



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**

MAY 26 2000

Susan M. Chandler, M.S.W., Ph.D.
Director
Department of Human Services
P.O. **Box** 339
Honolulu, Hawaii 96809-0339

Dear Dr. Chandler:

Thank you for your May 5 response to our questions regarding your amendment to your State Children's Health Insurance Program (SCHIP). As you are aware, your proposed amendment has been undergoing review by the Department of Health and Human Services. In order to proceed with our review, however, we require additional information. The enclosure explains more fully the areas that require additional information and clarification. From that listing, our major concerns is related to the following area:

Section 2.3 – Program Coordination

We request additional clarification on your proposal to allow children to choose between QUEST-Net and a Medicaid expansion under your title XXI state plan. We believe that you need to clarify your description of the process involved in this choice, since the regulation you cited in your May 5, 2000 and March 31, 2000 letters only applies to individuals who would be eligible for both categories at the time that the individual could make an election. Because of the maintenance of effort issues which you acknowledge, an individual would not be eligible simultaneously for QUEST-Net and for the SCHIP Medicaid expansion.

Our specific questions are detailed in the attachment.

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. This letter constitutes our notification that specified additional information is needed in order to fully assess your plan. 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.

Also, as indicated in our previous two letters, we would still like to discuss the period of uninsurance for children whose families drop private coverage. Specifically, we would like to continue our discussion with you on how to conform your plan with our policy on waiting periods in Medicaid expansion programs.

In light of the complex issues in your plan amendment and our mutual interest in Hawaii being able to implement SCHIP as soon as possible, I would like to arrange a conference call to discuss these issues before you officially respond to this letter. We will call to see if we can arrange a time that is convenient for you and your staff. If you have questions or concerns regarding the matters raised in this letter, your staff may contact Christina Moylan at (410) 786-6102, Maria Boulmetis at (410) 786-0552 [Maria will be out of the office until Tuesday, May 30], or Sue Castleberry at (415) 744-3597.

Sincerely,

Cindy Mann
Director

Enclosure

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

Additional Information Request for Hawaii's Title XXI Amendment

Section 2 -- General Background and Description of State Approach to Child Health Coverage

Section 2.3

1. Your proposal to allow children to choose between QUEST-Net and a Medicaid expansion under your title XXI plan may not comply with the Medicaid statute's maintenance of effort provision. Under section 1905(u)(2)(B) of the Social Security Act, Medicaid expansions under a title XXI state plan do not include children who would qualify for medical assistance under the standards that were in effect on March 31, 1997. However, in your March 30, 2000 letter you have cited the regulation at 42 C.F.R. Section 435.404 as a basis for giving children the choice of being in the QUEST-Net program or the Medicaid expansion under your title XXI state plan. Children eligible for the QUEST-Net program cannot qualify for coverage under the Medicaid expansion under your title XXI plan. Section 1905(u)(2)(B) of Social Security Act states that only children who would not qualify for medical assistance under the Medicaid eligibility standards in effect on March 31, 1997 can be "optional targeted low-income children." In other words, a child cannot be eligible for coverage funded by SCHIP and also eligible for coverage under Medicaid rules in effect on March 31, 1997. Therefore, the choice of eligibility category you cited from regulatory citation at 42 C.F.R. Section 435.404 does not apply.

In your March 31, 2000 letter you noted that your SCHIP Medicaid expansion is only available to applicants and that Hawaii understands that unless there is a break in Medicaid eligibility of at least one calendar month, the child would be eligible for QUEST-Net and there would be a maintenance of effort problem. In your May 5, 2000 and March 31, 2000 letters, you noted that the State would fund a one month non-Medicaid State-only program which would cover children opting out of QUEST-Net so that in the following month they could get covered under the SCHIP Medicaid expansion. Since only existing recipients of Medicaid can be eligible for QUEST-Net, if a child lost QUEST-Net coverage, the child could no longer qualify under QUEST-Net and could then be enrolled in the SCHIP Medicaid expansion.

Since the citation to the regulation at 42 C.F.R. 435.404 implies that the children have a choice of QUEST-Net or the SCHIP Medicaid expansion, please provide additional information describing how children may move between your different State programs and how the state will assure compliance with the statute at section 1905(u)(2)(c).

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2. Please clarify the source of the numbers in the right vertical “total” column of the chart provided in your May 5, 2000 letter describing the Number of *Children Disenrolled From QUEST-Net in 1999* (response to question 1.b).

3. Please provide additional information regarding what processes/controls/edits are in place in the HAWI system to assure that an individual does not participate in more than one program simultaneously. Your May 5, 2000 letter does not provide an adequate description of how the State will assure that eligible children are placed in the correct program and that dual enrollment/payment is prevented. (Section 2102(b)(3)(A)).

Section 9 -- Strategic Objectives and Performance Goals for Administration

Section 9.3

4. Your May 5, 2000 letter indicates that the State will not be using HEDIS data for the segment of children not served by managed care. Please provide clarification regarding what information the State will use to assess quality for children in fee-for-service systems.

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JUL 24 2000

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

*Hawaii
Amend #1
STC
7/24/00*

Dear Dr. Chandler:

We appreciate your patience and willingness to work with us as we attempt to address the complex issues in Hawaii's State plan amendment for the State Children's Health Insurance Program (SCHIP). As you are aware, the Department of Health and Human Services issued a "Dear State Health Officials" letter on July 10, 2000. The letter clarified our definition of "optional targeted low-income child" and circumstances in which eligibility under a section 1115 demonstration project would not be regarded as part of the Medicaid State plan for purposes of maintenance of effort under title XXI. As a result of this policy guidance, children previously covered under Hawaii's QUEST-Net program may now qualify for the enhanced title XXI match when they are transitioned into the State's SCHIP program.

We understand that you implemented your SCHIP program on July 1, 2000; however, the amendment you submitted January 19, 2000 is still unapproved. Therefore, although the policy guidance has been issued, it is still necessary for Hawaii to revise the pending amendment to reflect the new policy guidance and respond to the request for additional information that was issued on May 26. The remainder of this letter clarifies our understanding of the proposed program elements currently under discussion and identifies the issues that must be addressed by the State in order to bring your title XXI State plan into compliance with the July 10 policy guidance and title XXI.

SCHIP State Plan and Amendments

Hawaii submitted a SCHIP State plan in October 1998, which was approved by HCFA on January 19, 1999. Since the approval, however, you elected to make substantive changes in the proposed program that required an amendment to the State plan. On January 19, 2000, you submitted the required amendment that is currently under consideration. The following information outlines our understanding of the major changes identified in the title XXI amendment and the issues that still need to be addressed.

1. On July 1, 2000, you began enrolling eligible **uninsured** children under age 19 with income not exceeding 200 percent of federal poverty level into your SCHIP program. If

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this is accurate and there have been no other changes, we require no additional information related to this issue.

2. You proposed to create a separate one-month “State only” program as a mechanism to allow individuals eligible to be “recipients” under the State’s QUEST-Net program to shed that distinction and become applicants for SCHIP. This strategy is no longer necessary given the July 10 policy guidance. Please describe in your title XXI amendment how you will transition QUEST-Net children to the SCHIP program and upon what date that will be effective. Please note that if you plan to implement retroactive to July 1, 2000, children who already paid premiums for QUEST-Net will not be eligible for the enhanced federal matching funds. If you would like to obtain the enhanced federal match retroactive to the date your SCHIP program was implemented for those children, then the premiums paid must be refunded. If you elect to pursue this option, please provide detail on the process for distributing the refunds.
3. Your approved title XXI State plan contains a three-month waiting period for children whose families drop private health care coverage; however, we understand that you implemented your program without any waiting period. Please confirm whether this is the case, as it will impact the type of amendment that will need to be completed in order to adopt the eligibility group for your SCHIP Medicaid expansion. In addition, please describe how you will monitor the SCHIP plan’s impact on private health insurance to determine whether substitution of private coverage is occurring.

We also issued a letter requesting additional information on May 26, 2000 with a number of issues, in addition to those identified above, that must be addressed in order to proceed with approval of your amendment.

1115 Demonstration Amendments

We understand that the intent of your section 1115 demonstration amendment is to create parity between your QUEST and SCHIP programs. The section 1115 amendment proposal, submitted on January 19, requested changes to the existing QUEST and QUEST-Net programs for the purpose of eligibility simplification. Our understanding of the changes you are currently proposing to your section 1115 demonstration project are as follows:

1. Children born before 10/1/83, who are above the TANF payment standard, will be exempt from the QUEST statewide maximum enrollment provision.
2. The asset test for children born before 10/1/83 in the QUEST program will be removed.
3. You originally requested to eliminate the premium share and spend down requirement for children under age 19 in QUEST-Net. This request has been withdrawn.

The additional children made eligible for QUEST as a result of the lifting of the enrollment cap and asset test, will be eligible for QUEST at the State’s regular federal matching rate. We anticipate the cost of this diminishing group of children will have a minimal impact on your waiver baseline. As part of your section 1115 amendment, we request that you demonstrate how such changes will be budget neutral within your section 1115 waiver extension. We anticipate

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this information will include any adjustments, which will occur with the enrollment of some of the QUEST-Net children into SCHIP.

You have also requested to amend your section 1115 demonstration to include the SCHIP-eligible children, but asked for guidance on whether a title XIX State plan amendment is necessary instead. After careful consideration, we have determined that you should file a title XIX state plan amendment to adopt the “optional targeted low-income child” eligibility group. This amendment should be filed with your HCFA regional office before the end of the quarter that your plan is implemented.

Please review the above information with your staff for accuracy and let Christina Moylan know immediately if the information is inaccurate, as this may effect the type of amendment that needs to be submitted. Our staff are available to work with you in preparing your response to the letter requesting additional information; revising your title XXI State plan; and amending your title XIX State plan to assure it accurately reflects your current proposals. Again, if you have questions or concerns regarding the matters raised in this letter, please contact Christina at (410) 786-6102, or Sue Castleberry at (415) 744-3597.

Sincerely,

Cindy Mann
Director

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