Testimony
Senate Bill 2106 – Department of Human Services
Senate Human Services Committee
Senator Judy Lee, Chairman

January 9, 2019

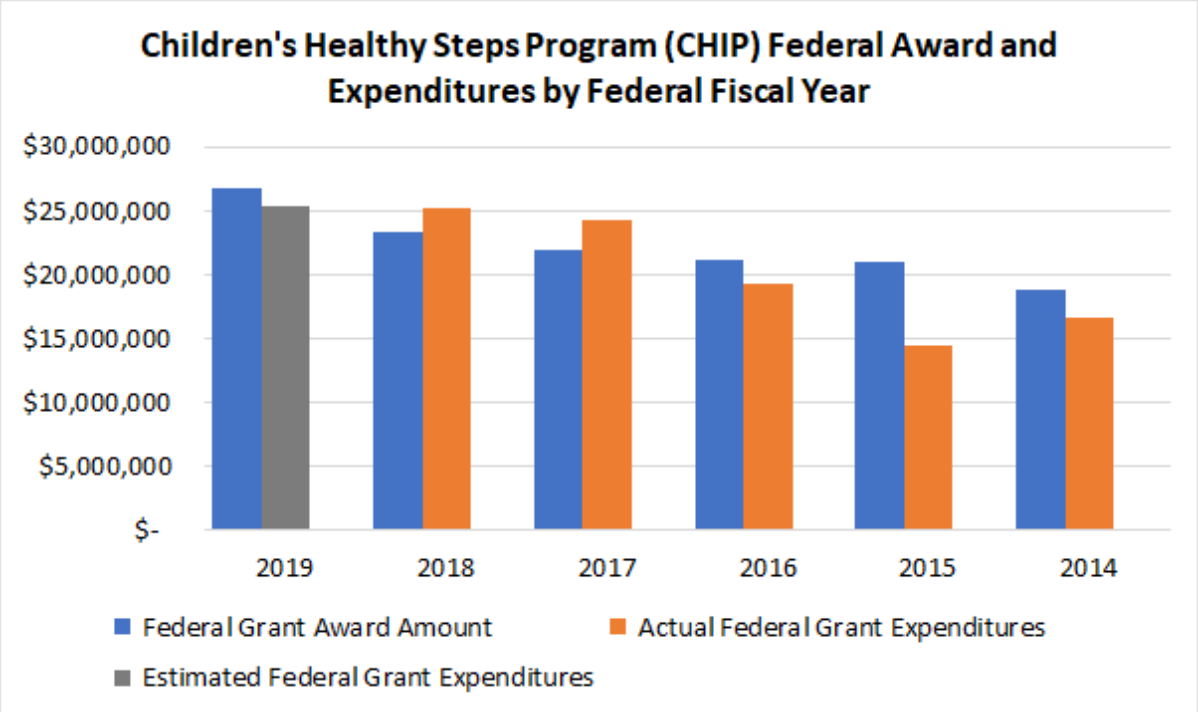
Chairman Lee, members of the Senate Human Services Committee, I am Maggie Anderson, Director of the Medical Services Division for the Department of Human Services. I am here today in support of Senate Bill 2106, which was introduced at the request of the Department. This bill is a comprehensive review and update of North Dakota Century Code Chapter 50-29 ***Children's Health Insurance Program***. The proposed changes also implement the operational changes to the Children's Health Insurance Program (CHIP) included the Executive Budget request.

North Dakota implemented CHIP on October 1, 1999. The program provides health care coverage to uninsured children in qualifying families who earn too much to qualify for Medicaid, but not enough to afford private insurance. The income limit, based on modified adjusted gross income, for a household is 175% of the federal poverty level. For a family of 4, this is $43,925 per year/ $3,661 per month.

As of November 2018, 2,083 North Dakota children (age 18 and younger) received health care coverage through CHIP (Healthy Steps). Health and vision coverage is provided through a contract with Blue Cross and Blue Shield of North Dakota and dental coverage is provided through a contract with Delta Dental of Minnesota.

Historically, the Federal Medical Assistance Percentage (FMAP) for CHIP was 15% higher than the state's regular FMAP. The Affordable Care Act (ACA) included a provision to increase the match by 23%. Early in 2018, the HEALTHY KIDS Act (Public Law 115-120) reauthorized CHIP and altered the enhanced FMAP. Through Federal Fiscal Year 2019 (ending September 30, 2019) the enhanced FMAP will continue to be 88% for CHIP. Effective October 1, 2019, the federal match will be reduced to 76.5% and will return to its "pre-ACA" rate of 65% effective October 1, 2020.

Also, unlike Medicaid, which is an entitlement program, CHIP is funded based on an annual allotment.



Impact of ACA

For the month of January 2014, there were 4,094 premiums paid for children enrolled in CHIP. The provisions of the ACA impacted eligibility for children. First, children enrolled in the CHIP (Healthy Steps) between

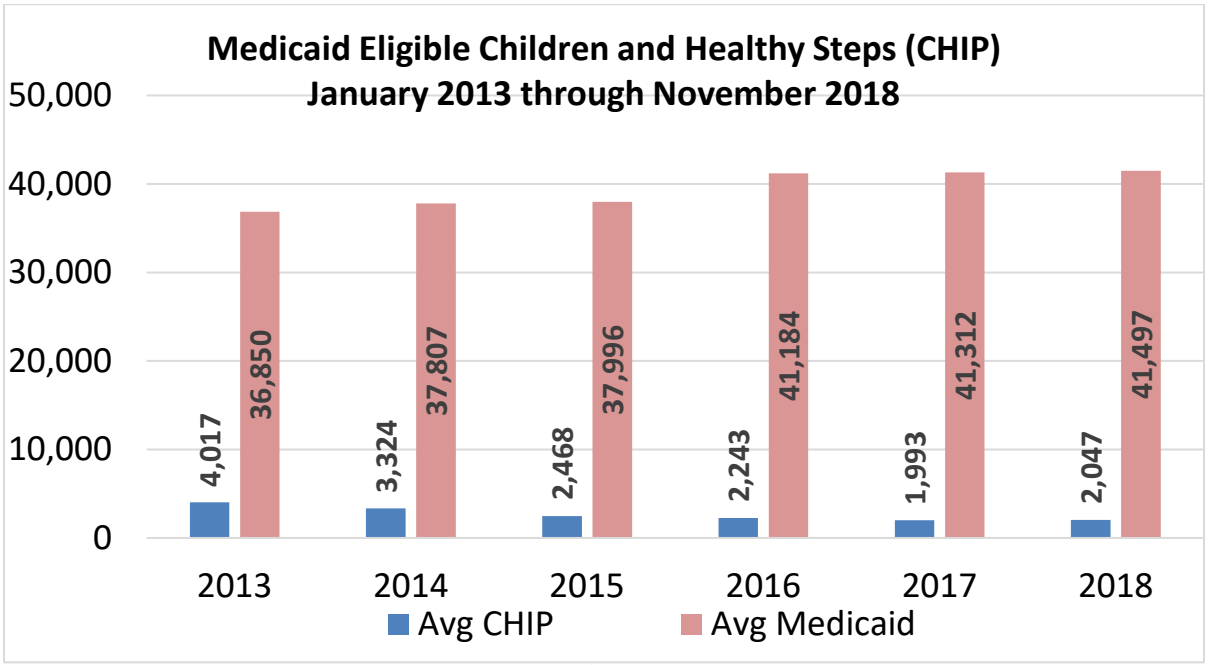
the ages of 6 and 19 whose household income was below 133% were transferred from coverage through Healthy Steps to coverage through the Medicaid Program. Prior to January 2014, the estimated number of children within this group was 721 children.

Also, as of January 1, 2014, the ACA required a method for calculating income eligibility for Medicaid, CHIP and financial assistance available through the health insurance Marketplace. This new method calculates eligibility for all programs based on modified adjusted gross income (MAGI). MAGI replaced the previous process for calculating Medicaid/CHIP eligibility. In the past, Medicaid and CHIP eligibility used a combination of an income eligibility standard—often expressed as a percentage of the Federal Poverty Level (FPL)—and a series of deductions and disregards.

The previous income threshold (160% FPL) had to be converted to a MAGI-equivalent. The MAGI-equivalent for CHIP is 175% FPL.

This new MAGI methodology does not allow the use of income disregards. Children previously enrolled in Medicaid who were no longer eligible for Medicaid due to the elimination of income disregards were eligible for coverage through CHIP for 12 months. This 12-month, CHIP eligibility period, was intended as a way to ensure a smooth transition and continuity of coverage for children as the new income eligibility rules in the ACA took effect. After this 12-month coverage period ended, the family was able to apply again for health care coverage. If the family no longer qualified for Medicaid or CHIP, they were directed to Healthcare.gov.

With all the eligibility changes resulting from the ACA provisions, the ND CHIP enrollment dropped significantly; however, we are serving more children on Medicaid than we were prior to the ACA.



Now, that all the ACA changes have "settled" and we have found our new normal, the Department is proposing transferring CHIP from a managed care arrangement to a Medicaid "look-alike" fee for service administration. During this last biennium, the Department identified Medicaid Administrative Simplification as a priority, not only to reduce overall administrative costs, but also to attempt to simplify programs to benefit those we serve. This is one of a number of administrative simplifications the Department is proposing this session.

This proposal allows the Department to simplify administration of the program without compromising services to children. In fact, having Medicaid coverage allows the eligible children to access the same benefits as children eligible for Medicaid (including Early and Periodic Screening, Diagnosis and Treatment) and have no cost-sharing. In addition, children

would be able to access “three months prior” coverage, while today they can only access services on the first day of the month following approval of the application for coverage.

The Department is proposing an effective date of January 1, 2020, which will allow the federal state plan changes to occur, allow notification to households and help ensure a smooth transition.

The changes reflected in Senate Bill 2106 are consistent with the Department’s Executive Budget. The changes are estimated to save $6.1 million in total funds ($1.9 million in general fund) for the eighteen months of January 2020 through June 2021.

CHIP Grant Savings to move from Managed Care Organization (MCO) to DHS Administration as Fee For Service (FFS)

Period	Total	Federal	State
Total	($4,252,822)	($2,896,473)	($1,356,349)
SFY 2020	(1,391,776)	(982,200)	(409,576)
SFY 2021	(2,861,046)	(1,914,273)	(946,773)

Total Savings - CHIP Transition from MCO to DHS FFS (18 months of 2019-2021 Biennium)

	Total	Federal	State
Grants	($4,252,822)	($2,896,473)	($1,356,349)
PCCM	72,000	50,940	21,060
MCO Admin	(1,227,683)	(863,286)	(364,397)
Subtotal	($5,408,505)	($3,708,819)	($1,699,686)
DHS Admin (less PCCM)	(648,634)	(458,694)	(189,940)
Total	($6,057,139)	($4,167,513)	($1,889,626)

One area that will not change from the current administration of CHIP as a “stand-alone” program is other insurance (third party liability). Even as a Medicaid look alike, when households with children exceed the Medicaid income eligibility levels, and the children are evaluated for eligibility via CHIP, we will need to determine if children have other insurance, and if they do, they will be ineligible for coverage.

The specific changes proposed are as follows:

Section 1: 50-29-01 Definitions

Page 1, Line 10 through 13

Adds the definition of “Children eligible for medical assistance” which was necessary to clarify the coverage defined in 50-29-04.

Section 2: 50-29-02 Duties of the department

Page 2, Lines 1 through 22 updates language to remove outdated provisions. Also, on Line 15 removes the annual requirement to report to legislative management and replaces the requirement with “as requested”. If CHIP is no longer a stand-alone program, it will “look-like” Medicaid, with just a different funding stream behind the scenes. The need for annual reports is likely to be less important.

Page 2, Lines 23 through 25 adds language consistent with 50-24.1-01.1, related to Medical Assistance for Needy Persons.

Section 3: 50-29-03 Duties of county agency

Page 2, Line 28 through Page 3, Line 5 amends the language to be consistent with 50-24.1-03.1 which describes the duties of a county agency for Medicaid eligibility. The functions are the same and the wording should also be consistent.

Section 4: 50-29-04 Plan requirements

Proposed changes in this section remove the requirement for CHIP to be operated as managed care (private contracts) and also deletes other items not needed to operate CHIP as fee for service.

Page 3, Lines 10 and 11 proposes for the coverage to be consistent with the coverage provided to children eligible for Medicaid (Traditional Medicaid).

Page 3, Lines 17 and 18 updates language regarding the federal poverty level and use of modified adjusted gross income.

Page 3, Line 30 through Page 4, Line 4 removes reference to “first day of the month, following the date of application and determination of eligibility” as children will now qualify for the month of application, and if eligible, three-months prior coverage.

Section 5: 50-29-05 Limitations of chapter

As part of ACA, the Social Security Act was amended to include a Maintenance of Effort (MOE) provision that requires states to maintain “eligibility standards, methodologies and procedures” that are no more restrictive than those in effect as on March 23, 2010. The MOE enacted as part of the ACA was set to expire September 30, 2019; however, Congress has now extended the MOE provisions and they will not expire until September 2027.

The MOE applies to both Medicaid and CHIP – HOWEVER, there is an exception for CHIP if there is a federal funding shortfall. Due to the

expiration of CHIP in the fall of 2017, and because Congress did not finalize continued funding for several months, the Department thought it was important to ensure state law is clear. Therefore, on Page 4, Lines 14 through 20 amends the language to make it clear that the Department can only expend funds appropriated to it for the purpose of providing coverage to this population of children.

Section 6: Page 4, Line 21, The Department is proposing repeal of 50-29-06 (Grant-Gifts-Donations-Continuing appropriation). Per Legislative history, this section was added in 2001 when the Robert Wood Johnson foundation was providing funding to assist with CHIP outreach. This section of code is no longer needed.

Section 7: Page 4, Line 22 Establishes the effective date for this act to be January 1, 2020. As noted earlier, this timeline will allow time for the federal state plan changes to occur, allow notification to households and help ensure a smooth transition.

This concludes my testimony. I would be happy to address any questions that you may have.