SENATE PUBLIC HEALTH, WELFARE & SAFETY

EXHIBIT NO. 15

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BILL NO. SB110

SENATE BILL NO. 110

INTRODUCED BY J. COBB

BY REQUEST OF THE DEPARTMENT OF PUBLIC HEALTH AND HUMAN SERVICES

(S) Public Health, Welfare and Safety Committee

Testimony by John Chappuis, Deputy Director

Department of Public Health and Human Services

Mr. Chairman (Senator BRENT CROMLEY) and members of the committee, for the record I am John Chappuis, Deputy Director of the Department of Public Health and Human Services. Senate Bill 110, was drafted at the request of the department in order take advantage of what we believe is an exciting opportunity to seek a waiver from the federal government that would enable the department to strengthen existing services and provide Medicaid funded healthcare benefits to several thousand uninsured low-income Montanan's at no additional cost to the state. The idea for the waiver first emerged as part of the effort by the Public Health Advisory Council during 2003 to recommend ways to "Re-Design Montana's Medicaid Program". The Medicaid Health Insurance Flexibility and Accountability (HIFA) waiver provides an alternative for the ever increasing number of states who are unable and/or unwilling to expand Medicaid eligibility in a way that creates new entitlements to the full range of Medicaid services and benefits, but who remain very interested in experimenting with creative ways to provide cost effective Medicaid funded healthcare to more of their citizens who are uninsured and have low incomes. While HIFA waivers have drawn a great deal of attention due to their role in a new initiative by the Center for Medicare and Medicaid Services to cover the uninsured, in reality they are simply another version of 1115 Demonstration Waivers, a long standing category of federal waivers that many states, including Montana, have used to explore new options for providing Medicaid

funded healthcare. These waivers give states the ability to implement policy options that are not ordinarily available under Medicaid such as: (1) serving new non-traditional eligibility groups using Medicaid funding; (2) providing a different menu of Medicaid services to new eligibility groups; and (3) limiting the enrollment and total spending on services to new eligibility groups served under the waiver. All 1115 waivers are required to be "Cost Neutral," meaning the cost of Medicaid services to the federal government with the waiver may be no greater than their cost without the waiver. The federal government also requires that each waiver include a limit on the annual growth in the average per person Medicaid expenditure for services provided to each waiver eligibility group.

While people are often confused by the weird acronyms, special requirements and complex logic associated with Medicaid waivers in general, the basic concept underlying the Department's proposed waiver is fairly straightforward. Because the federal government's share of each dollar spent on Medicaid services in Montana is about seventy cents, finding legitimate ways for Medicaid to pay for services that were previously 100% state-funded brings in significant amounts of additional federal revenue, and frees up valuable state dollars for other uses. The Department's proposed waiver secures Medicaid funding for the Mental Health Services Plan (MHSP) and the Montana Comprehensive Health Association (MCHA), two existing state healthcare programs that currently operate on a total combined annual appropriation of about $6.3 million dollars in State General Fund and State Special Revenue. Accessing Medicaid funding for MHSP and MCHA will generate approximately $11 million dollars per year in additional federal funding, at no additional cost to the state (reference and show federal revenue graph). The new federal revenue will be used to do three things: (1) Maintain and enhance the existing mental health and pharmacy services provided to the people who have a severe disabling

mental illness that are currently served through MHSP; (2) Stabilize, strengthen and, hopefully, expand the MCHA premium assistance program that helps low-income Montanans who have serious illnesses that have caused them to be denied private health insurance in the past; and, (3) Provide funding for badly needed healthcare services for over 4,000 low-income Montanans who are currently uninsured. The people targeted to receive the new healthcare benefits to be funded through the waiver come from the following four uninsured groups: (1) Approximately 1,500 mentally ill adults who are currently enrolled in MHSP; (2) Up to 1,800 children who are eligible for the Children's Health Insurance Program (CHIP), but are not served because the program is full; (3) Up to 300 Seriously Emotionally Disturbed Youths ages 18-20 who have lost their eligibility for regular Medicaid; and (4) Up to 600 uninsured working parents whose children are currently enrolled in Medicaid. The plan calls for the children and SED youth served though the waiver to receive the same comprehensive healthcare benefit package that is currently provided through the CHIP program. The uninsured MHSP adult group, and the group made up of uninsured working parents of Medicaid children, will each have the ability to choose one of three healthcare benefit options, based on their individual needs and preferences. The three benefit options for adults include: (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; (2) Assistance in paying the premiums for individual private insurance if it is available. The monthly premium for individual private insurance 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. This benefit plan provides for a choice for the individual regarding coverage based upon their needs and preferences. Take for example, a low-income parent that is employed and has health insurance available to them through their employer. That individual will have the ability to make a choice regarding coverage and will not be locked into only one benefit plan. If the client thinks a certain option is better for them, given their personal situation, and it does not cost the state any more money, why shouldn't we give them the coverage they want?

Some other state's waivers have been controversial because they have reduced services to existing Medicaid eligibility groups in order to "cost neutral" and offset the increase in expenditures that occur under the waiver. That is not the case is Montana. *I want to emphasize this* - The waiver proposal does nothing to reduce the quality or quantity of the Medicaid benefits or services currently available to any existing Medicaid eligibility group, nor does it increase the co-payments or cost sharing required of them. Montana is in the rather unique position of being able to meet the cost neutrality requirement without further reductions in existing services because we are proposing to offset the additional waiver spending with savings that are available as part of an already approved and operating 1115 demonstration waiver that has provided a somewhat reduced set of Medicaid services to able-bodied adults in Montana since 1996. As for the federal requirement that waivers include a limit on the rate at which certain Medicaid expenditures may increase, the most significant growth limit that will be

included in the department's proposed waiver is already in place as part of the existing 1115 waiver for able-bodied adults. 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 (reference and show pmpm graph). As you will see when looking at the graph, 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.

While there is much work to be done, including the all-important negotiations of an acceptable waiver agreement with the federal government, I hope you will agree with me that the proposed waiver offers an incredible win-win opportunity for delivering critically needed healthcare through a series of new, creative and cost-effective benefit packages that will be available to literally thousands of low-income Montanans who are currently uninsured, and it will do so without the need for additional state dollars, or the risk of uncontrolled expenditures.

This bill provides the legislative authority to seek and implement this waiver I have outlined and other waivers such as a family planning waiver as identified in the Public Health Care Redesign Project to more efficiently apply available general funds and federal funds in the development of Medicaid programs. The language of this bill is designed to provide authority, general guidance, and limitations for the department in seeking waivers with the federal government. This is our opportunity to follow-up on the recommendations of the Public Health Care Redesign Project, and provides services for uninsured low-income Montanans. I urge you to support SB 110 and I will be happy to answer any of your questions.