

MEDICAID 1115 DEMONSTRATION WAIVER PROPOSAL

January/2005

SENATE PUBLIC HEALTH, WELFARE & SAFETY

EXHIBIT NO. 14

DATE: 1-17-05

BILL NO. SB110

What are HIFA Waivers?

- HIFA, which stands for Health Insurance Flexibility and Accountability, is a Medicaid waiver option that is available to states interested in looking for creative ways to provide healthcare to uninsured people with low incomes.
- While HIFA waivers are drawing a great deal of attention because they are part of a new initiative by the Center for Medicare and Medicaid Services to cover the uninsured, in reality HIFA is simply another form of 1115 Demonstration Waiver, a long standing category of federal waivers that many states, including Montana, have used in the past to explore new options for providing Medicaid funded healthcare.
- The intent behind the new type of waiver is to:
 1. Provide states with greater flexibility in operating their Medicaid programs;
 2. Increase the number of low-income people who have healthcare benefits; and
 3. Restrain the rate of growth in Medicaid expenditures.
- It enables states to provide Medicaid funded healthcare benefits to low-income people who are uninsured, without creating unaffordable open-ended entitlements to Medicaid benefits.
- The waiver gives states the ability to do things such as:
 1. Serve new low-income eligibility groups using Medicaid funding;
 2. Provide a different set of Medicaid services to the new groups; and
 3. Limit enrollment of, and total spending on services to, new Medicaid eligibility groups.
- Under certain conditions states may convert existing 100% state funded healthcare programs to Medicaid funding, as long as the savings are re-invested in expanded healthcare coverage for low-income people who are uninsured.
- In exchange for the waiver the federal government requires states to negotiate an upper limit on the average annual per person growth rate of Medicaid expenditures. The annual growth caps apply only to those eligibility groups that are included in the waiver. The cap does not apply to the entire state Medicaid program.
- In addition to negotiating growth caps, the state must demonstrate that the waiver is "cost neutral," and that the federal government will spend no more with the waiver than it would without the waiver.

What are the important features of the proposed Medicaid waiver for Montana?

- The Department's proposed waiver would secure Medicaid financing for portions of the Mental Health Services Plan (MHSP) and Montana Comprehensive Health Association (MCHA) Premium Assistance programs that currently receive almost \$6.3 million dollars per year in state funding. Because the federal government contributes \$.70 of every dollar spent on Medicaid services in Montana, funding MHSP and MCHA with Medicaid frees up a significant amount of state money, all of which the state is required to reinvest in healthcare benefits for uninsured people with low incomes.

- Montana's waiver uses the savings from MCHA to strengthen the program and, hopefully, serve people from the program's waiting list.
- The waiver expands and enhances MHSP services and uses the remaining state savings as match to provide Medicaid funded healthcare benefits to the following three groups of uninsured people:
 1. Low-income children who are not enrolled in the Children's Health Insurance Program (CHIP) because it is full;
 2. Youths age 18 through 20 who have a Serious Emotional Disturbance (SED), but are not eligible for Medicaid; and
 3. Uninsured working parents of Medicaid eligible children.
- All of this is done without the need for additional state funding beyond the amount appropriated to MHSP and MCHA in FY2004.

Why not cover the new eligibility groups under regular Medicaid rather than a waiver?

- It is true that Montana has the option to include low-income children, SED youths and Medicaid parents as new eligibility groups in its regular Medicaid program without the need for a waiver. However, once a group is eligible for Medicaid, every member of the group is entitled to the full Medicaid benefit package that is offered by the state. The state could not limit the number of people served, the nature of their services or the total amount of money spent to serve them.
- Unlike the case with the other potential waiver eligibility groups, Montana does not have the option to make the majority of the people enrolled in the MHSP and MCHA programs eligible for Medicaid without a waiver. Since all of the state match used to fund the additional benefits included in the waiver is currently appropriated to MHSP and MCHA, without the ability to make one or both of these groups eligible for Medicaid it will be impossible to provide additional benefits to anyone.

What are the projected fiscal and human impacts of the proposed waiver?

- When fully implemented the waiver would provide almost \$11 million dollars per year in additional federal Medicaid funding for healthcare benefits to uninsured Montanans without the need for additional state funds above the level that was appropriated to MHSP and MCHA in FY2004.
- The waiver would expand and enhance the existing MHSP and MCHA benefits that are provided to approximately 2,500 people each month. In addition to strengthening two important state-funded programs, the waiver would provide meaningful physical healthcare benefits for over 4,000 Montana children and adults who are currently uninsured.

What would be the waiver's impact on existing eligibility groups and services?

The proposed waiver would not have a negative impact on any existing Medicaid eligibility groups or services. Montana's waiver proposal will not:

- Reduce the quality or quantity of Medicaid benefits or services currently available for any of the existing eligibility groups in Montana;
- Increase co-payments or deductibles for any existing Medicaid eligibility groups in Montana; or

- Impose an additional annual expenditure limit or growth cap on payments for services to any existing Montana Medicaid eligibility group, beyond the one already in place by virtue of the existing 1115 Basic Medicaid Waiver for Able-Bodied Adults.

What specific services and eligibility groups are included in the waiver?

Proposed services for MHSP recipients.

- The waiver proposal maintains the existing state-funded MHSP pharmacy and mental health therapy services for the estimated 700 MHSP recipients who already have health insurance and therefore are not eligible for Medicaid funding under HIFA. The services will be funded with CMH Block Grant and a portion of the existing state funds appropriated to MHSP.
- The waiver secures Medicaid financing for the state-funded MHSP pharmacy and mental health therapy services currently provided to the 1,500 MHSP recipients who are uninsured.
- In addition to continuing to receive their current pharmacy and mental health services, MHSP recipients who are uninsured will have the ability to choose one of the following three Medicaid funded physical healthcare benefits:
 1. Assistance with paying the cost of premiums, up to a maximum of \$166.00 per person per month, for group health insurance available through an employer, if it is available;
 2. Assistance in paying the premiums for individual private insurance if it is available. The monthly premium will vary by age, but the average for all people will not exceed \$166.00 per month; and
 3. A Medicaid Healthcare Benefit of up to \$166.00 per person per month that provides Medicaid reimbursement for healthcare services at the Medicaid fee-for-service rate. If in any month Medicaid reimbursement for healthcare is less than \$166.00, the balance in potential reimbursement will be added to the following month's benefit. Any accumulated balance in reimbursement for services will be carried forward as long as the individual remains enrolled in the Medicaid waiver. If at some point the individual becomes ineligible for Medicaid, they would lose access to any remaining balance in potential reimbursement for Medicaid benefits.
- The Department and the four Community Mental Health Centers will provide individual MHSP recipients with education and support as they choose the healthcare option that best meets their needs.
- The waiver provides approximately \$500,000 per year in additional Medicaid funded MHSP services for MHSP recipients.
- It provides a total of up to \$200,000 per year in Medicaid acute in-patient psychiatric services to MHSP recipients in order to divert unnecessary admissions to the Montana State Hospital.

Proposed services for SED youths ages 18 through 20.

- The waiver provides mental health services to assist up to 300 Seriously Emotionally Disturbed (SED) children per year with the transition from the children's mental health services system at age 18.
- In addition to transitional mental health services, it provides a Medicaid funded equivalent to the CHIP healthcare benefit to the currently uninsured SED youths.

Proposed services for uninsured children with low-incomes.

- The waiver provides a Medicaid funded healthcare benefit that is the same as the one available through CHIP for up to 1,800 uninsured low-income children per year.

Proposed services for uninsured parents of Medicaid children.

- Provides up to 600 low-income working parents of children who are enrolled in Medicaid with the choice of one of the same three physical healthcare benefit options available to uninsured MHSP recipients that is described earlier in this document.

Proposed services for MCHA Premium Assistance Participants.

- Secures Medicaid participation in the cost of the state-funded premium assistance currently provided to approximately 270 low-income participants by the Montana Comprehensive Health Association (MCHA) high-risk insurance program. The savings created by securing Medicaid funding for a portion of MCHA will be used in one or more of the following ways:
 1. Increase the monthly premium assistance payments above the current level of 45%;
 2. Reduce the MCHA Premium Assistance waiting list; and
 3. Ensure the continued viability of the premium assistance program by increasing the funding available to the risk pool to pay claims.

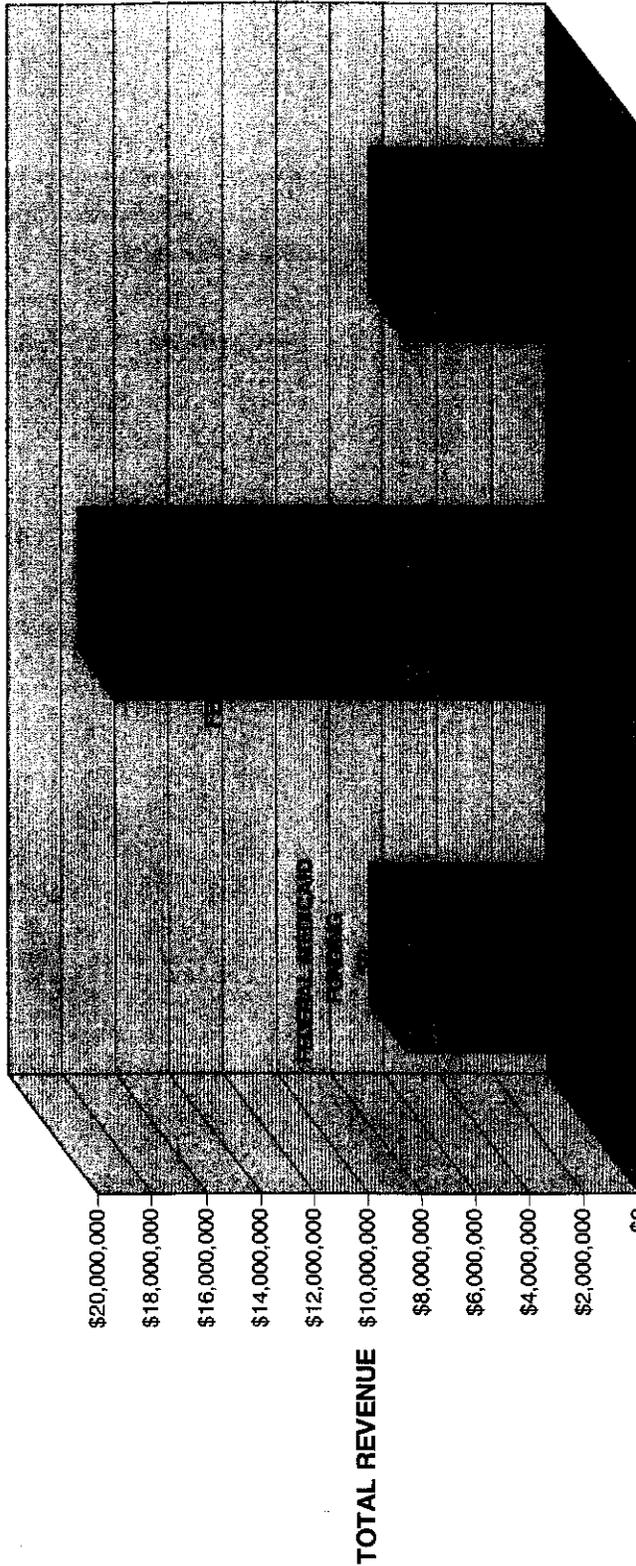
What about the budget caps?

- The projected growth in average per person expenditure for the populations covered by the proposed waiver is expected to be substantially below the expenditure growth caps already negotiated in Montana's existing Basic Medicaid Waiver for Able-Bodied Adults. If the Department is able to amend the existing Basic Medicaid Waiver to include the expenditures called for in the new waiver proposal, or negotiate similar expenditure growth rates as part of a new stand-alone waiver, the budget caps should not be a problem.

What are other important features of Montana's waiver proposal?

- It provides one-time funding in FY2007 and FY2008 to enhance the Medicaid Management Information System (MMIS).
- The waiver maintains the total expenditure of state funds for all services under the waiver at the amount appropriated for MHSP and MCHA in FY2004.
- It meets the federally required cost neutrality test by combining the proposed waiver with Montana's existing 1115 Basic Medicaid Waiver. The savings currently achieved under the Basic Medicaid Waiver by providing a slightly reduced Medicaid benefits package to able-bodied adults will be available to offset the cost of the additional services and eligibility groups contemplated in the proposed waiver.

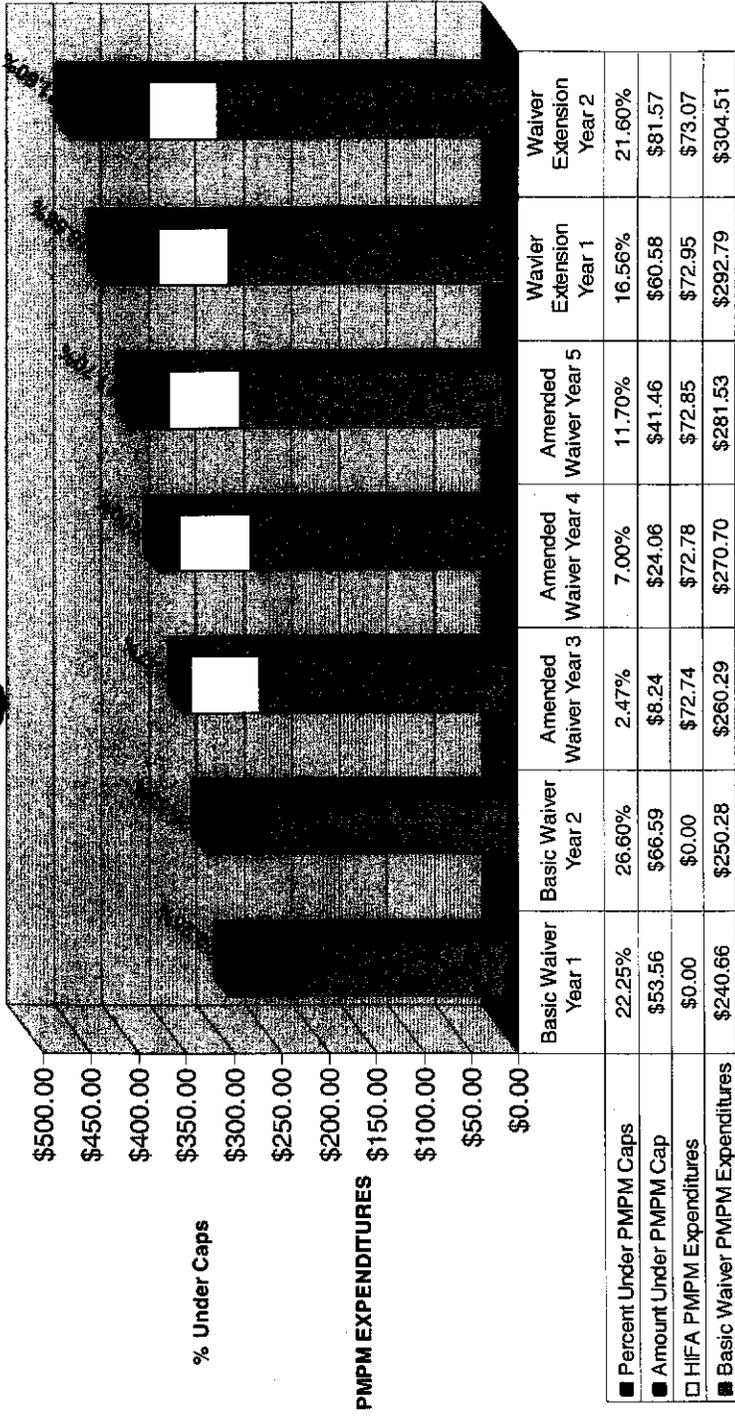
**WAIVER'S IMPACT ON FEDERAL REVENUE
(WAIVER YEAR THREE)**



	FY 2004 MHSP & MCHA APPROPRIATIONS WITHOUT WAIVER	PROJECTED ANNUAL EXPENDITURES WITH WAIVER	PROJECTED MHSP & MCHA EXPENDITURES WITHOUT WAIVER
■ FEDERAL MEDICAID FUNDING	\$0	\$10,790,000	
■ MENTAL HEALTH BLOCK GRANT	\$1,250,000	\$1,250,000	\$1,250,000
■ STATE FUNDING	\$6,280,000	\$6,280,000	\$6,280,000

The above graph shows the projected fiscal impact of the Department's proposed 1115 waiver. As the graph indicates, the waiver will secure approximately \$11.0 million dollars per year in federal Medicaid revenue without the need for an increase in state funding above the level appropriated to the MHSP and MCHA programs in FY2004. In order to secure the additional federal revenue Montana must maintain the current level of state funding for MHSP and MCHA, and use any remaining Medicaid revenue to provide some form of health insurance benefits to uninsured people with low incomes. Not surprisingly, the graph also shows that in the absence of the waiver, any increase in MHSP and/or MCHA expenditures during the coming biennium will likely require an appropriation of additional state funds.

WAIVER COST NEUTRALITY - END BASIC MEDICAID WAIVER



WAIVER YEARS

The graph above compares the projected PMPM expenditures under the Department's waiver proposal to the 7.7% annual growth rates specified in the budget caps already negotiated in the existing Medicaid Basic Waiver for Able-Bodied Adults. The projections include an assumption that PMPM spending for most waiver services will increase 4% annually. The analysis reflects a waiver implementation strategy where Montana seeks an amendment to the existing Basic Medicaid Waiver rather than submitting a new stand-alone waiver proposal. In such a scenario the amendment adding the new waiver services and eligibility groups will be effective 2/1/2006, the beginning of year three of the existing Basic Medicaid Waiver. The amended waiver will then operate for three years, at which time the state will be eligible to seek a three year extension from CMS. The analysis shows that the amended waiver will not only continue to be cost neutral, but there will be little or no potential to incur expenditures that exceed the waiver's aggregate total budget cap over its five year life. The conclusion that there is minimal risk of overspending is based on the following two facts: (1) the projected expenditures for services provided under the amended waiver in years three through five are still below the established PMPM budget caps found in the Basic Medicaid Waiver, even after including a 4% annual adjustment for increased spending due to inflation for most waiver services; and, (2) the average annual expenditure in waiver years one and two will be significantly below (about 25% below) the budget cap for each of those years, thereby creating a large amount of under spending that would be available to more than offset any level of additional expenditures that might reasonably be expected to occur in waiver years three, four and five.