DEPARTMENT OF HEALTH & HUMAN SERVICES
Health Care Financing Administration

Center for Medicaid and State Operations
Family and Children's Health Programs Group
7500 Security Boulevard
Baltimore, MD 21244-1850

AUG I I 1998

Ms. Kathleen Sgamba i
Deputy Commissioner
Department of Health and Human Services
6 Hazen Drive
Concord, NH 03301

Dear Ms. Sgambati:

Thank you for your July 27 and August 5 responses regarding your State Children's Health Insurance Program under Title XXI of the Social Security Act. As you are aware, your responses have been undergoing review by the Department of Health and Human Services. The information you provided was very helpful; however, in order to proceed with our review, further clarification is necessary in the following areas:

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 the plan. Please explain whether projected future utilization was a factor in determining the actuarial value of the HKC plan.

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:

> CHIP cost-sharing rules under section 2103(e)(3)(B) of the Act are more flexible for children above 150% of poverty. States may impose premiums, deductibles, cost sharing or similar charges in any amount, provided that cost-sharing for higher income children

> is not lower than cost-sharing for lower income children. However, the total annual aggregate cost-sharing (including premiums, deductibles, copayments, and any other charges) for all targeted low-income children in a family may not exceed 5% of total family income for the year. In addition, States must inform families of these limits and provide a mechanism for families to stop paying once the cost-sharing limits have been reached.

Please provide additional clarification on how the State will ensure that families do not make payments beyond their out-of-pocket maximum.

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.

In addition, we are continuing discussions to resolve various issues surrounding the source of funding for the State share of the CHIP program.

As you know, under Section 2106(c) of the Social Security Act, HCFA must either approve, disapprove, or request additional information on a proposed Title XXI State Plan within ninety days. This letter constitutes our notification that specified additional information is needed in order to fully assess the concerns raised in this letter. The 90-day review period has been stopped by this request and will resume as soon as a substantive response to all of the enclosed questions is received.

The members of the review team would be happy to answer any questions you may have in regard to this letter and to assist your staff in formulating a response.

Please send your response electronically, as well as in hard copy, to Diona Kristian, who will be taking over for Gail Sausser as project officer for the New Hampshire Title XXI proposal, with a copy to HCFA Region I. Ms. Kristian's Internet address is DKristian@HCFA.GOV. Her mailing address is:

Health Care Financing Administration
Division of Integrated Health Systems
7500 Security Boulevard, S2-01-16
Baltimore, Maryland 21244-1850

We appreciate the efforts of your staff and share your goal of providing health care to low income, uninsured children through Title XXI. If you have questions or concerns regarding the matters raised in this letter, your staff may contact either Ms. Kristian at (410) 786-3283 or Ron Preston, Associate Regional Administrator for the HCFA Region I, Division of Medicaid and

State Operations, at (617) 565-1223. They will provide or arrange for any technical assistance that you may require in preparing your response.

Sincerely,

Richard Fenton
Deputy Director

cc: Boston Regional Office