



DEPARTMENT OF HEALTH & HUMAN SERVICES
Health Care Financing Administration

FEB 10 2000

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

Susan M. Chandler
Director
Department of Human Services
P.O. Box 339
Honolulu, Hawaii 96809-0339

Dear Ms. Chandler:

Thank you for your January 19 submission of an amendment to Hawaii's title XXI State plan proposing to use enhanced funding related to title XXI in the operation of the State Medicaid program under title XIX. We appreciate the effort that Hawaii is making to provide health care coverage to **uninsured** children. However, based upon our preliminary review of your most recent submittal, we are concerned that Hawaii's amendment does not conform with the statutory requirements of either titles XIX or XXI regarding the maintenance of effort. **Our** specific concern is the following:

- Under section 1905(b), the enhanced federal medical assistance percentage (FMAP) related to title XXI is available only for children described in section 1905(u)(2)(B). That section describes children who meet certain eligibility requirements and "who would not qualify for medical assistance under the State plan under this title as in effect on March 31, 1997."
- In your proposal, you request the enhanced FMAP related to title XXI for certain children who, as of March 31, 1997 would have qualified for medical assistance under Hawaii's Quest-Net program operated under title XIX.

Your cover letter indicates that you propose to claim the title XXI-related FMAP for children following six months of QUEST-Net coverage, during which time no premiums will be charged. Our understanding is that QUEST-Net currently does not have a limitation on the length of time a child can be enrolled as long as program requirements are met. To change QUEST-Net from an open-ended program to a time limited (six-month) program is problematic. The problem is that, as of the March 31, 1997 reference date, QUEST-NET was part of Hawaii's Medicaid program under its 1115 demonstration project. **As** indicated in guidance issued September 11, 1997, the Health Care Financing Administration (HCFA) interprets the maintenance of effort limitation on the enhanced FMAP rate to include demonstration projects based on title XIX funding. Therefore, the State would not be able to receive the enhanced FMAP for this population group.

You may send any additional information either electronically or in hard copy to Maria Boulmetis, the project officer for Hawaii's title XXI proposal. Copies also needs to be sent to

Sue Castleberry, your regional office contact. I can assure you that even though the 90 day clock has been stopped that we will continue to review your title XXI amendment to identify other issues which may require further clarification.

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 90 days. Since your proposal to enroll QUEST-Net eligibles into a State Children's Health Insurance Program (SCHIP) does not appear to conform with section 2105(d)(1) of the title XXI statute, this letter is our notification that the 90 day review period has been stopped. We would like you to provide additional information on how your SCHIP will conform with the maintenance of effort requirements as described above.

We also want to alert you that your proposal to apply a six month waiting period for uninsured children before enrolling into an SCHIP is inconsistent with our current policy as stated in the Notice of Proposed Rule Making (NPRM) issued November 8, 1999 for the title XXI statute. According to the NPRM, waiting periods cannot be applied to the "optional targeted low-income children" group that is operated as a Medicaid expansion. Therefore, further discussions will be necessary to determine the best approach in light of the NPRM.

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 Maria Boulmetis at (410) 786-0552 or Sue Castleberry at (415) 744-3597.

Sincerely,

Rick Fenton
Deputy Director

cc: Sue Castleberry, HCFA Region IX
Mary Rydell, HCFA Pacific Representative

Ms. Maria Boulmetis

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STATE OF HAWAII
DEPARTMENT OF HUMAN SERVICES
Med-QUEST Division
Policy and Program Development Office
P. O. Box 339
Honolulu, Hawaii 96809-0339

March 31, 2000

Hawaii
Amend #1
Clarific
3/31/00

Ms. Maria Boulmetis
Department of Health and Human Services
Health Care Financing Administration
Center for Medicaid and State Operations
Division of Integrated Health Systems
Mail Stop S2-01-16
7500 Security Boulevard
Baltimore, Maryland 21244-1850

Dear Ms. Boulmetis:

RE: STATE PLAN AMENDMENT TN NO. 00-003

This is our formal response to your letter dated February 10, 2000, which informed the State that the ninety-day clock to review our proposed Title XXI (S-CHIP) State Plan amendments was stopped. Our letter dated March 22, 2000, was a draft.

A. The following are our proposals about which you raised concerns, as well as our respective response to each of those concerns.

1Proposal "to claim the title XXI-related FMAP for children following six months of QUEST-Net coverage, during which time no premium will be charged."

Response: Hawaii will withdraw our proposal to eliminate the premium-share and spenddown requirement for children in QUEST-Net.

2Proposal "to change QUEST-net from an open-ended program to a time limited (six-month) program."

Response: The QUEST-Net program does not have, nor are we proposing, a limitation on the length of time an individual can be enrolled in QUEST-Net.

The proposal to enroll QUEST-Net eligible children into S-CHIP after the waiting period was not intended to indicate that QUEST-Net is a time-limited program.

- 3 *Proposal “to enroll QUEST-Net eligibles into a State Children’s Health Insurance Program.”*

Response: We withdraw our proposal to enroll QUEST-Net children into S-CHIP.

- 4 *Proposal “to apply a six month waiting period **for** uninsured children before enrolling into an S-CHIP.”*

Response: We withdraw our proposal to extend the waiting period to six-months.

- B. The maintenance of the QUEST-Net premium-share for children is related to our plans for implementation of Title XXI. The following is a summary of those plans.

When a child is no longer eligible for QUEST or Medicaid due to excess income, the family or caretaker will be provided a choice of:

aQUEST-Net coverage with a premium-share, **or**

bTitle XXI (S-CHIP) coverage without a premium-share.

Because the State is implementing S-CHIP as a Medicaid expansion, Medicaid regulations at 42 CFR \$435.404 will apply. The regulation provides “The agency must allow an individual who would be eligible under more than one category to have his eligibility determined for the category he selects.”

- 2 If the parent or caretaker selects S-CHIP, the Title XXI maintenance of effort (MOE) provisions must be addressed. A recipient child cannot participate in QUEST in a given month and in the subsequent month participate in S-CHIP.

Our S-CHIP coverage is only available to applicants. A child is not a recipient for any month in which federally funded medical assistance is not provided. After there is a break in federally funded medical assistance, a child who seeks federally funded medical assistance is an applicant.

The break in federally funded medical assistance must be a minimum of one calendar month. This complies with the Medicaid concept of eligibility on a monthly basis.

When a child is an applicant, QUEST-Net is not available. Consequently, the child

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can access S-CHIP in conformance with the Title XXI MOE provisions.

- 3 To ensure continuity of coverage for the child, who opts for S-CHIP instead of QUEST-Net, the State will pay the entire coverage cost for one month.

The State funded assistance should not be an obstacle to accessing S-CHIP when a Title XIX expansion is implemented. We intend that the three-month "firewall" only apply to private health insurance coverage.

We are transmitting this document electronically as well as in hard copy format to both CMSO and Region IX. We have addressed your concerns and request that the ninety-day clock be restarted.

If there are any questions or discussion is needed, please contact Ms. Pearl Tsuji of our Med-QUEST Division, Policy and Program Development Office at (808) 692-8080.

Sincerely,

Susan M. Chandler
Director

c: Ms. Sue Castleberry
Ms. Mary Rydell