the Access for Infants and Mothers Program.
6. **Kindly explain how you calculated the amounts for the Federal match across all three years.**

The federal match was calculated using the following method:

- . FFY 1999 - The actual federal share ratio of .6609 was applied to total estimated program costs eligible for financial participation. The result is the \$90,224,667 for the Federal Share amount.
 - . FFY 2000— The actual federal share ratio of .6617 was applied to total estimated program costs eligible for financial participation. The result is the 213,828,358 for the Federal Share amount.
 - . FFY 2001— Pending HCFA's release of the FFY 2000's federal share ratio, we have used the FY 2000 ratio of .6617. This was then applied to the net total estimated program costs eligible for financial participation. The result is the \$314,368,240 for the Federal Share amount.
7. **We would like the State's written acknowledgment that costs exceeding the 10 percent administrative cap would come from state-only funds.**

It is the intent of the State to maximize the receipt of permissible federal matching funds. To the extent that state costs for administrative and outreach expenses exceed the 10 percent cap, these costs will be paid with state-only funds.

8. **You indicated a change in the estimate of uninsured children based on the UCLA Center for Health Policy Research data. Could you please describe what has changed in the methodology that accounts for the continued downward revision of these estimates? (Described under the "Caseload Estimate Assumptions")**

At the request of DHS, the UCLA Center for Health Policy Research conducted research in early 1997 to estimate the number of children ages 1 through 18 between 100 and 199 percent of poverty who were uninsured and ineligible for Medi-Cal. Using the March 1996 Current Population Survey (CPS), UCLA arrived at an estimate of 580,000 children in the specified age and income bracket, who were thus potentially eligible for HFP. This estimate was included in California's Title XXI State Plan, which was submitted in November 1997.

In 1998, the UCLA Center for Health Policy Research released revised estimates based on the March 1997 CPS. UCLA estimated that there were approximately 1.74 million uninsured

children in California. Of those, an estimated 400,000 were eligible for HFP, and 668,000 were eligible for no-cost Medi-Cal. The 1998 estimates provided by the UCLA Center for Health Policy Research were based upon the March 1997 CPS. The authors of the UCLA estimates reduced prior estimates to reflect the number of undocumented **uninsured** children who are ineligible for HFP. UCLA also adjusted the data to account for the fact that some sources of income counted by CPS are not included under HFP and MC. Furthermore, income under CPS is based upon a larger family size than is counted under HFP and Medical eligibility guidelines. These adjustments further reduced the number of children eligible for HFP and increased the number of children eligible for MC. UCLA further lowered the estimate of the number of children eligible for HFP to account for the fact that income deductions would not be applied for HFP.

In January 1999, UCLA again updated projections of the number of children eligible for HFP and MC. Basing their work on data from the March 1998 CPS, researchers from UCLA now estimate that 328,000 children are eligible for HFP and 788,000 children are eligible and unenrolled for no-cost Medi-Cal. The researchers explain the decrease in the estimated number of HFP children and the increase in MC children due to changes in the income distribution of the target population.

It is anticipated that in January 2000, UCLA will release an updated analysis of the target population using the March 1999 CPS data.

Eligibility

- 9. You have said families may apply for Health Families Program coverage up to three months prior to the expected date of delivery. When would an infant's 12-month period of eligibility start, i.e. at birth, or at eligibility determination? How will the State assure that the newborn is not Medicaid eligible as of the date of birth, in those cases when families apply for Health Families up to three months prior to birth?**

In cases where families apply up to three months prior to birth for coverage of an infant under HFP, the infant's 12-month period of eligibility will begin within 13 days after MRMIB receives notice of the child's birth. Families that apply for coverage of an infant up to three months prior to birth and experience a change in income prior or after the infant's birth may apply for no-cost Medi-Cal. This process is currently used by families who experience a change of income during the 12-month eligibility period granted under HFP for children ages 1 to 19.

In order for the State to re-certify that the newborn is not Medicaid eligible as of the date of

Steve P. Wallace et al. "Technical Notes for *New Estimates find 400,000 Children Eligible for Health Families Program, Policy Brief 98-4.*" UCLA Center for Health Policy Research. October 1998.

Helen Halpin Schauffler et al. "The State of Health Insurance in California, 1998." UC Berkeley Center for Health and Public Policy Studies and the UCLA Center for Health Policy Research. January 1999. Page 24.

birth in the case of a family that applied for coverage of an infant up to 3 months prior to birth, the State would need to grant conditional eligibility for HFP and then require the submission of additional income documentation at the time of the infant's birth. Requiring supplementary proof of income could likely delay the start of coverage and would increase the application burden upon families. Families would likely become confused if they were only granted a form of "conditional" eligibility during the time between the date of their application for HFP coverage of an infant and the receipt of additional income documentation after their newborn's birth. Many families would likely neglect to submit additional documentation and the State would need to follow-up with phone calls and letters. This process would impose yet another administrative duty upon the State. California is already investing a significant amount of State funds to fund administrative and outreach costs in excess of the Federal 10 percent cap on administrative costs. Granting 12 months of eligibility within 13 days of the child's birth without the receipt of additional income documentation will enable coverage to begin sooner, reduce the application burden on applicants, and prevent the imposition of additional administrative costs on the State.

Additional Clarification

- 10. Would you please update your references in the State Plan pages regarding the one-month bridge program, specifically section 4.1.8 and paragraph 1 on page 11, which still describe this as "continued eligibility."**

Please see attached pages 11 and 23 -24 of the State Plan.

ATTACHMENT FROM BUDGET NARRATIVE

LEGAL IMMIGRANTS POST 8/22/96
(100% State-funded program)*

- Caseload estimates assume enrollment will begin 7/99.
- Assumes 40,000 potentially eligible legal immigrant children will enter the United States in a five year period (or 8,000 legal immigrant children annually) based on the revised UCLA report dated 1/99.
- Assumes the 40,000 potentially eligible children will enroll over a seven year period.
- Assumes 8,000 eligible children for every 12-month period beginning 8/22/96,
- Assumes a cumulative backlog of 22,667 eligible children for the 34-month period ending 7/1/99.
- Estimated monthly enrollment is projected as follows:

	<u>Legal Immigrants</u>	<u>cost</u>
<u>FFY 1999</u>	<u>920 by 10/1</u>	<u>\$ 133,632</u>
<u>FFY 2000</u>	<u>8,520 by 10/1</u>	<u>\$ 4,518,707</u>
<u>FFY 2001</u>	<u>17,799 by 10/1</u>	<u>\$12,384,323</u>

This expansion program will be 100% State-funded (requiring no federal matching Title XXII funds) unless federal matching funds are made available by Congress.

DMH FOR SED SERVICES

- Assumes enrollment will begin 7/99.
- Assumes 3% of the average annual HFP enrollment.

	<u>cost</u>
<u>FFY 1999</u>	<u>\$ 71,844</u>
<u>FFY 2000</u>	<u>\$ 480,067</u>
<u>FFY 2001</u>	<u>\$1,275,720</u>

Only MRMIB, CCS and DMH estimate costs for this proposal. Estimated CCS costs are \$137,000 total funds. The DHS estimates no additional costs for Child Health Disability Program (CHDP).

STATE PLAN PAGES

medical needs in managed care.

To promote a smooth interface between Healthy Families and Medi-cal, Medi-cal will be enhanced through a resource disregard for children in the federal poverty level program, accelerated coverage for older children at or below 100 percent of the federal poverty level, and an additional one month of ~~continued~~ no-cost **"bridging"** eligibility to allow children whose families become ineligible for Medi-Cal time to become enrolled in the insurance programs. In addition to program integration, these features will promote greater coverage of children who are already eligible for, though not enrolled in, Medi-Cal. Under this Medicaid expansion, children without health insurance will receive their coverage under Title XXI funding. Children with health insurance will receive their coverage under Title XIX funding with the applicant's other health coverage requirements being applied.

Targeted low income children under age 1 whose mothers are enrolled in AIM and whose families have incomes between 200-250% of federal poverty level will be served through the AIM program, under a purchasing pool arrangement similar to the Healthy Families purchasing pool, or through the Healthy Families Program.

The authorizing statute for Healthy Families also requires the state to assess the need for specialized services in two additional areas: rural health and substance abuse.

Rural health. The Department of Health Services (DHS) is authorized to operate up to five pilot programs in rural areas should the coverage provided through the insurance programs be insufficient in particular rural areas or for particular populations, such as migrant workers or American Indians. DHS will be working with stakeholders in rural areas as well as holding a public hearing in the fall of 1997 to begin to assess these issues. A final determination will be made in early 1998, after MRMIB has finished negotiations with plans for the purchasing pool and, thus, are aware of the extent of the

coverage **in** rural areas. Should DHS, relying on the advice of the Rural Health Policy Council and the County Medical Services Program Board in evaluating the need for supplemental services, determine that supplemental services are needed, California will submit an amendment to this plan.

Substance abuse. The authorizing statute directs MRMIB, in consultation with the Department of Alcohol and Drug Programs, to assess the feasibility of providing supplementary services for substance abusers. The core benefit package includes those services made available to state employees, but some have argued that additional services are necessary for the target population. MRMIB will report to the legislature on the need for additional services by April 15, 1998. The state will submit an amendment to this plan if it wishes to expand substance abuse services.

Healthy Families Purchasing Pool

Delivery System. For the majority of eligible families, MRMIB will offer access to health

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Section 4. Eligibility Standards and Methodology. (Section 2102(b))
Check here if the state elects to use funds provided under Title XXI only to provide expanded eligibility under the state's Medicaid plan, and continue on to Section 5.

4.1. The following standards may be used to determine eligibility of targeted low-income children for child health assistance under the plan, Please note whether any of the following standards are used and check all that apply. If applicable, describe the criteria that will be used to apply the standard. (section 2102)(b)(1)(A))

4.1.1. Geographic area served by the Plan: The plan is available statewide.

- 4.1.2. **Age:** Children from ages 1 0 to 19 will be served within the insurance program and infants ages 0-1 within the AIM program if they are born to mothers enrolled in AIM. Children ages 14-19 with family incomes 85% to 100% FPL will be eligible for Medi-Cal through a Title XXI expansion.
- 4.1.3. **Income:** Between 100-200% FPL for the insurance program and 200-250% for AIM. Medi-Cal uses specific exemptions from income, as is detailed in California's Title XIX State plan. In determining eligibility for Healthy Families, Medi-Cal income exemptions will be applied and all income over 200% FPL but less than or equal to 250% FPL will be disregarded in calculating household income, If the income exemptions and income disregard reduce income to 200% or less FPL, the child will meet the Healthy Families Program income criteria. ~~The insurance programs will use exemptions, such as agent orange payments, that are required for federally means tested programs.~~
- 4.1.4. **Resources (including any standards relating to spend downs and disposition of resources):** The insurance program has no resource requirements. Consistent with this approach, California will waive the resource Medicaid requirements for all children in the Federal Poverty Level program under Medi-Cal.
- 4.1.5. **Residency:** Children must be residents of California. They must also meet the citizenship and immigration status requirements applicable to Title XXI.
- 4.1.6. **Disability Status (so long as any standard relating to disability status does not restrict eligibility):**
- 4.1.7. **Access to or coverage under other health coverage:**
Children are ineligible for the insurance program if they have been covered under employer sponsored coverage within the prior 3 months (with certain exceptions described in Section 4.4.3) or if they are eligible for (no cost) Medi-Cal or Medicare coverage. To participate in AIM, pregnant women must not have employer sponsored coverage or no cost Medi-Cal at the time of application.

- 4.1.8. Duration of eligibility:** Annual eligibility determination for Healthy Families. Medi-Cal will establish one month of ~~continued bridging~~ eligibility for children whose family income increases beyond Medi-cal's eligibility threshold for no-cost

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Medi-Cal coverage, but does not exceed Healthy Families limits, Infants aged 0-1 in the AIM program are determined eligible at the time their pregnant mother enrolls.

- 4.1.9. Other standards (identify and describe):**

.Enrollment in the insurance program and AIM will be limited to the number of children that can be served within appropriated funds.

.To be eligible for the insurance program, families must enroll all of their children, pay the first month's family contribution, and (if selecting coverage through the purchasing pool) agree to remain in the pool for at least six months, unless other coverage is obtained and demonstrated. To remain enrolled in the insurance program, families must make their premium payments. Those who fail to do so will be disenrolled and not allowed to apply again for six months. However, state law stipulates that MRMIB may waive the six month exclusionary period of disenrollment for good cause.

.Children are ineligible for the insurance program if they are eligible for any California Public Employees' Retirement System Health Benefits Program(s), if they are an inmate in a public correctional institution or if they are a patient in an institution for mental illness.

. To be eligible for AIM, families must agree to pay 2% of the family's gross income plus \$100 at the child's first birthday (\$50 discount if the child's immunizations are up to date on their first birthday). The child's mother must have lived in California for at least six months prior to applying

for coverage under the program.

4.2. The state assures that it has made the following findings with respect to the eligibility standards in its plan: (Section 2102) (b) (1) (B))

4.2.1. These standards do not discriminate on the basis of diagnosis.

4.2.2. Within a defined group of covered targeted low-income children,
these standards do not cover children of higher income families
without covering children with a lower family income.

4.2.3. These standards do not deny eligibility based on a child having a pre-existing medical condition.

4.3. Describe the methods of establishing eligibility and continuing enrollment.
(Section 2102) (b) (2)