



STATE OF IOWA

THOMAS J. VILSACK, GOVERNOR
SALLY J. PEDERSON, LT. GOVERNOR

DEPARTMENT OF HUMAN SERVICES
KEVIN W. CONCANNON, DIRECTOR



December 15, 2006

Michael Marshall
Secretary of Senate
State Capitol
LOCAL

Margaret Thomson
Chief Clerk of the House
State Capitol
LOCAL

Dear Mr. Marshall and Ms. Thomson:

Attached please find copies of reports to the General Assembly relative to options available under the federal Family Opportunity Act.

These reports were prepared pursuant to directive contained in H.F. 2734, Section 10, Subsection 7.

Sincerely

Alisa Morris
Legislative Liaison

Enclosure

cc: Dennis Prouty, Legislative Service Agency
Peter Matthes, Senate Majority Caucus
Dick Oshlo, Senate Minority Caucus
Brad Trow, House Majority Caucus
Ed Conlow, House Minority Caucus

REQUEST FOR INFORMATION # 6399

DEPARTMENT RESPONSE:

Background

Under the options available in the federal Family Opportunity Act, enacted as part of the federal Deficit Reduction Act of 2005, Pub. L. No. 109-171, the State has the option of creating a new Medicaid coverage group for disabled children. This group would include children:

- who meet the Social Security Administration standards for disability;
- who are over the income limits for Supplemental Security Income (SSI)-related Medicaid coverage; and
- whose income does not exceed 300 percent of the federal poverty level (FPL).

To project the potential number of children this group would serve, we looked at SSI data shared with the Department of Human Services via the State Data Exchange (SDX) records provided by the Social Security Administration. The SDX is a system for transmitting information to each state from the Social Security Administration. This information is about:

- People who are receiving SSI or federally administered State Supplementary Assistance (SSA); and
- People who have been canceled from or denied SSI or federally administered State Supplementary Assistance.

Coverage Currently Available

The State provides medical assistance to children through other coverage groups:

- Medicaid for all children in families with income of no more than 133 percent of federal poverty level. (See attached poverty level chart.)
- Home- and Community-Based waiver programs for children with disabilities who have income not exceeding 300 percent of the federal poverty level. (See attached poverty level chart.)
- The *hawk-i* program for children in families with income no more than 200 percent of the federal poverty level. (See attached poverty level chart.)

2006 Federal Poverty Level Guidelines

Family Size	Percent of Poverty		
	133%	200%	300%
1	13,034.00	19,600.00	29,400.00
2	17,556.00	26,400.00	39,600.00
3	22,078.00	33,200.00	49,800.00
4	26,600.00	40,000.00	60,000.00
5	31,122.00	46,800.00	70,200.00
6	35,644.00	53,600.00	80,400.00
7	40,166.00	60,400.00	90,600.00
8	44,688.00	67,200.00	100,800.00

For family units of more than 8 members, add \$3,400 for each additional member.

Number of Potential Eligibles

Current SDX records show that 538 children, under the age of nineteen, are currently in non-pay status due to a determination that they are over the income limits for an SSI monthly cash benefit. Of those children:

- 353 are receiving Medicaid in a variety of coverage groups.
- 185 may be eligible for this new group for disabled children.

While the SDX documents the number of children who are over income, it is not clear that all of these children would meet the disability criteria or that their income is under 300 percent of the federal poverty level. For purposes of this exercise, we assume that all 185 children would be eligible.

The federal guidelines provide for a rollout based on age:

- Effective October 2007, for children under six years
- Effective October 2008, children ages 7-13 years will be added
- Effective October 2009, children 14-18 years will be added

Based on the ages of the 185 children identified through SDX records, the following numbers can be projected for the rollout:

- 93 children under six years
- 44 children ages 7-13 years
- 48 children 14-18 years

Administrative Issues

Enrollment in Employer Health Plans

The Family Opportunity Act requires, as a condition of participation in this group, that families enroll in available employer group insurance when the employer is paying at least 50 percent of the cost of the coverage. The federal guidelines do not address situations when:

- The medical services provided by the employer group insurance plan do not cover the needs of the disabled child.
- The employer plan is not affordable. When the premiums are high cost, the fact that the employer pays for half the premium does not lift the burden from the family to pay for the other half.
- The disabled child may have already reached the maximum benefits available under the employer group coverage.

This is a new requirement that is not currently applied to any other Medicaid coverage group. Gathering, tracking and verifying this information as part of the eligibility process will be administratively burdensome for the Department.

Option to Assess Premiums

States have the option to assess premiums to families when family income is above 150 percent of the federal poverty level. States also have the option of allowing the family to declare a hardship in months that they are unable to pay the assessed premium.

Based on our experience with the Medicaid for Employed People with Disabilities (MEPD) program, we estimate for the first roll-out year (coverage of children under 6) that:

- 25%, or twenty-three, families would be assessed a premium.
- Based on the MEPD premium structure, the average premium would be \$43.00 per month.
- Assuming that all twenty-three eligible children participate for all nine months in SFY 2008 (assumes October 2007 start-up), the maximum assessed premiums would total \$11,868.00.

Note: The MEPD program does not have a hardship declaration provision.

Based on our experience with the IowaCare Program, which does have a hardship provision:

- Data shows that for every two premiums that are paid, there is one declaration of hardship because the family is unable to pay the monthly premium.
- If this pattern were experienced within this coverage group, there would be a one-third reduction in premiums paid for a total estimated maximum payment of \$7,912.00 during the initial nine-month period.

Cost Estimates

	State Share of Cost	YR 1 SFY '08 (9 months)	YR 2 SFY '09 (12 months)
Medicaid benefits at an average annual cost of \$10,946 per child	38.21 percent	\$291,727	\$560,451
Disability Determinations at an average cost to the State of \$604.00 each	50 percent	\$ 56,172	\$ 26,564
System Programming*	50 percent	\$95,880	\$0
.50 FTE for Clerk Specialist	50 percent	\$12,962	\$ 15,862
.50 FTE for IMW-6	50 percent	\$ 17,083	\$ 21,778
1.0 FTE for IMW-2	56.4	\$34,435	\$34,435
Total State Cost		\$508,259	\$659,090

* The projected costs are increased when a monthly premium is assessed because this adds the cost of creating and maintaining an automated premium management system and crediting the premium payments to each individual account via electronic processing.

Recommendation

The Department's analysis of the federal requirements tied to this option make the program administratively difficult and costly to run for the benefit of a very small number of children (maximum of 185). This is particularly true because of the requirement to enroll in employer health insurance that must meet specific criteria. Assessing a premium would further complicate the administration of the program.

In lieu of creating a new coverage group, there may be merit in exploring how currently existing coverage groups could be modified to meet the needs of this population through waivers or other expansions.

Prepared by: Jill Whitten
Bureau of FHWS
Date: December 8, 2006

DHS Approval: Am
(Office of Public Policy)