



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

JUL 24 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:

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

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

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
