STATE OF WASHINGTON
DEPARTMENT OF SOCIAL AND HEALTH SERVICES
Medical Assistance Administration
PO Box 45500, Olympia WA 98504-5500

August 22, 2001

TO: Interested Parties

FROM: Dennis Braddock, Secretary
Department of Social and Health Services

SUBJECT: MEDICAID & SCHIP REFORM WAIVER PROVISIONS

The purpose of this memorandum is to outline the principal provisions that the Department of Social and Health Services (DSHS) would propose to include in its Medicaid & SCHIP Reform Waiver proposal.

The objective of this Reform Waiver is to provide the Governor and Legislature with flexibility to design and administer Washington's optional Medicaid programs to help sustain health coverage for our low-income residents. The waiver also would allow Washington to use its unspent State Children's Health Insurance Program (SCHIP) federal allotment to expand coverage for parents of Medicaid and SCHIP children.

The Reform Waiver would be a unique demonstration waiver. Instead of requesting specific changes that would be implemented at the start of the demonstration, Washington's waiver would request flexibility in certain programmatic areas. Washington would have the ability to implement these changes as needed in order to sustain its Medicaid and SCHIP programs, and to make additional coverage available to parents within available funds. As described below, any cost-sharing or benefit changes would require legislative approval.

The Reform Waiver would allow our state greater flexibility to administer its Medicaid optional programs, while ensuring that our Medicaid program retains its long standing role as a safety net for our most vulnerable residents. Both the federal government and our state have defined these populations through the Medicaid Categorically Needy mandatory program. In our state, this includes: low-income families with dependent children whose incomes are below our state's Temporary Assistance for Needy Families (TANF) standards; elderly and disabled persons with incomes and resources below the federal Supplemental Security Income (SSI) standards plus our state supplemental payments; low-income Medicare beneficiaries who receive assistance with

their cost-sharing requirements; temporary coverage for refugees; pregnant women and infants up to 185% of poverty; children through age 5 up to 133% of poverty; children age 6 through 18 up to 100% of poverty; and foster children. Family planning coverage is also offered to persons up to 200% of poverty.

Our state provides optional Medicaid coverage to other individuals, including: children through age 18 up to 200% of poverty; elderly and disabled persons with incomes above the SSI standards and who have medical expenses; the working disabled with incomes up to 450% of poverty; and low-income women with breast and cervical cancer. Our state also provides coverage for children up to 250% of poverty through SCHIP.

In addition to these federal programs, our state provides coverage to other individuals through state-only funded programs. This includes: coverage to persons receiving grant (GAU/ADATSA) assistance due to a physical or mental health incapacity causing unemployment; low-income uninsured persons with an emergency medical condition requiring hospital services; and children under age 18 up to 100% of poverty who are not citizens. These programs are not covered under the waiver because they are not federal/state programs. However, policies adopted through the waiver could be applied to these programs.

Following are the programmatic and funding changes that are being considered for the Reform Waiver. Other provisions may be incorporated as our agency seeks input from the Legislature, state agencies, Title XIX Advisory Committee, Washington's tribes and other stakeholders.

- **<u>Copayments</u>:**

  Washington's Reform Waiver would comport with the cost-sharing principles set forth in the National Governors' Association (NGA) HR-32 Health Care Reform Policy. Specifically, no point-of-service cost-sharing (copayment, deductible, co-insurance) would be imposed on mandatory services for Medicaid mandatory populations, as defined in the federal Medicaid statute, except for non-emergent use of hospital emergency rooms.[1]

  Affordable point-of-service cost-sharing could be adopted for optional services for mandatory populations. This could include optional services obtained through EPSDT. Affordable cost-sharing could be adopted for all non-preventive services for Medicaid

[1] The Medicaid CN mandatory services include: inpatient hospital services; outpatient hospital services; other laboratory and x-ray services; physician services and medical and surgical services of a dentist; nursing practitioners' services; nurse-midwife services; rural health clinic (including federally qualified health care center) services; nursing facility (NF) services and home health services for individuals age 21 and older; early and periodic screening, diagnosis and treatment (EPSDT) for individuals under age 21; and family planning services and supplies.

optional populations, as defined in the federal Medicaid statute. Cost-sharing would require legislative approval.

- **Premiums:**

  The Reform Waiver would allow Washington to adopt reasonable premiums for medical coverage for all Medicaid clients with income above 100% of poverty. However, total cost-sharing (premiums plus point-of-service cost-sharing) for health related care could not exceed 5% of the family's income. Cost-sharing would require legislative approval.

  In accordance with Washington's tribal accord and federal Medicaid and SCHIP policy, cost-sharing requirements would not be imposed on American Indians.

- **Benefit Flexibility:**

  Consistent with NGA's HR-32, Washington's Reform Waiver would retain existing mandatory benefits for mandatory eligibility groups, as defined in federal Medicaid statute. Comparability of service requirements for Medicaid mandatory and optional groups, and among optional groups, would be waived. The waiver also would waive mandatory service requirements, including EPSDT, for Medicaid optional groups.[2] This would allow Washington to have different benefit designs for its various eligibility groups.

  The Reform Waiver would establish a "benefit floor", which would be the state's Basic Health (BH) Program design, without preexisting condition limitations, and with coverage of outpatient rehabilitation therapies. The floor could be adjusted for changes in the scope of BH program benefit design. Washington would retain flexibility under current federal law to change optional services not covered by BH for mandatory populations. Any changes in benefit design would require legislative approval.

[2] EPSDT coverage would be retained for mandatory coverage of children, which includes: children up to age 1 in households up to 185% of poverty; children age 1 through 5 to 133% of poverty; children age 6 through 18 in households up to 100% of poverty; and, children in state placed foster care. DSHS also would retain its exception to rule policy for both mandatory and optional coverage.

- **Enrollment Limits:**

  To comport with federal intent of the Medicaid program and ensure coverage to its most vulnerable residents, the Reform Waiver would continue to guarantee coverage for mandatory Categorically Needy eligibility groups.

  The Reform Waiver would allow Washington to offer coverage to other "categorical" populations within available state matching funds authorized by the Legislature. The state would be able to impose waiting lists for coverage if state funds were not sufficient to cover optional groups. The waiver would allow Washington to prioritize categorical populations that would be first subject to enrollment limits. As permitted under existing federal law, Washington also would be able to eliminate coverage for optional groups.

- **Program Eligibility Simplification:**

  To reduce administrative burden on clients, health plans and state agencies, DSHS may consider obtaining waivers to: (1) remove the signature requirement on the application; (2) implement a gross income test with a child care disregard; and (3) allow RHCs, FQHCs, disproportionate share hospitals, local health departments and the Health Care Authority to conduct eligibility determinations for children, pregnant women, and families.

- **Unspent SCHIP Allotment:**

  In order to support the state's efforts to provide subsidized health coverage to low-income residents, the Reform Waiver would include a SCHIP demonstration component. This would allow Washington to use its unspent SCHIP federal allotment to cover parents of Medicaid and SCHIP eligible children. Coverage would be offered through the BH program. It would include all existing BH program cost-sharing and preexisting condition requirements. Coverage under the demonstration would be limited to available SCHIP allotments and state matching funds authorized by the legislature.

  DSHS and the Governor would continue to work with the Congressional delegation staff and other states in efforts to amend federal law to be able to use our unspent SCHIP allotment to fund coverage for Medicaid eligible children.

- **Waiver Administration:**

  In order to ensure legislative direction and stakeholder consultation, the Reform Waiver would adopt an administrative process as used for the BH program, plus a prospective state plan amendment type approach with the federal Department of Health and Human Services' Centers for Medicare & Medicaid Services (CMS).

  Under this model, DSHS would not adopt cost-sharing or benefit changes without approval from the Legislature. DSHS also would submit a waiver plan amendment to CMS. DSHS could impose an enrollment freeze at any time that expenditures were projected to exceed the appropriated amount. DSHS would issue an emergency public notification and waiver notice to CMS.

The Reform Waiver will enhance our state's efforts to sustain our major commitments to provide health coverage to our most vulnerable residents and to support efforts to make health coverage available to low-income working families. The proposed flexibility represents a change in the Medicaid program. However, these changes are consistent with national and other states' efforts to develop strategies to sustain coverage to low-income individuals. The waiver also includes appropriate safeguards for our most vulnerable residents.

We are on an aggressive timeline to develop our Reform Waiver application. However, to ensure an adequate opportunity for input from our stakeholders, we will be submitting our application at the end of October 2001. During the development stage, we will be seeking input from the Legislature, state agencies, Title XIX Advisory Committee, Washington's tribes and other stakeholders.