



## The Federal CHIP and Stimulus Laws: Opportunities for Improving the Health of Connecticut Children and Families Sharon Langer, MEd, JD, Mary Alice Lee, PhD, and Donna Donovan, RN, BSN\*

Revised May 13, 2009

Soon after the new Congress and the new President took office, President Obama signed into law the Children's Health Insurance Program Reauthorization Act of 2009 (CHIPRA),<sup>2</sup> and more recently the American Recovery and Reinvestment Act of 2009 (ARRA).<sup>3</sup> The latter legislation is commonly known as the "federal stimulus package".

Key provisions of the new laws offer opportunities for Connecticut to improve coverage for children and families and provide much-needed federal fiscal support for the state's HUSKY program. Connecticut's HUSKY Program currently covers over 345,000 people in Connecticut, including 222,000 children under 19 in HUSKY A (Medicaid) and 14,000 in HUSKY B (CHIP), i.e., 1 in 4 children in the state.<sup>4</sup> One of every three Connecticut babies is born to a mother with HUSKY Program or Medicaid coverage.<sup>5</sup> In spite of the significant number of children on HUSKY, over 6 percent of Connecticut's children remain uninsured.<sup>6</sup> Setbacks in the state's economy will likely increase the number of families with uninsured children who are eligible for HUSKY.

### The American Recovery and Reinvestment Act and Its Implications for Connecticut

The federal stimulus package includes **\$1.32 billion** in new federal Medicaid funding for Connecticut over a 27-month period from October 1, 2008 through December 31, 2010. According to President Obama the stimulus plan will "ensure that [states] don't need to make cuts to essential services Americans rely on now more than ever. . .and money will be waiting to help 20 million vulnerable Americans. . . keep their health coverage."<sup>7</sup>

The federal medical assistance percentage (FMAP) will increase by about 12 percentage points over Connecticut's current rate of 50%. This change means the federal government will increase its reimbursement from 50 cents to almost 62 cents on each dollar spent in Connecticut's Medicaid program for most of the next two years. Connecticut is entitled to receive a base percentage point increase of 6.2, i.e., from 50 cents to 56.2 cents on the dollar. The additional federal matching funds take into account the additional percentage point increase Connecticut receives because it is experiencing high unemployment, as are many other states.<sup>8</sup>

As a condition of receiving the increase in Medicaid funding, a state must comply with maintenance of effort provisions in the law. In particular, Connecticut must maintain its Medicaid eligibility rules, procedures and methods, in effect as of July 1, 2008, in order to receive the temporary increase in FMAP.<sup>9</sup> Recent guidance from the federal Centers for Medicare and Medicaid Services (CMS) makes clear that

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*Today...we fulfill one of the highest responsibilities we have: to ensure the health and well-being of our nation's children.<sup>1</sup>*

President Barack Obama  
February 4, 2009

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Governor Rell's proposals to eliminate "self-declaration of income" procedures and to impose premiums on adults in HUSKY A (Medicaid) will violate the maintenance of effort provisions.<sup>10</sup> In the meantime, at least one state – Vermont – had to return some of its stimulus funding because of new premiums imposed on adults in its Medicaid program after July 1, 2008.<sup>11</sup> That state is expected to eliminate the premiums in order to regain access to the federal funding. In light of the CMS Guidance and Vermont's recent experience, it makes little sense for Connecticut's legislature to enact provisions that would jeopardize receipt of the stimulus funds and would require lawmakers to reverse themselves shortly thereafter.

## **The Children's Health Insurance Program Reauthorization Act and Its Implications for Connecticut**

CHIPRA expands and improves upon what was formerly known as the State Children's Insurance Program (SCHIP) through increased funding, opportunities to expand coverage, incentives for increasing enrollment, and provisions aimed at improving the quality of care.<sup>12</sup> CHIPRA builds on the success of SCHIP, which was enacted in 1997 to provide coverage to millions of children who lack health insurance in families with income too high to qualify for Medicaid. When the new law goes into effect April 1<sup>st</sup>, states will have the opportunity to cover an estimated 11 million children, including over 4 million newly eligible children who would otherwise be uninsured.

**Funding:** The new law increases overall federal funding for child health insurance by \$32.8 billion, to \$68.9 billion in federal fiscal years (FFY) 2009-2013.<sup>13</sup> The increase in spending is financed by increased federal taxes for cigarettes and other tobacco items. The state-federal match structure for child health funding remains unchanged. States will continue to pay a share of CHIP expenditures and will receive federal matching funds for children enrolled in CHIP and Medicaid. States now have just two years (compared to three under previous law) to spend their allotment before unspent federal dollars must be returned to the federal government for redistribution to other states with funding shortfalls.

Under CHIPRA, Connecticut will be eligible for \$45.6 million in FFY 2009,<sup>14</sup> far more than the federal projected allotment under the previous law (\$29 million), and even more than the total projected spending in combined federal and state dollars (\$32 million in SFY 2010).<sup>15</sup>

Medicaid typically reimburses Connecticut 50 cents on the dollar. The new CHIP funding includes reimbursement of 65 cents of every dollar spent for children in HUSKY A (Medicaid) and HUSKY B in families with income between 133% of the federal poverty level (FPL) and 300% FPL. Previously, the state was reimbursed at this higher rate for children with family income above 150% FPL under SCHIP. Now states, like Connecticut, will receive additional funding for more low-income children on Medicaid (HUSKY A). Future allotments will depend on actual spending of CHIP funds, adjusted for health care inflation and child population growth. In the past 10 years, Connecticut failed to spend its SCHIP allotment and returned over \$100 million to the federal government for redistribution to other states.<sup>16</sup>

**Eligibility:** At state option, CHIPRA allows Connecticut to extend health insurance coverage with federal matching funds to cover the following groups:

- Children in families with income above 300 percent of the federal poverty level (FPL), \$52,800 for a family of three;
- Lawfully residing immigrant children and pregnant women who have been in the United States for less than 5 years, if they are otherwise eligible;

- Pregnant women with income over 185 percent of the federal poverty level (FPL) and up to the state's income eligibility level for children.

Connecticut currently provides subsidized coverage for children in families with household income up to 300% FPL, with nominal co-payments for children in families with incomes over 185% FPL, and premiums for higher income children. While coverage is available for children in higher income families, the cost for coverage increases steeply, from \$30 per child per month (\$50 maximum per family) to about \$200 per child per month (no family maximum) for families with incomes over 300% FPL. Above 300% FPL, families are paying the full premium with no government subsidy. Under CHIPRA, Connecticut can now extend subsidized coverage to families with incomes over 300% FPL on a sliding scale with federal matching dollars (Medicaid rate of 50%) that were previously unavailable.

Connecticut currently uses state funds to provide coverage for legal immigrant children, parents, and pregnant women who have been in the United States less than 5 years.<sup>17</sup> *Effective April 1, 2009*, Connecticut can claim federal matching funds (65 cents on the dollar) for coverage of all legal immigrant children and pregnant women under Medicaid and CHIPRA.

At present, Connecticut covers pregnant women with income up to 250% FPL in its Medicaid program. Connecticut can increase the income eligibility level for pregnant women so that all babies who are eligible for HUSKY subsidized coverage are born to mothers with health insurance for prenatal care.

**Benefits:** CHIPRA extends benefits at state option to include federal matching funds for the following services that are not currently part of Connecticut's Medicaid and CHIP benefit packages:

- Supplemental dental-only coverage for otherwise eligible children with health insurance through an employer;
- Enhanced federal matching rate (75%) for medical interpretation;
- Quality improvements in child health care, including new measures for tracking improvement, development of electronic medical records, and funding for quality improvement demonstration projects.

Currently, for children to be eligible for HUSKY B (CHIP), they must be *uninsured* for at least two months.<sup>18</sup> Children who have access to medical insurance – but not dental insurance – are not eligible to participate in HUSKY B. The new law gives states the option of providing dental-only coverage to children who are otherwise insured. This is an important step the state could take toward improved oral health for Connecticut's children. Given that we consistently leave millions of dollars of federal funding for HUSKY B on the table each year, Connecticut should take up this option.

State legislation passed in 2007 required the Department of Social Service to designate medical interpretation as a reimbursed service under Medicaid, and to amend its Medicaid state plan to reflect this change.<sup>19</sup> Governor Rell has proposed instead eliminating this service rather than implementing the legislative mandate. Under CHIPRA, the federal government will reimburse Connecticut *75 cents* on the dollar for providing medical interpretation to help families enroll and renew eligibility and to communicate with health care providers who treat children in HUSKY A and B.

**Outreach to Increase Enrollment:** CHIPRA includes the following provisions aimed at encouraging states to enroll all eligible children:

- \$100 million to support Medicaid and CHIP outreach, including \$90 million for grants to state and local governments and other organizations that work to enroll eligible children.
- “Express Lane eligibility”, an option for identifying eligible children through other programs that are based on income and need (such as food stamps and free lunch programs). Express lane eligibility allows children already enrolled in these programs to qualify and auto-enroll without having to submit a separate application to prove eligibility or renew Medicaid or CHIP coverage.
- Premium assistance, an option that allows a state to help pay for health insurance provided by a family’s employer when it is cost-effective to the state. Under CHIPRA, children in CHIP may voluntarily participate in premium assistance programs. The law makes it easier for families to enroll in employer-sponsored coverage when their Medicaid or CHIP eligibility ends or to voluntarily enroll in the premium assistance program if offered by their state.
- Performance bonuses for states that demonstrate successful enrollment efforts by implementing of five out of eight best practices in the areas of outreach, enrollment, and retention. Connecticut currently utilizes just three of the recommended strategies. (See table below)
- Simplification of process for documenting citizenship by electronic match with Social Security Administration records, beginning January 1, 2010. As of that date, the law also extends the requirement to children in CHIP. (Currently, children, parents and pregnant women in HUSKY A (Medicaid) claiming US citizenship must comply with the onerous documentation rules.) States are eligible to receive 90 cents on the dollar to develop new electronic interfaces with the SSA and 75 cents on the dollar to maintain their systems.

### **How Connecticut Can Qualify for Federal Bonus Funds**

Connecticut has taken important steps to simplify enrollment and renewal procedures in the HUSKY Program (indicated by ✓ in the list below). However, in order to qualify for performance bonuses for increased enrollment of children, **Connecticut must adopt at least 5 of the following 8 procedures** specified in CHIPRA 2009:

- ✓ Eliminate the asset test for children
- ✓ Eliminate in-person interview requirements

Use presumptive eligibility for children\*

Use joint applications and processes for Medicaid and CHIP\*\*

Adopt 12-month continuous eligibility for all children

Allow administrative or paperless verification at renewal

Use information from applications for other public programs when determining eligibility for Medicaid and CHIP (“express lane eligibility”)

Provide premium assistance subsidies for purchase of employer-sponsored coverage

\*Currently presumptive eligibility rules apply to HUSKY A (Medicaid) children. To qualify, Connecticut would have to adopt presumptive eligibility for HUSKY B children (CHIP) as well.

\*\*Although Connecticut uses a joint application for Medicaid and CHIP (HUSKY), the supplemental forms and verification processes for determining eligibility are not the same, as required by CHIPRA. No legislation would be needed to align the HUSKY application processes.

Under CHIP, if Connecticut maintains its current outreach funding, it is eligible to apply for the new federal outreach grant funding. However, the Governor has proposed eliminating \$500,000 that currently funds outreach and enrollment assistance by community-based organizations.<sup>20</sup>

Connecticut can go further to simplify enrollment and retention by adopting “continuous eligibility” for children in HUSKY (12-months of coverage, regardless of changes in family income); adopting paperless processes for verifying eligibility at the time of renewal; and coordination of applications for various publicly funded family programs (express lane eligibility). After taking these steps to improve outreach and enrollment, Connecticut will be eligible to receive federal payments for each extra child enrolled above a target level that is based on FY07 enrollment in Medicaid, adjusted over time for growth in the child population.

State legislation called for implementation of a premium assistance program in HUSKY A.<sup>21</sup> It is not clear whether a premium assistance program makes sense in Connecticut. On the one hand, it may help families retain an established relationship with their doctors. Access to health care providers – particularly many specialty care providers - remains a serious problem in the HUSKY program. Helping individuals gain commercial health insurance coverage may therefore improve their access to needed care. On the other hand, research shows there are tremendous administrative costs involved in establishing a premium assistance program.<sup>22</sup> Also, the ESI coverage is likely to cost more than the public coverage option, and have significant out-of-pocket costs for families, making it less attractive to the state.<sup>23</sup>

## **Opportunities for Improving HUSKY Program Coverage for Children and Families**

In order to take full advantage of new options under CHIPRA and the federal stimulus, Connecticut should take the following steps to improve the HUSKY Program:

- Maintain coverage for legal immigrant families and pregnant women who have been in the United States for less than 5 years (*support the Appropriations Committee proposal*).
- Adopt enhanced enrollment and retention practices such as, presumptive eligibility for children in HUSKY B (already applies to children in HUSKY A); “express lane eligibility” and auto enrollment and renewal; and continuous eligibility for children (legislation needed).
- Avoid new or increased premiums and co-payments (*support the Appropriations Committee proposal*).
- Extend dental coverage only to children who are otherwise ineligible for HUSKY B because they have access to medical insurance but lack dental insurance (legislation needed).
- Extend subsidized coverage on a sliding scale to uninsured children in families with income over 300% FPL (legislation needed).
- Extend coverage for pregnant women with family income up to 300% FPL (legislation required).
- Fund HUSKY community-based outreach in order to take advantage of federal grants to states for increased outreach activities (*reject the Governor and the Appropriations Committee proposals to eliminate community based outreach*).
- Implement quality improvement initiatives.
- Fund medical interpretation as a covered Medicaid and CHIP service (*support the Appropriations Committee proposal*).
- Utilize electronic interface with SSA to assist families in proving US citizenship and to obtain increased federal matching funds for maintenance of electronic system (no legislation needed).

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- <sup>1</sup> White House Office of the Press Secretary. Remarks by President Barack Obama on Children's Health Insurance Program Bill Signing. February 4, 2009. Available at: [www.whitehouse.gov](http://www.whitehouse.gov).
- <sup>2</sup> Public Law No. 111-3, available at: <http://thomas.loc.gov/>
- <sup>3</sup> Public Law No. 111-5, available at: <http://thomas.loc.gov/>
- <sup>4</sup> Connecticut Voices for Children, *HUSKY At A Glance* (February 2009), available at: [www.ctkidslink.org/pub\\_detail\\_194.html](http://www.ctkidslink.org/pub_detail_194.html)
- <sup>5</sup> MA. Lee, K. Sautter, A. Learned, CT Voices for Children, *Births to Mothers with HUSKY Program and Medicaid Coverage: 2006* (September 2008), available at: [www.ctkidslink.org/pub\\_detail\\_432.html](http://www.ctkidslink.org/pub_detail_432.html)
- <sup>6</sup> MA Lee, CT Voices for Children, *Uninsured Children in Connecticut: 2007* (September 2008), available at: [www.ctkidslink.org/pub\\_detail\\_429.html](http://www.ctkidslink.org/pub_detail_429.html)
- <sup>7</sup> Press Release from The White House Office of the Press Secretary, President Obama Announces \$15 Billion in Medicaid Relief from ARRA Headed to States (February 23, 2009)
- <sup>8</sup> I. Lav, E. Park, J. Levitis, M. Broadus, Center on Budget and Policy Priorities, *Recovery Act Provides Much-Needed Targeted Medicaid Assistance to States*, available at: [www.cbpp.org/2-13-09sfp.htm](http://www.cbpp.org/2-13-09sfp.htm)
- <sup>9</sup> Public Law No. 111-5, Sec. 5001(f)(1), available at: <http://thomas.loc.gov/cgi-bin/query/F?c111:8:./temp/~c111Ntamlo:e1207383>
- <sup>10</sup> Governor's Budget: FY 2010 and FY 2011 Biennium, at 538, available at: [www.ct.gov/opm](http://www.ct.gov/opm); Centers for Medicare and Medicaid Services Guidance, *American Recovery and Reinvestment Act of 2009, Section 5001: Increased Federal Medical Assistance Percentage*, available at: [www.ctkidslink.org/federalstimulus.html](http://www.ctkidslink.org/federalstimulus.html)
- <sup>11</sup> N. Remsen, *Vermont Returns \$36 million*, (February 28, 2009), available at: [www.burlingtonfreepress.com](http://www.burlingtonfreepress.com)
- <sup>12</sup> See, D. Homer, J. Guyer, C. Mann, J. Alker, Georgetown University Center for Children and Families, *The Children's Health Insurance Program Reauthorization Act of 2009: Overview and Summary* (February 2009), available at: <http://ccf.georgetown.edu/index/schipreauthorization>; See also, Families USA. Summary of Final CHIP Reauthorization Bill (fact sheet). February 3, 2009, available at: [www.familiesusa.org](http://www.familiesusa.org). Much of the information in the text regarding CHIPRA comes from the Center's summary, as well as the Families USA fact sheet.
- <sup>13</sup> P.L. 111-3, Congressional Budget Office. Cost Estimate for H.R. 2 Children's Health Insurance Program Reauthorization Act of 2009. February 11, 2009, available at: [www.cbo.gov/ftpdocs/99xx/doc9985/hr2paygo.pdf](http://www.cbo.gov/ftpdocs/99xx/doc9985/hr2paygo.pdf)
- <sup>14</sup> D. Homer, et al., *supra*.
- <sup>15</sup> Governor's Budget: FY 2010 and FY 2011 Biennium ("Governor's Budget"), at 538; available at: [www.ct.gov/opm](http://www.ct.gov/opm).
- <sup>16</sup> See, R. McAuliffe, S. Langer, CT Voices for Children, *Connecticut Losing Out on Children's Health Coverage* (February 2008), available at: [www.ctkidslink.org/pub\\_detail\\_392.html](http://www.ctkidslink.org/pub_detail_392.html).
- <sup>17</sup> Conn. Gen. Stat., Sec. 17b-257b.
- <sup>18</sup> Proposed Conn. State Agencies Reg., Sec. 17b-304-4(f)(3) (Note: DSS has been operating under proposed HUSKY B regulations since November 1, 2007)
- <sup>19</sup> Conn. Gen. Stat., Sec. 17b-28e(b).
- <sup>20</sup> Governor's Budget, *supra*, at 538.
- <sup>21</sup> Conn. Gen. Stat., Sec. 17b-261h, Enrollment of HUSKY Plan, Part A recipients in available employer-sponsored private health insurance, available at: [www.cga.ct.gov/2009/pub/chap319v.htm#Sec17b-261h.htm](http://www.cga.ct.gov/2009/pub/chap319v.htm#Sec17b-261h.htm)
- <sup>22</sup> J. Alker, Georgetown University Center for Children, *Choosing Premium Assistance: What Does State Experience Tell Us?* (May 2008); *Premium Assistance Programs: How are They Financed and Do States Save Money*, (October 2005), Kaiser Commission on Medicaid and the Uninsured.
- <sup>23</sup> *Id.*