

FISCAL AND POLICY SUMMARY OF THE PROPOSED HIFA MEDICAID WAIVER

A Report Prepared for the

Legislative Finance Committee Waiver Workgroup

By
Lois Steinbeck

November 23, 2005

Legislative Fiscal Division



www.leg.state.mt.us/css/fiscal/

REPORT OBJECTIVES

This report has three objectives:

- Facilitate Legislative Finance Committee (LFC) workgroup review of and comment on the proposed Medicaid demonstration waiver
- Summarize key policy and fiscal issues for legislative consideration
- Provide a description of the waiver and highlight changes from current programs and funding levels

BACKGROUND

The 2003 Legislature passed HJR 13, a resolution urging the Department of Public Health and Human Services (DPHHS) ... “to undertake a study to examine the various options available for redesigning the Montana Medicaid program, the Mental Health Services Plan (MHSP), the state Children's Health Insurance Program (CHIP), and other health programs administered by the department.” Former Governor Judy Martz appointed an advisory council that met several times and made 17 recommendations to DPHHS. All but one of the recommendations was endorsed by DPHHS and some were immediately implemented. Most of the recommendations were brought forward in legislation and considered by the legislature and all of the recommendations were discussed with the Health and Human Services Joint Appropriation Subcommittee during the 2005 legislative session.¹

The most notable and comprehensive recommendation being implemented by DPHHS is the Health Insurance, Flexibility, and Accountability (HIFA) waiver² proposal to expand Medicaid funded health benefits to selected populations of uninsured Montanans. Authority for DPHHS to seek the HIFA waiver was authorized in SB 110. DPHHS published a draft concept paper outlining the waiver proposal for public review and comment on September 30, 2005. At its October LFC meeting, the committee established a work group to review the waiver proposal and forward recommendations either to DPHHS or the LFC for its concurrence.

BASIC CONCEPTS OF THE EXECUTIVE PROPOSAL

The HIFA waiver proposal uses a portion of the general fund and tobacco tax state special revenue supporting three state programs as the state match to draw down additional federal Medicaid funds and extend health care coverage to several groups of uninsured Montanans (about 6,000 persons in the first two years of the five year waiver). The proposal uses \$6.1 million annually in state funds to match with \$15.9 million in new federal Medicaid funds to expand health care services and pay program administrative costs. The \$6.1 million in state match is “freed up” by shifting some state program costs from 100 percent state funding to Medicaid funding, which is about 30 percent state funds and 70 percent federal funds for health services.³ The amount of state funds used in the waiver after it is implemented could be different, depending on how many persons are eligible for some of the services linked to implementation of HB 667 – Premium Assistance for Small Employers.

¹ The full report and council recommendations can be viewed at the DPHHS website: <http://www.dphhs.mt.gov/> by entering the topic “Medicaid redesign” in the search function.

² A HIFA waiver is a type of a demonstration or experimental waiver authorized by Section 1115 the Social Security Act. The act allows the federal Department of Health and Human Services to “waive” certain mandatory requirements of the Medicaid program and identifies certain types of waivers and imposes certain conditions on waivers that are granted.

³ Medicaid administrative costs are predominately matched 50/50, with some system development costs matched 90 percent by the federal government and the personal services costs of some medical professionals are matched 75 percent by the federal government.

Figure 1 summarizes the HIFA waiver proposal. It shows the:

- Administering agency
- Population coverage groups and various information by group:
 - First year enrollment, per person and total cost
 - Basic information on types of physical and mental health coverage
 - Financial eligibility information

Figure 1

HIFA Waiver Summary - Medicaid Funded Services
Expansion Groups, Year 1 Enrollment, Average and Total Cost, Services, Eligibility

Program Administration/ Expansion Population	<---First Year of Waiver*--->			Physical Health Benefit			Mental Health Benefit			<---Eligibility--->	
	Number Served	Average	Annual Cost Total	CHIP Look Alike	\$2,000/yr Option**	Other	CHIP Look Alike	Enhanced	Other	Fed. Poverty Level 200%	150%
DPHHS Programs											
MHSP - Adults	1,474	\$6,786	\$10,002,100		x	1			2		x
SED Children***	100	6,650	665,000	x			x	x			x
Families Transitioning off Medicaid											
Children	1,600	1,610	2,575,488	x			x				x
Adults with Children	650	1,999	1,299,222		x				3		x
State Auditor - Programs											
MT Comp. Health Assoc.	150	3,842	576,315			4			4		x
Small Employer Assistance	<u>2,280</u>	<u>1,457</u>	<u>3,321,420</u>			5			5	x	
Total - First Year	6,254	\$2,948	\$18,439,545								

Notes:

*This figure shows first year data. The number enrolled and per person average and total costs change over the life of the waiver. The cost of extending the Nurse First health hotline to all HIFA enrollees is not included, but would average about \$7 per enrollee the first year.

**The \$2,000 per year options include: 1) \$2,000 worth of fee for service health care per year or 2) \$166 per month in premium payment assistance to purchase employer coverage or a private policy that meets certain minimum requirements as shown in Attachment 1.

***Children with a serious emotional disturbance (SED) must also be in or departing from foster care and range in age from 18 to 20. The number of children served rises to 300 in FY 08. The children receive enhanced mental health and life skill services.

1. MHSP recipients without other health insurance will have access to the Nurse First toll free help line, access to a pool of \$200,000 for inpatient hospital emergency stays, and a choice among three physical health care plans (see **).
2. MHSP adults will continue to receive the same types of mental health MHSP services as currently offered, probably delivered through a fixed or capitated payment to community mental health centers.
3. The types and amount of services adults will be able to access depends on which \$2,000 per year option the participant chooses (see **).
4. The MCHA premium assistance pilot program supports a percentage of the cost for persons to purchase the traditional health insurance policy offered by MCHA, the high-risk insurance pool coverage for Montana.
5. The State Auditor will determine the types of coverage allowed. However, the plans must offer certain minimum criteria (see Attachment 1).

Waiver Summary

Figure 1 summarizes the basic financial and programmatic aspects of the HIFA waiver proposal and includes only the amount of each state appropriation that would be used as Medicaid match to provide services under the waiver.⁴ Enrollments vary over the five-year life of the waiver, rising to a high of about 6,750 persons covered in the second year of the waiver and declining to about 5,300 in the final year. Enrollment changes and the rationale for the changes are discussed later in the report.

The average annual per person cost ranges from a high of about \$6,800 per year for MHSP adults to a low of \$1,500 for Small Employer Premium Assistance. The types of physical health coverage funded through the waiver include a CHIP look alike for children and various options for adults. MHSP enrollees without health insurance will have a choice between three options for physical health coverage in addition to continuation of their existing mental health services.⁵ The three options are:

- \$2,000 worth of fee for service Medicaid services
- \$166 in monthly premium assistance to purchase a private health policy meeting certain minimum requirements
- \$166 in monthly assistance to purchase employer provided coverage

Attachment 1 shows the minimum coverage levels that a health plan must meet to qualify for premium assistance through the waiver.

Adults transitioning from Medicaid will also have the option to choose among the same three options offered to MHSP waiver participants. The health coverage offered to MCHA enrollees meets coverage limitations established by the MCHA board and the State Auditor is determining the coverage components for the Small Employer Premium Assistance Program.

Mental health benefits for children are included in the CHIP look alike, while children with a serious emotional disturbance (SED) receive an enhanced mental health benefit that includes life skills coaching. MHSP adults will continue to receive the same type and quantities of mental health services they currently do under MHSP and mental health coverage for other adults in other eligibility groups is determined by the attributes of the physical health plan offered or required by each program.

Financial eligibility ranges from 150 to 200 percent of the poverty level.⁶ Assets are not considered for enrollment in any of the waiver programs. MHSP eligibility also requires that an individual be diagnosed with a serious and disabling mental illness.

⁴ Totals shown Figure 1 will not match either the enrollment or financial costs in the waiver concept paper written by DPHHS. Figure 1 includes only the amount of each state appropriation that would be used as Medicaid match to provide services under the HIFA waiver, while the DPHHS proposal lists the entire state appropriation of \$11.5 million for the Small Employer Premium Assistance and the entire state funding appropriation for MHSP drug benefits. About \$_____ million of the state and federal funds listed in the waiver concept paper support services and programs that are not part of the HIFA waiver. The DPHHS report includes all persons who would receive health insurance premium assistance (8,000) in the small employer program and MHSP (2,200), while the legislative staff report shows only the additional number who would receive assistance due to the HIFA waiver expansion (about 2,300 in the small employer program and about 1,500 in the MHSP waiver expansion).

⁵ DPHHS does not anticipate increasing the amount or utilization of mental health services for the MHSP population due to the waiver.

⁶ The federal poverty level is updated annually and usually grows about 3 percent per year. 200 percent of the 2006 poverty level for a family of four is \$29,025.

Other fundamental components of the HIFA waiver include:

- Expanding health care enrollment in programs administered by DPHHS and the State Auditor to an additional 6,700 to 5,300 Montanans over the five-year life of the waiver
- Maintaining the total state contribution at \$5 million over the life of the waiver
- Negotiating an annual expenditure growth cap with the Centers for Medicare and Medicaid Services (CMS) for the waiver populations
- Combining the current Families Achieving Independence in Montana (FAIM) basic Medicaid services waiver into the HIFA waiver
- Including the amount negotiated with CMS for prospective savings due to the FAIM basic Medicaid services waiver over the first five years of the waiver

Waiver Funding

A total of \$15.9 million in federal matching funds would be available in the first year of the waiver if the Governor and CMS approve this proposal and it is implemented.⁷ The anticipated budget includes payment of administrative costs, which decline from a high of \$3.5 million (\$0.5 million state funds) in the first year to an annual level of about \$0.5 million, funded 50 percent from state funds, for the remaining four years. First year administrative costs include system development and enhancements and are much greater than administrative costs in later years.

State Matching Funds for the Waiver

Figure 2 shows each source of state Medicaid match for the waiver by program area. The most substantial donor is MSHP⁸, which contributes \$5.2 of its \$7.0 million annual state appropriation to the proposed waiver. Figure 2 also shows the redistribution of state matching funds reallocated from MSHP to support various expansion populations in programs administered by DPHHS.

Figure 2

State Match for HIFA Waiver - Year 1

Program/Use of Matching Funds/ Services or Admin./Fund Type	Amount	Balance to Expand/Admin.	Percent of Total
1. State Program and Match Contribution			
MHSP - Adults	\$4,863,835		80%
MT Comprehensive Health Assoc.	172,433		3%
Small Employer Premium Asst.	<u>1,037,984</u>		<u>17%</u>
Total HIFA Match	\$6,074,252		100%
2. Match for Services and Remainder for Expansion/Admin.			
<u>MHSP - Adults</u>			
Total Waiver Match Contribution	\$4,863,835		
Match to Continue Current MH Svcs.	<u>2,050,747</u>		
Remainder of MHSP \$\$ for Match to Expand		\$2,813,088	98%
<u>MT Comprehensive Health Association</u>			
Total for Waiver Match	\$172,433		
Match for Medicaid Services	<u>172,433</u>		
Remainder for Expansion or Administration		0	0%
<u>Small Employer Premium Assistance</u>			
Total for Waiver Match	\$1,037,984		
Match for Medicaid Services	<u>993,769</u>		
Remainder of Small Employer to Admin.		<u>44,215</u>	<u>2%</u>
Total for Expansion of Services and Admin.		\$2,857,303	100%
3. Allocation of Match for Service Expansion and Administration			
<u>MHSP Services Expansion</u>			
Physical Health Benefit		\$882,042	31%
Inpatient Hospitalization		59,840	2%
<u>Services for Persons Transitioning Off Medicaid</u>			
Children		770,586	27%
Adults		388,727	14%
SED Youth		198,968	7%
Nurse First Hotline for all Waiver Participants		12,925	0%
Program Administration		<u>544,215</u>	<u>19%</u>
Total Allocation of Match for Expansion		\$2,857,303	100%
4. Fund Type of Each State Match Source*			
General Fund - MHSP	\$1,613,835		27%
<u>State Special Revenue</u>			
Tobacco Tax			
MHSP	3,250,000		54%
Small Employer Premium Asst.	1,037,984		17%
Insurance Policy Tax - MCHA	<u>172,433</u>		<u>3%</u>
Total State Funds	\$6,074,252		100%
5. Estimated Maintenance of Effort - State Funds*			
<u>MHSP</u>			
General Fund	\$1,613,835		32%
Tobacco Tax State Spec. Rev.	3,250,000		
MT Comprehensive Health Assoc.	<u>172,433</u>		<u>3%</u>
Total	\$5,036,268		35%

*The totals for the source of state match and the state maintenance of effort do not match because the Small Employer Premium Assistance Program is new and is not being "refinanced" through the HIFA waiver. Therefore, the funds spent for the Small Employer Premium Assistance Program will not be included in the state maintenance of effort for waiver services.

Figure 2

⁷ The amount of federal Medicaid matching funds will vary from the proposed waiver budget depending on the number of eligible persons included in the waiver from the Small Employer Premium Assistance Program.

⁸ The MHSP program is authorized in 53-21-702 (2), MCA. The appropriation for the program provides mental health drugs and some mental health services to persons who are not eligible for Medicaid, who have incomes below 150 percent of the federal poverty level and who have been diagnosed with a serious and disabling mental illness. MHSP is funded substantially from state funds (\$7 million in FY06) and the federal mental health block grant (\$1.2 million in FY06).

Two programs administered by the State Auditor are also in the waiver proposal: the Montana Comprehensive Healthcare Association (MCHA)⁹ and the Small Employer Premium Assistance Program enacted by HB 667. A portion of the funds from each of these programs would be used as Medicaid match to increase health insurance premium assistance for low-income Montanans. The sources of state special revenue matching funds for each of the program administered by the State Auditor are:

- Small Employer Premium Assistance Program - tobacco tax (increased and allocated by voter initiative I-149, passed in the November 2004 general election)
- MCHA – premium taxes on health and disability insurance

The majority of state special revenue funds used as state Medicaid match from the programs administered by the State Auditor are used to expand the number of persons served by the those programs, with a small quantity used to pay the state match for administrative costs.

Source of State Match for MHSP

Figure 3 shows the MHSP funding and operating budget for the 2007 biennium. There are three sources of funds – general fund, tobacco state special revenue, and the federal mental health block grant. Most of the state funding appropriated for MHSP pays for drug benefits, and \$3.4 million annually supports contracts with Community Mental Health Centers (CMHCs) to provide all other mental health services¹⁰ to MHSP recipients.

Tables in the DPHHS draft concept paper aggregate general fund and state special revenue for each program as does the supporting documentation requested by legislative staff and provided by DPHHS. The DPHHS work papers do not specify how much of either the general fund or the state special revenue appropriation for the MHSP program will be used to support waiver services and how much will remain in the MHSP program that is not part of the waiver.

Figure 3
MHSP Budget and Funding - 2007 Biennium
With/Without HIFA Waiver - General Fund for Expansion

Budget and Funding	FY 2007 No Wavier	Percent of Total	FY 2007 With Wavier	Percent of Total
Budget				
<u>Pre Waiver Services</u>				
CMHC Contracts	\$3,372,981	41%		
Prescription Drugs	<u>4,890,015</u>	59%		
<u>Post Waiver Services</u>				
MHSP Waiver Group				
Mental Health Services			\$6,854,100	51%
Physical Health Services			2,948,000	22%
Capped, Total Inpatient Hospital Funding			200,000	1%
Nurse First Hotline			43,200	0%
MHSP Non Waiver Group				
Mental Health Services			2,748,636	20%
Service Area Authority Funding			<u>650,525</u>	<u>5%</u>
Total Operating Budget	\$8,262,996	100%	\$13,444,461	100%
Funding				
General Fund	\$3,762,471	46%	\$1,904,190	14%
Tobacco Tax SSR	3,250,000	39%	3,250,000	24%
Federal Block Grant	1,250,525	15%	1,250,525	9%
Federal Medicaid Funds	<u>0</u>	<u>0%</u>	<u>7,039,746</u>	<u>52%</u>
Total Funding	\$8,262,996	100%	\$13,444,461	48%
General Fund "Excess"*				
Funds Available for Service Expansion and Admin.			<u>\$1,858,281</u>	49%

*MHSP consumers who are also eligible for Medicare will be able to obtain prescription drug coverage under the new Part D benefit. That will free up state funds that currently pay for prescription drug costs for those persons to be used

⁹ MCHA is the high-risk insurance pool for Montana. It is funded by premium taxes on health and disability insurance plans. MCHA assists persons with incomes under 150 percent of the federal poverty level who are unable to obtain health insurance in the private market because of their medical conditions. The small employer premium assistance program is funded by tobacco taxes that were increased by voter initiative in the 2004 general election. The initiative also authorized creation of the program.

¹⁰ Other non-drug mental health services would include services such as medication management, psycho-social services, Program for Assertive Community Treatment (PACT), foster care, and day treatment.

Tobacco Tax State Special Revenue Allocated to Support Waiver

During the 2005 session, legislators expressed concern about the impact to programs dependent on tobacco tax state special revenue because it is viewed as a declining source of revenue. The HIFA waiver proposal uses 14 percent of the total tobacco tax appropriated by the 2005 Legislature.

Legislative Issues

The legislature may wish to request that the Office of Budget and Program Planning break out funding by state source to determine how much tobacco tax revenue is anticipated to fund waiver services each year compared to the other major programs and services funded from the tax compared to its most recent revenue projections.

Federal Waiver Requirements

There are several requirements that states must meet when federal approval for Medicaid waivers is granted. Two of the most material requirements with respect to enrollment projections and coverage expansions in the HIFA waiver proposal are:

- Maintenance of effort (MOE) for “refinanced”¹¹ state programs
- Cost neutrality

Maintenance of Effort

Federal policies regarding HIFA waivers require that any state funded program refinanced with Medicaid funding meet an MOE requirement. A state must continue to maintain the level of state funding that existed prior to inclusion of a program in the HIFA waiver. However, the funds can be used to expand health care coverage under the waiver. Legislative staff estimated that the Montana MOE for the HIFA waiver would be about \$5 million per year.

Legislative Issue

The legislature may wish to ask what the true HIFA waiver MOE will be. Legislative staff has interpreted federal policy to require an MOE of \$5 million per year, but the DPHHS waiver proposal shows state funding at \$19.1 million per year in explanatory tables on pages 37 and 38 of the written document.

Cost Neutrality

A waiver must be cost neutral to the federal government, meaning that it pays no more for the waiver services than it would have under the regular Medicaid program. If the waiver is not cost neutral, a state must pay the full amount of Medicaid costs that exceed what the federal share would have been without the waiver.

Expansion of Medicaid services to an allowable, optional eligibility group using a Medicaid waiver has an interesting interpretation under federal cost neutrality policies. A state may opt to extend Medicaid services to an optional eligibility group and if it does, members of that group are entitled to all Medicaid services included in the state’s Medicaid plan. If, however, the expansion is part of a waiver that

¹¹ Refinance means to lower state funding requirements for a program by finding ways to use federal funds to support all or part of the state costs. Refinance is a term of art developed by the Health and Human Services Joint Appropriation Subcommittee to describe lowering state program costs by using federal funds, primarily Medicaid funds, to continue or expand services at a lower cost to the state.

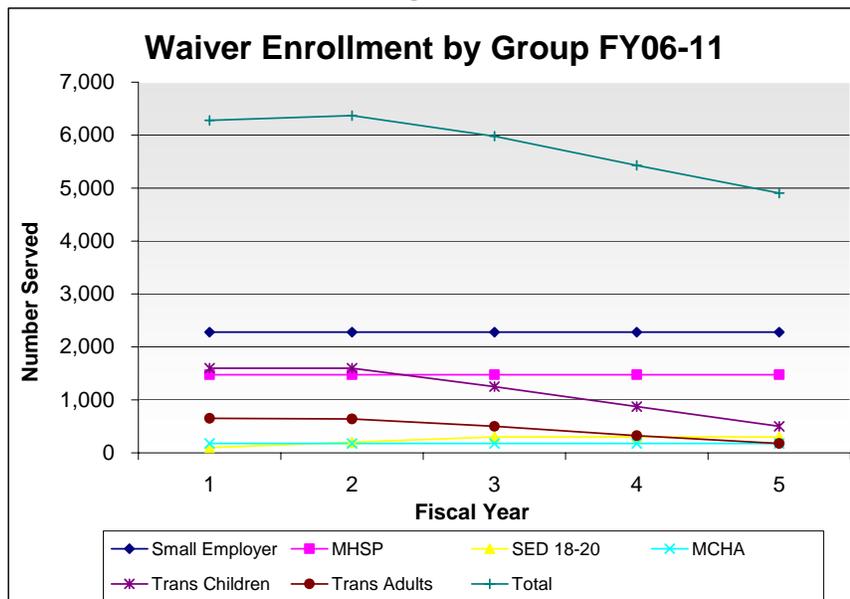
provides fewer services than the state plan would have funded without the waiver, then the waiver is cost neutral to the federal government.

Several optional eligibility groups that receive new Medicaid services under the proposed Montana HIFA waiver meet this unique federal cost neutrality test. Those expansion populations are:

- SED children aging out of foster care
- Low-income children and adults included in:
 - Services provided after Medicaid transitional services end
 - Small Employer Premium Assistance

The two eligibility groups that do not meet the definition of an optional Medicaid eligibility group under federal Medicaid policies are the MHSP and MCHA populations since the majority of enrollees are either childless adults or do not meet federal disability criteria.

Figure 4



Effect of MOE on Waiver Enrollment

The proposed HIFA waiver keeps state Medicaid matching funds constant at about \$6 million per year. Since total program costs are expected to increase due to inflation, service utilization, and (potentially) provider rate increases, the number of persons served in two of the expansion populations decreases over five years. Figure 4 shows each waiver population and how it is expected to change over the life of the HIFA waiver. While enrollment in services for SED children aging out of foster

care rises from 100 to 300 in the first three years of the waiver, two other populations decline over the five-year waiver:

- Children enrolled in the CHIP look alike fall from 1,600 to 500
- Low-income parents of children enrolled in the CHIP look alike drops from 600 to 175

Group	FY07	FY08	FY09	FY10	FY11	Percent of Total	
						FY07	FY11
Small Employer	2,280	2,280	2,280	2,280	2,280	36%	38%
MHSP	1,474	1,474	1,474	1,474	1,474	23%	25%
SED 18-21	100	200	300	300	300	2%	5%
MCHA	175	175	175	175	175	3%	3%
Trans. Children	1,600	1,600	1,250	875	500	25%	21%
Trans. Adults	650	640	500	325	175	10%	8%
Total	6,279	6,369	5,979	5,429	4,904	100%	100%
Annual Change		1%	-6%	-9%	-10%		

Source: Department of Public Health and Human Services, documentation for final waiver proposal, spreadsheet.

Legislative Issues

The legislature may face requests to increase the level of state funding allocated to HIFA expansion populations in order to maintain enrollments. In addition, the legislature may wish to allocate enrollment reductions in other areas.

Funding for Mental Health Services

Legislative staff review of waiver funding documentation provided by DPHHS revealed that there would be an additional \$1.3 million available for mental health services due to the waiver proposal. This increase is in addition to funding that will be freed up due to the new Medicare Part D prescription drug benefit.¹² Figure 5 shows funding for MHSP mental health services before and after expanding services under the HIFA waiver. Including all funds, there is an additional \$1.3 million for mental health services.

DPHHS has not received information from CMS to confirm which MHSP enrollees are also eligible for enrollment in Medicare Part D. When DPHHS does receive notification, it will be able to determine whether MHSP recipients have enrolled in Medicare Part D and provide assistance to those who have not. DPHHS opted to continue paying for mental health drugs for Medicare eligible MHSP enrollees so that they could continue to receive medications and manage their illness since it cannot determine who may or may not have Part D coverage.

Legislative Issues

Legislators may wish to ask DPHHS the following questions:

- Will DPHHS require that MHSP enrollees eligible for Medicare Part D enroll in the Medicare benefit?
- Will DPHHS provide assistance to those eligible for Medicare who have not enrolled in Part D and if so, specifically what actions it will take?
- What is the estimated level of savings due to Part D coverage and what will be done with the funds that are saved?
- How will DPHHS use the \$1.3

Figure 5				
MHSP Mental Health Services Funding				
With and Without HIFA Waiver				
Budget and Funding	FY 2007 No Wavier	Percent of Total	FY 2007 With Wavier	Percent of Total
Budget				
<u>Pre Waiver Services - Mental Health</u>				
CMHC Contracts	\$3,372,981	41%		
Prescription Drugs	<u>4,890,015</u>	59%		
<u>Post Waiver Services - Mental Health</u>				
MHSP Waiver Group				
Mental Health Services			\$6,854,100	65%
Capped, Total Inpatient Hospital Funding			200,000	2%
Nurse First Hotline			43,200	0%
MHSP Non Waiver Group				
Mental Health Services			2,748,636	26%
Service Area Authority Funding			<u>650,525</u>	<u>6%</u>
Total Operating Budget	\$8,262,996	100%	\$10,496,461	100%
Funding				
General Fund	\$3,762,471	46%	\$1,022,148	10%
Tobacco Tax SSR	3,250,000	39%	3,250,000	31%
Federal Block Grant	1,250,525	15%	1,250,525	12%
Federal Medicaid Funds	<u>0</u>	<u>0%</u>	<u>4,973,788</u>	<u>47%</u>
Total Funding	\$8,262,996	100%	\$10,496,461	100%
Additional Funds for Mental Health Services Due to the Waiver				
Total Additional Funds for Mental Health Services			\$2,233,465	
Less Nurse First, Inpatient Hospital, and SAA			<u>(893,725)</u>	
Minimum Net Increase*			\$1,339,740	
*MHSP consumers who are eligible for Medicare will be able to obtain prescription drug coverage under the new Part D benefit. That will free up state funds that currently pay for drug costs for those persons to be used for other services and benefits.				

¹² Effective January 1, 2006, MHSP beneficiaries who are also eligible for Medicare were able to purchase mental health prescription drugs through Medicare rather than relying on services provided by MHSP.

million in additional funds for mental health services if the HIFA waiver is implemented as proposed?

Use of Physical Health Benefit for Additional Mental Health Services

DPHHS has not come to a final decision about whether the \$2,000 in basic physical health service coverage for MHSP recipients can be used for additional mental health services, such as the cost of mental health medications that exceed the \$425 cap or for mental health services.

Legislative Issues

If DPHHS allows all or part of the \$2,000 in physical health services to be used for additional mental health services, legislators may have the following questions. How will DPHHS ensure that payments from the funds allocated for physical health services:

- Do not supplant or augment the capitated or block grant payments to Community Mental Health Centers (CMHCs) for mental health services?
- Are not used to provide services that should be provided through the capitated or block grant payments to CMHCs?

Administrative/Programmatic Components of the HIFA Waiver – Legislative Issues

There are many programmatic and administrative details to resolve prior to implementation of the HIFA waiver. LFD staff has posed several questions regarding program administration and DPHHS staff acknowledges that some administrative and programmatic details have yet to be finalized.¹³ Several questions that the legislature may wish to ask DPHHS regarding waiver administration include:

- How will enrollment outreach for the CHIP look alike be handled since enrollment in the current CHIP program is lagging legislative expectations and 3,000 children are expected to move from CHIP to Medicaid July 1, 2006¹⁴?
- How will Community Mental Health Center (CMHC) administration of the physical health benefit provide a physical health “medical” home for MHSP recipients?
- What are the details of the plan to assist persons who are both MHSP and Medicare eligible in enrolling in the new Part D drug assistance benefit¹⁵?
- How will DPHHS address the medically needy population of MHSP recipients who transition from Medicaid to MHSP depending on the level of medical bills they incur?
- Will MHSP enrollees be allowed to purchase additional mental health services through their \$2,000 per year physical health plans?

LFC WORK GROUP OPTIONS

The following options are listed for LFC work group consideration. The options are not mutually exclusive.

1. Endorse or refrain from positive comment on the HIFA waiver proposal
 - a. The LFC could take formal action to endorse or abstain from commenting on the HIFA waiver proposal

¹³ Jeff Buska, Senior Medicaid Policy Analyst, personal conversation, December 1, 2005.

¹⁴ See LFD staff report, “CHIP 2005-06 Contract, Enrollment, and Outreach”, November 7, 2005.

¹⁵ If MHSP/Medicare eligible persons enroll in Part D, it will free up state funds for use in providing other or more MHSP benefits.

- b. The LFC could prepare a letter informing the Governor and the Montana Congressional delegation of its endorsement if that is the option chosen and encourage the Governor and Congressional delegation to take a similar stand
2. Continue to monitor implementation of the HIFA waiver if the waiver application is submitted to and approved by CMS to provide legislative oversight and comment on development of certain key waiver components that have not been finalized, particularly in the following areas:
 - i. Access to medications for persons who would otherwise be eligible for MSHP¹⁶
 - ii. Direction regarding management of the physical health care benefit proposed for MHSP recipients
 - iii. Oversight of efforts to provide education about and assistance to MHSP recipients in enrolling in Medicare Part D
 - iv. Reconciliation of whether or how to maintain coverage of mental health services, particularly medications, for persons who move between Medicaid and MHSP eligibility due to medically needy eligibility
 - v. Method of payment to CMHCs for MHSP services after the waiver is implemented
 - vi. Which population(s) ought to be reduced in order to maintain cost neutrality if the legislature wishes to minimize the reduction in the number of service slots for low-income children and adults transitioning from Medicaid
 - vii. Outreach to encourage enrollment in the CHIP look alike
 - viii. Clarification of state MOE for the HIFA waiver

S:\Legislative_Fiscal_Division\LFD_SubCommittees\HIFA Waiver Wokgroup\HIFA Waiver Workgroup.doc

¹⁶ These persons might have received pharmacy assistance under the current MSHP program since enrollment has never been capped. If persons with a serious and disabling mental illness are unable to obtain medications, their disease can intensify to the point they may be admitted to the Montana State Hospital. A two-day stay at the hospital costs more than the monthly drug benefit (\$425) under MSHP.