

MEDICAID 1115 DEMONSTRATION WAIVER PROPOSAL

August 2005

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 an 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 HIFA 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.
- 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), Premium Assistance for Small Business (HB 667), and Montana Comprehensive Health Association (MCHA) Premium Assistance programs. In state fiscal year 2007 the annual appropriation for these programs is over \$19 million in state general fund and special revenue (tobacco tax I-149). Because the federal government contributes \$.70 of every dollar spent on Medicaid services in Montana, funding portions of MHSP, HB 667, and MCHA with Medicaid frees up a significant amount of state money. However the state is required to reinvest in healthcare benefits for uninsured people with low incomes.

- Montana's 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 eligible but 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.

- The waiver includes new state special revenue funds from the tobacco tax (I-149) and provides premium assistance for low income uninsured employees and premium incentives to employers of low income uninsured workers.

- The waiver uses the savings from MCHA to strengthen the program and, hopefully, serve people from the program's waiting list.

- All of this is done without the need for additional state funding beyond the amount appropriated to MHSP and MCHA in FY2007.

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 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 the entire 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 more 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 over \$15 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, HB 667, and MCHA in FY2007.
- The waiver would expand and enhance the existing MHSP and MCHA benefits that are provided to approximately 2,400 people each month. In addition to strengthening two important state-funded programs, the waiver would provide meaningful physical healthcare benefits for approximately 2,500 Montana children and adults who are currently uninsured. Finally, the waiver provides premium assistance to over 2,000 employees and their dependents that work for small businesses and 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 to replace the state-funded MHSP pharmacy and mental health therapy services for 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.
- 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.
- The waiver also provides for enhanced transitional living services to assist these youth in their transition to adulthood.

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 1,600 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 Uninsured Workers in Small Business.

- HB 667 provides funding and authorization to create a small business purchasing pool, offer tax credits to small business employer to assist them in retaining their health insurance, and offer premium assistance to low-income employees and premium incentives to employers of low income workers who currently do not offer health insurance.

- The waiver will provide for federal Medicaid funding for low-income uninsured workers who have children. The state-matching portion for this funding and all other aspects of HB 667 and are funded with state special revenue funds (tobacco tax I-149).

Proposed services for MCHA Premium Assistance Participants.

- Secures Medicaid participation in the cost of the state-funded premium assistance currently provided to approximately 200 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 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).
- It provides funding for the administrative and system expenses associated with the implementation and oversight of this waiver.
- The waiver maintains the total expenditure of state funds for all services under the waiver at the amount appropriated for MHSP and MCHA in FY2007.
- It meets the federally required cost neutrality test by combining this 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.