



MONTANA LEGISLATIVE BRANCH

Legislative Fiscal Division

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Legislative Fiscal Analyst
CLAYTON SCHENCK

DATE: October 2, 2006
TO: Legislative Finance Committee
FROM: Lois Steinbeck
RE: HIFA Waiver Update

INTRODUCTION

The Department of Public Health and Human Services (DPHHS) submitted a Health Insurance Flexibility and Accountability (HIFA) waiver for federal review July 21, 2006. The HIFA waiver was discussed during the 2005 legislative session and authorized by SB 110. Attachment 1 shows the various components of the waiver. The federal Centers for Medicare and Medicaid Services (CMS) has 90 days to approve the waiver or to ask questions, which “stops the clock.”

FEDERAL CONCERNS

DPHHS has received the first round of questions (see Attachment 2) from CMS staff regarding the application. The written questions ask about the source of state matching funds, cost neutrality, cost estimates, and physical health benefit packages.

A more pressing concern of federal staff has not been included in the written list of questions. Federal staff believes children eligible for the Children’s Health Insurance Program (CHIP) should be funded in the CHIP program and not included in the Medicaid waiver funding. DPHHS included the CHIP look a like expansion in the Medicaid waiver since federal funding for CHIP is from a fixed annual grant and there was a waiting list for CHIP services at the time the waiver was developed. Without Medicaid funding, the state would have to pay the additional CHIP slots entirely from state funds.

ATTACHMENT 2

PRELIMINARY QUESTIONS ABOUT THE MONTANA HIFA WAIVER FROM THE FEDERAL REVIEWER WITH CENTERS FOR MEDICARE AND MEDICAID SERVICES

From: Kincannon, William C. (CMS/CMSO) [mailto:William.Kincannon@cms.hhs.gov]

Sent: Tuesday, August 15, 2006 9:30 AM

To: Noel, Mary

Subject: RE: MT-HIFA: MEG Chart

Importance: High

Thanks, Mary.

I have not had time to really look at it carefully yet, so I'll get back to you.

As a heads up for your preparation, we (CMS and OMB) have some preliminary questions on your HIFA's budget neutrality worksheets:

- 1) how you arrived at the cost PMPM for the New Optional Populations. (please explain/justify the cost and show calculations).
- 2) where is the new State money shown from House Bill 667 and how much was appropriated from that bill?
- 3) for the New Optional Populations, how did you calculate the PMPM based on: a) Medicaid, b) ESI, and c) private insurance.
- 4) for the New Optional Populations, does the benefit package differ if a) Medicaid or b) ESI or c) private insurance.
- 5) what is included in the "physical health" benefits that will be provided in the expanded benefits package for the SEED youth.

Could you please get an answer back to me on these questions at your earliest opportunity?

We expect to have more questions like these, so be prepared for follow-up.

Thanks, Mary

Will Kincannon

Centers for Medicare & Medicaid Services
Center for Medicaid and State Operations
Family and Children's Health Programs Group
7500 Security Blvd. m/s S2-01-16
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William.Kincannon@cms.hhs.gov

From: Noel, Mary [<mailto:manoel@mt.gov>]

Sent: Monday, August 14, 2006 6:22 PM

To: Kincannon, William C. (CMS/CMSO)

Subject: RE: MT-HIFA: MEG Chart

Will, I revised the MEG chart with your recommendations—it's attached. We can talk more during the conference call on 8/30.

Thanks—Mary

From: Kincannon, William C. (CMS/CMSO) [<mailto:William.Kincannon@cms.hhs.gov>]

Sent: Friday, July 28, 2006 12:24 PM

To: Noel, Mary; Preshinger, Duane; Buska, Jeff

Cc: Hutton, Edward T. (CMS/CMSO); Gaiser, Joseph M. (CMS/CBC); Cagey, Clarke M. (CMS/CMSO); Terwilliger, Lane M. (CMS/CMSO)

Subject: MT-HIFA: MEG Chart

Importance: High

For clarification, the *Funding Source* portion of your chart would be more correct to also include "Budget Neutrality Surplus from the 1115 Waiver and New Title XIX Match for MHSP/MCHA" for all MEGS except: 1, 4, & 5. Your chart overlooks this budget neutrality surplus (now into the \$millions), which is why your HIFA is an amendment to the 1115 in the first place. For MEG #1 there is no change in funding streams as your chart depicts.

However, for MEGS 4 & 5, your chart is somewhat misleading/incorrect because it overlooks State Funds, which must continue after the HIFA. This is due to maintenance of effort, which means that the State must continue to fund MHSP and MCHA with State Funds at the same level as before the HIFA. (There is no "State Fund Savings" per se, which your chart incorrectly states.) Your State must continue to spend at the same level as before from State Funds for these groups. Plus you may also apply these State Funds to the newly added groups.) The change is that your state funds will now draw down a new federal match at the FMAP rate for previously State-Only Funded Programs. This extra federal match money (Title XIX) can be used to finance the optional and expansion groups. Therefore, the funding stream for MHSP and MCHA will still include "*State Funds plus the New Title XIX Match*" after the HIFA.

Call me if this does not make sense or if I am wrong; we can discuss.

Will Kincannon

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