F I S C A L I M P A C T R E P O R T

SPONSOR SPAC **DATE TYPED** 03/09/05 **HB**

SHORT TITLE State Coverage Initiative Act **SB** CS/782/aSJC

ANALYST Weber

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY05	FY06	FY05	FY06		
	$4,000.0			Recurring	General Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

Duplicates Appropriation in the General Appropriation Act

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY05	FY06			
	$16,000.0		Recurring	Federal Medicaid

(Parenthesis ( ) Indicate Revenue Decreases)

SOURCES OF INFORMATION
LFC Files

Responses Received From
Human Services Department (HSD)
Public Regulation Commission (PRC)
Health Policy Commission (HPC)
Department of Health (DOH)

SUMMARY

Synopsis of SJC Amendment

Senate Judiciary Committee Amendment changes are made on page 2 line 15 that clarifies that the implementation and continuation of the State Coverage Initiative is subject to legislative appropriation.

On page 6, line 7 the word family is inserted to clarify eligibility is subject to the family income as provided for in Section 7.

Synopsis of Original Bill

Committee Substitute for Senate Bill 782 appropriates $4 million from the general fund to the Human Services Department for the purpose of establishing the State Coverage Initiative.

Significant Issues

The Human Services Department contributes the following.

The bill authorizes the State Coverage Initiative (SCI) program, a health insurance plan for uninsured adults, 19 to 65 years old, with family incomes up to 200% of Federal Poverty Level, as indicated in the Medicaid waiver or at higher income level as established by the Department. It allows for enrollment through small businesses that employ fifty or fewer employees and for self-employed individuals.

This bill also establishes cost-sharing requirements based on a sliding income scale and a maximum annual cost-sharing limit. If health plans are provided through a managed care organization, the plan needs to include coverage and benefits as specified in the Health Maintenance Organization Law.

It also authorizes county funds, other state funds and donations to be used to pay for the individual or small business premiums. These funds would be used for purposes of matching federal funds for the Human Services Department.

The Department currently has flexibility in the details of how the SCI program will be implemented. Many of these details are still to be worked out through negotiations with contractors, stakeholders, the federal government, the Robert Wood Johnson Foundation and other entities. While this bill is less prescriptive than the original bill, it would still significantly limit that process and may violate requirements put into place by the federal government.

The Department has broad concerns about putting into legislation a program that can and will be implemented without that legislation. The Department is therefore not looking for specific amendments to this bill in order to make it more acceptable. However, there are a number of specific issues raised by that are particularly troubling.

The bill would prohibit reductions in benefits and eligibility and thus limits the Department's flexibility to manage the Medicaid program in a fiscally responsible manner. If the Department needed to contain costs in FY06 or future years, it would not be possible to implement SCI while reducing benefits or eligibility. The only cost containment choice left would be reductions in provider reimbursements.

The SCI program is a Health Insurance Flexibility and Accountability (HIFA), Section 1115 (of the Social Security Act) Demonstration Project, which was approved by the Centers for Medicare and Medicaid Services (CMS) on August 23, 2002. Section 1115 allows states to test substantially new ideas of policy merit for a limited number of years. It provides flexibility for the provision of services that are not otherwise available for federal match and allows for the expansion of eligibility for those who would otherwise not be eligible for the Medicaid program. CMS maintains the responsibility to evaluate the project, and the demonstrations cannot be expected to cost the federal government more than it would cost without the waiver.

SCI coverage and benefits are dictated by the federal HIFA waiver and administered by Medicaid. Medicaid may use a third party to administer the program.

The bill, as it is written, violates the Health Insurance Flexibility and Accountability (HIFA) waiver. Under the HIFA waiver approved in 2002, the upper income limit for eligibility is up to 200 percent of the federal poverty level. A higher income limit level cannot be established by the department as stated in this bill.

Under the current plans for implementation, the Department would waive the equivalent of the individual's premium share for an individual with a family income, minus deductions, that does not exceed one hundred percent of the federal poverty level. The bill states that the Department "shall waive the equivalent of the small business's share (of the premium) for (self-employed) individual(s) with a family income that does not exceed the federal poverty level, or a higher income level as may be established by the department by rule." This is not part of the Department's current waiver as approved by CMS.

This substitute bill also states that the small business "pays the monthly premium share established by the department for each eligible employee who enrolls in the health plan." Under the current plans for implementation, the employee pays the individual share.

FISCAL IMPLICATIONS

The appropriation of $4 million contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of FY06 shall revert to the general fund.

OTHER SUBSTANTIVE ISSUES

Few portions of Medicaid benefits are in state statute. The program benefits are defined by federal regulations in sets of required and optional offerings. By putting such benefits in state statute the ability to align expenditures with annual appropriation becomes more difficult, for both the legislature and department. Furthermore, this is an optional federal waiver program that may not be supported by CMS in future years. If CMS does not support SCI in future years the federal funding associated with the program would end passing the entire liability to the state. By putting the program in statute rather than regulation adds a complication to a program already set for implementation.

MW/rs:yr