QUARTERLY REPORT ON THE STATUS OF THE

FAMILY ACCESS TO MEDICAL INSURANCE SECURITY PLAN (FAMIS)

Third Quarter 2006

July 1, 2006 – September 30, 2006

Virginia Department of Medical Assistance Services

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EXECUTIVE SUMMARY

The Family Access to Medical Insurance Security (FAMIS) program is Virginia's State Child Health Insurance program (SCHIP) for low-income children funded under Title XXI of the Social Security Act. This quarterly report conveys the status of the FAMIS program during the third quarter of calendar year 2006 – July, August and September 2006.

During the third quarter of 2006:

- Enrollment in Virginia's SCHIP program (including the separate FAMIS program and the SCHIP Medicaid Expansion program) was **78,324** as of the end of the quarter. This represents a net decrease of 421 children since the end of the previous quarter on June 30, 2006. While the FAMIS program continued to increase in enrollment, a significant decline (-543) occurred in the SCHIP Medicaid Expansion program. This unprecedented decline in enrollment is due to the imposition of new federal requirements on July 1, 2006 that all applicants for Medicaid and Medicaid Expansion programs prove both their citizenship and identify prior to enrollment. See Section V.D. for more information on the impact of this change;

- The FAMIS Central Processing Unit (CPU) received 57,289 calls this quarter with an average abandonment rate of 13.7%. 13,022 applications were received at the FAMIS CPU and 2,856 FAMIS enrolled cases were transferred from local departments of social services. 11,882 children were approved or renewed for FAMIS this quarter;

- The FAMIS MOMS program for pregnant women was implemented on August 1, 2005 and during this quarter 182 women were approved for coverage. As the quarter ended, 461 pregnant women were actively enrolled. Overall, since its inception, **835** women have received prenatal care through FAMIS MOMS;

- Approximately **78%** of enrolled children received FAMIS or Medicaid Expansion benefits through a Managed Care Organization (MCO);

- Third quarter expenditures for medical services for children in Virginia's SCHIP program were **$34,411,344**, a decrease of $1,016,551 from the previous quarter;

- The revamped program providing premium assistance for employer based or private insurance, FAMIS *Select,* ended the quarter with **296** children enrolled in this voluntary option;

- At the direction of the General Assembly, the income limit for the FAMIS MOMS program was expanded from 150% FPL to 166% FPL as of September 1, 2006; and

- FAMIS policy was modified to eliminate the required four-month waiting period since prior insurance coverage if the FAMIS eligible child is pregnant at the time of application and to allow retroactive coverage of a newborn for up to three months back to their date of birth.

I. PURPOSE

Item I of Section 32.1-351 of the Code of Virginia requires the Department of Medical Assistance Services (DMAS) to provide quarterly reports of the FAMIS program to the Virginia General Assembly. This report is distributed to the chairs of the following committees: House Appropriations; House Health, Welfare and Institutions; Senate Finance; Senate Education and Health; and the Joint Commission on Health Care.

DMAS must report on the following topics:

- enrollment, and policies affecting enrollment (such as the exceptions that apply to the prior insurance coverage limitation, and the provisions and impact of the premium and co-payment requirements),
- benefit levels,
- outreach efforts, and
- other topics (such as expenditure of the funds authorized for the program).

II. BACKGROUND

The Family Access to Medical Insurance Security (FAMIS) Plan was implemented as Virginia's State Child Health Insurance (SCHIP) program on August 1, 2001. The total enrollment in FAMIS and the SCHIP Medicaid Expansion group as of September 30, 2006 was **78,324** children, a decrease of 421 from the 78,745 children who were enrolled as of the last day of the previous quarter. As of September 30, 2006, FAMIS Plus (Medicaid) and FAMIS covered **420,240** children living below 200% of poverty in Virginia.

Virginia's State Child Health Insurance Program (SCHIP or Title XXI), includes the following program components:

- Coverage of eligible children from birth through age 18 in families with income too high for Medicaid but at or below 200% of the Federal Poverty Level (FPL).
- A combined program consisting of both the separate FAMIS program and the SCHIP Medicaid Expansion. The Medicaid Expansion program was created in September 2002 for uninsured children ages 6 through 18 with income greater than 100% FPL but less than or equal to 133% FPL; thereby allowing all children in most families to be covered by the same program (FAMIS Plus or FAMIS) regardless of age.
- A simplified and coordinated application process for children applying for FAMIS Plus or FAMIS.
- "No wrong door" application processing and eligibility determination to increase access to the programs through the FAMIS Central Processing Unit and all local departments of social services.
- Comprehensive benefits including well-child and preventive services.
- Health care delivery system that utilizes managed care organizations where available.

- Subsidized health insurance premiums of eligible children with access to employer-sponsored or private health insurance, which may enable coverage of entire families.
- Comprehensive coverage for pregnant women through the FAMIS MOMS program with family income above the Medicaid limit (133% FPL) and equal to or below 166% FPL.

III. NUMBER OF CHILDREN & PREGNANT WOMEN ENROLLED

A. Current Enrollment

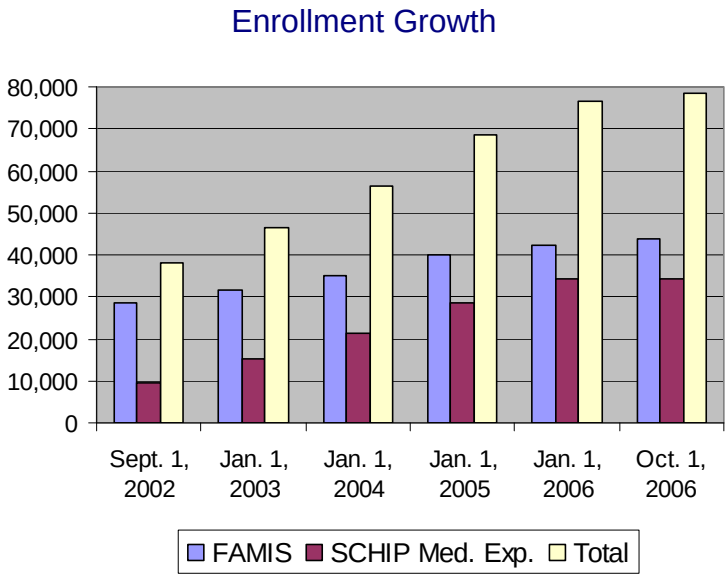
Information on the number of children enrolled in the Children's Health Insurance Program and the number of pregnant women enrolled in Medicaid and in the FAMIS MOMS program as of September 30, 2006, is shown in the table below.

PROGRAM	INCOME	# Enrolled as of 9-30-06	% of Total Enrollment
FAMIS - Children < 19 years	> 133%, ≤ 200% FPL	43,926	10%
MEDICAID Expansion – Children 6-18 years	> 100%, ≤ 133% FPL	34,398	8%
	SCHIP Subtotal	78,324	18%
MEDICAID - Children < 21 years	≤ 133% FPL	341,916	82%
	Total Children	**420,240**	**100%**
MEDICAID for Pregnant Women	≤ 133% FPL	16,678	98%
FAMIS MOMS	133%, ≤ 150% FPL	461	2%
	Total Pregnant Women	**17,139**	**100%**

Source: VaMMIS (Virginia Medicaid Management Information System) 10-01-06

Enrollment of new children into Virginia's Title XXI program (FAMIS and SCHIP Medicaid Expansion) had been increasing steadily since September 1, 2002. The steady increase in enrollment was the result of aggressive outreach efforts at the State and local level, as well as the implementation of programmatic improvements outlined in Section V. However, the Deficit Reduction Act of 2005 (DRA) contained new federal requirements that applicants for Medicaid and SCHIP Medicaid Expansion programs prove their citizenship and identity prior to enrollment. These new federal requirements were implemented on July 1, 2006 and there has been a subsequent decline in net enrollment. See Section V.D. for more information.

Below is a graph that compares FAMIS and SCHIP Medicaid Expansion enrollment of children from September 1, 2002 (implementation of program changes), January 1, 2003, January 1, 2004, January 1, 2005, January 1, 2006, and October 1, 2006.



B. Progress Toward Enrolling All Eligible Uninsured Children

Since 2002 DMAS has reported both the number of children enrolled and the resulting percentage of the estimated eligible population covered. Although the original estimate was revised twice as new data became available, the formula developed to estimate the number of low-income uninsured children eligible for FAMIS or FAMIS Plus relied on 2000 Census data and rates of uninsurance compiled from the 2001 Health Access Survey. Because this data had become dated, The Virginia Health Care Foundation, in collaboration with the Joint Legislative Audit and Review Commission (JLARC), contracted with the Urban Institute to analyze the current rates of uninsurance in the Commonwealth. Rather than conduct an original survey, the Urban Institute examined relevant data sources and will produce their report in December 2006. However, as a result of this process, DMAS has been advised to discontinue reporting the percentage of eligible children covered.

Every day there are new children born or moving into the Commonwealth who are uninsured and, like most states, there is a continuing erosion of the employer-sponsored insurance market. The result is that the number of uninsured children in Virginia is a dynamic and constantly changing landscape. Therefore, because the target is so fluid and the data sources are different, it is not credible to measure growth in the percentage of children covered by a simple comparison of current DMAS enrollment data to a static number of eligible children. DMAS will continue to report the number of children enrolled each month but will no longer report the percentage of eligible children covered.

IV. FAMIS OPERATIONS

The FAMIS Central Processing Unit (CPU) was established in August 2001 to provide a statewide call center and application-processing site and is administered by ACS Inc., under contract to DMAS. A one-year extension of the FAMIS CPU contract was implemented on January 1, 2006.

FAMIS operations at the CPU have been significantly impacted by the DRA even though applicants for the FAMIS program are not subject to the new requirements. Because the Health Insurance for Children and Pregnant Woman application is a dual application form, many

applicants applying through the CPU are determined to be likely eligible for Medicaid. These applicants must now provide proof of citizenship and identity. These new requirements have resulted in an extremely high call volume at the CPU and resulted in a tremendous backlog of pending cases in the co-located FAMIS Plus unit (See Section IV.D.) In addition, during this third quarter, the CPU experienced increased calls because of the annual Back-to-School outreach efforts.

A. Call Center Activity

The following table shows the call volume at the CPU for the third quarter of 2006:

MONTH	Incoming Calls Received	Incoming Calls Answered	Abandon Rate	Total Outbound Calls
July 2006	15,171	14,391	5.1%	5,057
August 2006	19,640	17,691	9.9%	4,311
September 2006	22,478	17,362	22.8%	3,179
Totals	**57,289**	**49,444**	**13.7%**	**12,547**

Source: ACS Monthly Report September 2006.

The average number of calls received per month for the third quarter was 19,096 which represent a 27% increase from last quarter's average monthly volume of 15,046.

The third quarter abandon rate of 13.7% is a dramatic increase from the previous quarter's abandon rate of 3.6%. This abandoned rate is well above contractual standards; however, due to the combined impact of the DRA requirements and the back to school campaign, contract standards were temporarily relaxed.

B. Application Processing

The contractor (ACS) received a total of 13,022 applications (electronic, mailed and faxed combined) for the third quarter, with an average monthly volume of 4,341 new, redetermination and renewal applications. E-applications averaged 998 per month, which represents 23% of all application sources. In addition, the CPU received an average of 952 cases transferred from local DSS offices per month during the third quarter of 2006. Total applications received by the CPU in this quarter increased by 15% from the previous quarter.

The CPU Eligibility Team ended the quarter processing applications in an average of 13 business days from receipt of the completed application.

The following table shows the number of applications received by the CPU in the third quarter of 2006 by type of application:

Month	New	Re-app	Redetermination	Renewal	TOTAL
July 2006	1,596	484	152	1,434	3,666
August 2006	2,087	628	158	1,659	4,532
September 2006	2,821	624	169	1210	4,824
Total	**6,504**	**1,736**	**479**	**4,303**	**13,022**

Source: ACS Monthly Report – September 2006.

Application type definitions for the above table follow:

- New – A "new" application is one received from an applicant who has never applied, or from an applicant more than 93 days after FAMIS coverage was canceled.
- Re-app – A "re-application" is one received from an applicant within 93 days after FAMIS coverage was canceled.
- Redetermination – A "redetermination" application is one received from an enrolled applicant family that reports a change in the family's income and/or size.
- Renewal – A "renewal" application is the annual application filed by an enrolled family to certify their eligibility for another twelve-month coverage period.

The following table shows the number of applications (families) and number of children approved for FAMIS by the CPU and DSS combined, and the number of applications (families) and number of children denied FAMIS by the CPU:

MONTH	Applications Approved	Children Approved	Applications Denied	Children Denied
July 2006	2,696	4,281	2,364	3,045
August 2006	2,121	3,417	2,128	2,865
September 2006	2,564	4,184	2,490	3,272
Totals	**7,381**	**11,882**	**6,982**	**9,182**

Source: ACS Monthly Report – September 2006.

In addition, 3,603 children were ineligible for FAMIS because they appeared eligible for FAMIS Plus (Medicaid) and were referred to the FAMIS Plus unit for processing. Actions on FAMIS Plus referrals appear in Section IV.D. on the DMAS FAMIS Plus unit.

The following table shows the number of children denied FAMIS by the CPU in the third quarter of 2006, by denial reason:

DENIAL REASONS	July	August	September	TOTALS
Ineligible immigration status	54	33	21	**108**
Income is over the limit	787	602	670	**2,059**
Unauthorized applicant	2	1	3	**6**
Currently has other health insurance	200	145	164	**509**
Other insurance within past 4 months	13	4	9	**26**
FAMIS Plus/Medicaid enrolled	248	210	224	**682**
Not a Virginia resident	0	1	3	**4**
Over age 19	18	21	13	**52**
State employee benefits available	14	11	22	**47**
New & Re-app – Incomplete application	1,323	1,357	1,618	**4,298**
Renewal – Incomplete application	386	480	525	**1,391**
Total denial reasons	3,045	2,865	3,272	**9,182**

Source: ACS Monthly Report September 2006.

The following table shows the number of children disenrolled from FAMIS by month and disenrollment reason. In the third quarter of 2006, 8,881 children were disenrolled.

DISENROLLMENT REASON	July	August	September	TOTAL
Renewal incomplete	2,024	1,979	2,075	**6,078**
Ineligible immigration status	2	2	1	**5**
Income is over the limit	186	296	218	**700**
Child moved out of home	2	4	2	**8**
Has other health insurance	12	14	12	**38**
No longer a Virginia resident	31	90	56	**177**
Over age 19	95	87	99	**281**
State employee benefits available	2	4	2	**8**
Requested by applicant	30	31	32	**93**
Appeal denied	9	9	0	**18**
Death	1	1	0	**2**
Fraud	0	0	0	**0**
Cannot locate family	5	5	0	**10**
DMAS request	1	3	0	**4**
Child incarcerated	0	0	0	**0**
FAMIS Plus application incomplete	4	1	0	**5**
Child in institution for treatment of mental diseases	0	0	0	**0**
*FAMIS Plus/Medicaid enrolled**	*654*	*451*	*345*	*1,450*
# Disenrolled for more than one reason	0	4	0	4
Number of children disenrolled	**3,058**	**2,981**	**2,842**	**8,881**

* Children enrolled in FAMIS who were found eligible for FAMIS Plus were disenrolled from FAMIS and enrolled in FAMIS Plus; they did not lose coverage during this process.

Source: ACS Monthly Report September 2006.

C. FAMIS MOMS

The FAMIS MOMS program provides comprehensive medical care to low income pregnant women not eligible for Medicaid. As directed by the 2006 Virginia General Assembly, on September 1, 2006 DMAS increased eligibility for the program from 150% FPL up to and including 166% FPL. During the third quarter of 2006, 182 women were enrolled into the program. Overall, since it's inception in August 2005, 835 women have received benefits under FAMIS MOMS.

The total number of applications received at the FAMIS CPU with a pregnant woman applying for FAMIS MOMS during this third quarter was 755, which was an increase of 7% over the previous quarter. The number processed is greater than the number received due to the applications received in a previous quarter and processed in this quarter.

The following table shows the number of pregnant women approved for FAMIS MOMS by the CPU and DSS combined, and the number of pregnant women denied FAMIS MOMS by the CPU.

MONTH	FAMIS MOMS Approved	FAMIS MOMS Denied	Applicants Referred to Medicaid	Total
July 2006	60	112	92	264
August 2006	59	128	95	282
September 2006	63	107	85	255
Totals	**182**	**347**	**272**	**801**

Source: ACS Monthly Report September 2006.

The following table shows the number of pregnant women denied FAMIS MOMS by the CPU in the third quarter of 2006, by denial reason:

DENIAL REASONS	July	August	September	TOTALS
Ineligible immigration status	7	14	4	**25**
Income is over the limit	28	30	19	**77**
Unauthorized applicant	0	0	0	**0**
Has or dropped other health insurance	23	19	18	**60**
FAMIS Plus/Medicaid enrolled	0	3	4	**7**
Not a Virginia resident	0	1	0	**1**
State employee benefits available	1	0	0	**1**
New & Re-app – Incomplete application	53	61	62	**176**
Total denial reasons	**112**	**128**	**107**	**347**
FAMIS Plus Likely (Pregnant teen)	*5*	*3*	*3*	*11*
Medicaid Pregnant Woman Likely	*87*	*92*	*82*	*261*
Total referred	**92**	**95**	**85**	**272**

Source: ACS Monthly Report September 2006.

The additional 261 pregnant women were denied FAMIS MOMS because they appeared eligible for Medicaid and were referred to the FAMIS Plus unit for processing. A total of 11 pregnant applicants were also referred to the DMAS FAMIS Plus unit for evaluation as FAMIS Plus because they were under age 19. Actions on these referred cases appear in the following section of this report.

D. DMAS FAMIS Plus Unit

The FAMIS Plus Unit consists of DMAS staff located at the FAMIS CPU. The Unit receives Child and Pregnant Woman Health Insurance applications from the CPU after the CPU screens the applications and finds that the applicants are likely to be eligible for FAMIS Plus or Medicaid for Pregnant Woman. The Unit determines the eligibility for FAMIS Plus or Medicaid and sends approved and enrolled cases to the appropriate local Departments of Social Services.

In addition to their normal eligibility determination workload, the five Eligibility Workers in the Unit serve as liaisons to local Departments of Social Services, assisting with various quality assurance measures.

This unit has experienced a direct impact from the DRA 2005 requirements. By the end of this quarter over 2,500 cases were pending enrollment awaiting receipt of original proof of citizenship and/or identity. Because the majority of cases received are delayed for this reason, the FAMIS Plus unit only processed to completion a total of 1,193 applications in this third quarter. This is a 248% decrease from last quarter's 4,153 applications processed.

Below is a table that shows the FAMIS Plus Unit's activities in the third quarter of 2006:

ACTIVITY	July 2006	August 2006	Sept 2006	Total	Average per Month
Referrals received	1,157	930	936	**3,023**	1,008
FAMIS Plus Approved	184	238	496	**918**	306
FAMIS Approved	28	22	28	**78**	26
Medicaid PG Woman Approved	20	34	44	**98**	33
FAMIS MOMS Approved	9	9	20	**38**	13
FAMIS/FAMIS Plus Denied	27	16	18	**61**	20
Total Applications Processed	268	319	606	**1,193**	398
Applications on Active DSS Cases (sent to LDSS for processing)	123	97	107	**327**	109
Total Cases Reviewed	391	416	713	**1,520**	**507**

E. FAMIS Website and E-Application

The FAMIS website, at www.FAMIS.org, is accessible in both English and Spanish. The website is updated weekly and provides information on eligibility, health plans, outreach, notices, training opportunities, enrollment statistics, how to order materials, related programs, and links to important information. On February 1, 2005 an on-line version of the Children's Health Insurance Application was made available on the FAMIS website and on August 1, 2005 the e-application was modified to allow pregnant women to apply. This interactive e-application leads the applicant through a series of questions resulting in a completed application, which can be submitted electronically. See section IV B for further information on the electronic application.

This quarter, 73,049 visits to the FAMIS public website at www.famis.org were recorded, averaging 794 visits a day with an average visit of 9:01 minutes. This represented 39,342 unique visitors to the FAMIS website during this time period. In August there were more visits to the website than in the previous year, and in September that record was surpassed by an additional 4,727 visits. Web site statistics for the third quarter of 2006 are:

July	August	September
Visits = 20,810 Average per Day = 671 Average Visit Length = 8:34	Visits = 23,756 Average per Day = 766 Average Visit Length = 8:50	Visits = 28,483 Average per Day = 949 Average Visit Length = 9:28

Also during this quarter two special sections were added to the website. The first new section is on the new requirements for proof of citizenship and identity for citizens applying or renewing FAMIS Plus. The second new section highlights the Back-to-School campaign. Both sections were translated into Spanish for the Spanish-side of the FAMIS website.

In addition, the new on-line order form in English was implemented which allows visitors to order FAMIS materials on-line. These orders are submitted directly to the mail house contractor for delivery. During the first month and a half, the on-line system received approximately 80 orders for FAMIS materials and the response to the on-line order form has been positive.

V. POLICIES AFFECTING ENROLLMENT

A. "No Wrong Door"

At the start of the FAMIS program on August 1, 2001, applications were processed and eligibility was determined for FAMIS only by a Central Processing Unit (CPU). On September 1, 2002, DMAS expanded access to the program by simplifying the application process and by implementing a "No Wrong Door" policy. This policy allows children to apply for, and be enrolled in, FAMIS Plus or FAMIS through the CPU or through their local Department of Social Services (DSS). The steady increase in enrollment since implementing this and other policies shows that families' access to the program has improved.

With the implementation of the new FAMIS MOMS program this "No Wrong Door" policy was extended to pregnant women as well. As of August 1, 2005, a pregnant woman applying for Medicaid or FAMIS MOMS can apply either through their local office of social services or through the CPU by phone, mail, fax or the electronic application.

B. Four-Months "Waiting Period"

Applicants are asked if the child had health insurance coverage in the four months prior to application. If so, and there was no "good cause" for canceling the insurance, the child is not eligible for FAMIS for four months from the date the insurance was canceled.

The intent of shortening the "waiting period" from six to four months in August 2003 was to deny fewer children FAMIS benefits because of prior insurance coverage. The average number of children per quarter who were denied FAMIS when the waiting period was six months was 82 (average per quarter from January 1, 2002 to July 1, 2003). In the third quarter of 2006, only 26 children (.28% of all denied children) were denied because the child's parent had canceled private health insurance coverage without good cause within four months of applying for FAMIS. This decrease in denials due to prior insurance shows that shortening the waiting period is succeeding in making more children eligible for FAMIS.

In order to encourage early prenatal care, there is no waiting period since prior insurance imposed on pregnant women applying for FAMIS MOMS or on a pregnant child applying for FAMIS.

The following table presents denials of children for current or prior insurance by month.

Month	# Children Denied	# Denied for Current Insurance	# Denied for Insurance Dropped within 4 months
July 2006	3,045	200	13
August 2006	2,865	145	4
September 2006	3,272	164	9
Totals	**9,182**	**509**	**26**

Source: ACS Monthly Report September 2006

C. Impact of Premiums and Co-payments

Monthly premiums were eliminated from the FAMIS program in April 2002. However, limited co-payments are required for most services received by children who are enrolled in a FAMIS MCO. No co-payments are required for preventive care services.

The chart below presents examples of co-payments for medical services. Title XXI places limits on cost-sharing requirements for families whose income is above or below 150% of the federal poverty level (FPL), and Virginia's yearly family co-payment cap is within the federal limits.

Service	Equal to or below 150% FPL*	Above 150% FPL*
Outpatient Hospital or Doctor	$2 per visit	$5 per visit
Prescription Drugs	$2 per prescription	$5 per prescription
Inpatient Hospital	$15 per admission	$25 per admission
Non-emergency use of Emergency Room	$10 per visit	$25 per visit
Preventive Health Services	$0	$0
Yearly Co-payment Limit per Family	$180	$350

*See Table #1 of this report for the 150% and 200% FPL income limits.

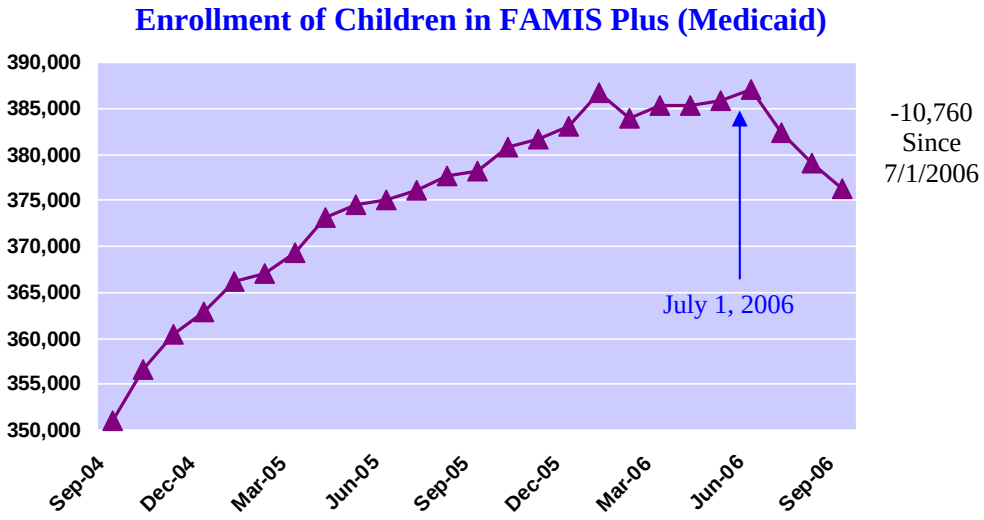
No co payments are imposed on pregnancy related services for women enrolled in FAMIS MOMS. Limited co payments for other medical services may be imposed as are allowed by Medicaid for pregnant women.

D. Deficit Reduction Act of 2005

On July 1, 2006 DMAS implemented new requirements contained in the Deficit Reduction Act of 2005 (DRA) that had been signed into law by President Bush in February 2006. Among many other provision contained in the DRA was a new requirement that US citizens applying for or renewing Medicaid coverage provide proof of both their citizenship and their identity. The Centers for Medicare and Medicaid Services issued guidelines in June 2006 requiring that applicants and recipients establish such proof by providing original documents from a mandated list of acceptable documents. The most common forms of acceptable documentation include a US Passport (proving both citizenship and identity) or a US birth record (to prove citizenship) and a drivers license for those over age 16 or an affidavit for those under age 16 (to prove identity).

These new requirements proved to be a significant barrier for many families and had an immediate and dramatically negative impact on enrollment of children and pregnant women in FAMIS Plus

(Medicaid) and Medicaid for Pregnant Women. The chart below shows enrollment growth for the last two years and the impact of the July 1 policy change.



DMAS took immediate steps to assist families, including allowing extended time frames for submission of these documents and assistance to families seeking original birth certificates from the Bureau of Vital Records. Because of the extended time frame, very few applications had actually been denied or canceled for this reason as the third quarter of 2006 ended. However, the normal influx of new enrollments or applicants returning to Medicaid after a lapse was all but halted as applications were relegated to a pending status awaiting submission of these documents. Along with the normal monthly closure of cases, the result has been an overall decline in net enrollment of 10,760 children since July 1, 2006.

DMAS continues to work with the Administration, the Department of Social Services and partner organizations to mitigate the negative impact of this policy on the enrollment of eligible US citizen children.

VI. COVERED SERVICES

A. Type of Access

Children who are enrolled in FAMIS access covered medical services by either 1) fee-for-service, or 2) a managed care organization (MCO). "Fee-for-service" access means receiving services from a medical or dental provider who participates in Virginia's Medicaid Program. Children who live in localities where there is no contracted MCO, access services through fee-for-service. Children who live in localities where there is a MCO available access services through fee-for-service for the first one or two months of FAMIS enrollment, and then are enrolled in a MCO.

The fee-for-service benefit package is identical to the Medicaid benefit package, but also includes substance abuse services. Fee-for-service does not impose any co-pays for services. The MCOs provide the FAMIS benefit package, which is modeled on the State Employee health care plan, and does not include some of the Medicaid covered services, such as EPSDT and non-emergency

transportation for medical care. Nominal co-pays of $2.00 or $5.00 are required for most services, but there are no co-pays required for preventive care.

All children covered by Medicaid or FAMIS receive dental services through the Smiles for Children program administered by a single statewide contracted dental administrator.

B. Delivery System

As of September 30, 2006, AMERIGROUP Community Care, Anthem HealthKeepers Plus (HealthKeepers Plus, Priority Health Care and Peninsula Health Care), CareNet, Optima Family Care, and Virginia Premier were the contracted managed care organizations (MCOs) providing provider access to medical care to most FAMIS and FAMIS Plus children throughout Virginia.

C. Managed Care Enrollment

At the end of the third quarter 2006, 62,317 FAMIS and Medicaid Expansion children were enrolled in managed care plans. Below is a table showing the numbers of FAMIS and Medicaid Expansion children enrolled in each managed care plan.

Managed Care Organization	FAMIS	Medicaid Expansion	Localities & MCO Enrollment Effective June 30, 2004
Optima Family Care	8340	1570	69 localities (focused in Tidewater, Central Virginia, Charlottesville, Danville and Halifax)
Anthem HealthKeepers Plus	16054	10134	80 localities (focused in Tidewater, Central Virginia and Halifax)
Southern Health – CareNet	1027	793	30 localities (Central VA)
Virginia Premier Health Plan	9320	7185	77 localities (focused in Tidewater, Central Virginia, Charlottesville and Roanoke)
AMERIGROUP	1876	6018	11 localities (focused in northern Virginia)
Total MCO Enrollment	**36,617**	**25,700**	

VII. MARKETING & OUTREACH

During the third quarter of 2006, the DMAS Maternal and Child Health (MCH) Marketing and Outreach team participated in activities throughout the Commonwealth including attending events and conferences; developing and strengthening outreach partnerships; coordinating Child Health Insurance Program Advisory Committee (CHIPAC) meetings; and overseeing public relations and marketing activities.

A. Events, Conferences, Presentations, and Trainings

The Marketing and Outreach team participated in more than 50 events, conferences, presentations, and meetings throughout the Commonwealth during this quarter. Some noteworthy events and conferences attended include: the Hispanic Heritage Celebration at the Governor's Mansion, the two-day Child Fair 2006 in Hampton, the Department of Education (DOE) School Health Institute at Longwood University in Farmville, Festival Latino in Manassas, Smart Beginnings Summit in Richmond, the 3rd Annual La Voz Soccer Tournament & Family Festival in Loudoun County, the

16th Annual City-Wide "Back-to-School" Rally in Richmond, Channel 6/Food Lion "Back-to-School" Event in Richmond, Bryant & Stratton College Community Day in Chesterfield, Hope Aglow Empowerment Center Community Festival in Woodbridge, Hispanic Health Fair in Dumfries, Feria de Oportunidad & Family Festival in Chesterfield County, Freedom High School Health Fair in Loudoun County, National Night Out in Richmond, the 3rd Annual Imagine Festival in Southside Richmond, and Meet Bedford 2006 in Bedford.

Special presentations about FAMIS were made to various groups, including: the Virginia Preschool Initiative staff and school nurses in Augusta County; the Anthem Call Center in Norfolk; the Virginia Network of Private Providers; and laid-off workers from JW Ferguson Company in Richmond, in coordination with the Virginia Employment Commission's (VEC) Rapid Response Program.

Staff participated in numerous meetings and conference calls throughout the quarter, working with members from many different agencies and organizations, including: Centers for Medicare & Medicaid Services (CMS), Covering Kids and Families (CKF) Hispanic Taskforce, Virginia Commonwealth University (VCU) Institute for Women's Health, Virginia Health Care Foundation (VHCF), Central Virginia Health Planning Agency (CVHPA), Virginia Hospital and Healthcare Association (VHHA), Virginia Primary Care Association, DC SCHIP, Virginia Department of Health (VDH) New Parent Tool-kit Committee, the Red Cross, Colaborando Juntos Family Support Workgroup, Richmond City Coalition, Henrico Coalition, American Lung Association's (ALA) Cultural Diversity Committee, and the **Smiles For Children** Dental Advisory Committee.

DMAS also continues to contract with *SignUpNow* to provide local Maternal and Child Health Insurance enrollment training sessions across the state. On September 28, 2006, *SignUpNow* conducted a session in Virginia Beach. Forty-five people were in attendance and learned of the new policies and procedures resulting from the Deficit Reduction Act.

B. Continuing and Expanded Partnerships

During this quarter, the Marketing and Outreach team worked extensively with other divisions, agencies, outreach partners and clinics, to respond to the DRA requirements, which took effect July 1. Efforts were made to communicate these new policies and procedures to families, advocates and community programs. A Memorandum of Agreement (MOA) was developed for use by designated outreach organizations, Federally Qualified Health Centers, and CHIP organizations that agreed to view original proof of US citizenship and identity documents, certify copies, and submit to the FAMIS Plus Unit or local Departments of Social Services in an effort to assist families. The Marketing and Outreach team coordinated three conference call training sessions for these groups. In addition, the FAMIS brochure was revised to include new language about the requirements and the FAMIS application was revised to include new wording that serves as an affidavit of identity for children under the age of 16.

C. Child Health Insurance Program Advisory Committee (CHIPAC)

Providing staff support to the Children's Health Insurance Program Advisory Committee (CHIPAC) remains a significant part of the Marketing and Outreach team's work.

Much of the focus of the quarterly CHIPAC meeting in September was on the new proof of citizenship and identity requirements and how these requirements are impacting enrollment and retention in Virginia's FAMIS programs.

In addition to the quarterly meeting of the full committee, an Executive Subcommittee meeting was also held this quarter. Meetings for the three other standing subcommittees (Access, Utilization, and Retention) have been temporarily postponed pending DMAS response to requested data.

D. Public Relations and Marketing

Again this year, FAMIS initiated a statewide *Back-to-School* flyer distribution. Over 450,000 flyers were shipped to more than 900 schools across the Commonwealth, and given to students during the first week of school. In addition, almost 400,000 FAMIS Inserts were sent to all 132 School Divisions for distribution with approval letters for the Free and Reduced Price School Lunch Program. Numerous other activities conducted during this quarter supported the annual *Back-to-School* enrollment campaign across the Commonwealth.

Additional efforts were made throughout the quarter to increase awareness of the FAMIS programs in the Spanish-speaking community. In August, the Latino Marketing & Outreach Liaison was interviewed by Demetrio Flores from La Selecta 1320 AM (Richmond) Spanish radio and spoke about the DRA and the new requirements for citizens applying for Medicaid or renewing Medicaid applications. In September, through participation in the American Lung Association's Cultural Diversity Committee, staff took part in the Richmond Asthma Walk. Throughout the quarter staff actively participated in planning for the Latino Health Summit sponsored by Virginia Commonwealth University (VCU) Center on Health Disparities and scheduled to be held in Richmond in early November.

E. Project Connect Grantees

The *Project Connect* grants for 2006-2007 began in July of this year and only four projects were funded for this fiscal year: Alexandria Neighborhood Health Services, Consortium for Infant and Child Health which will expand into York County and the cities of Franklin and Poquoson, Cumberland Plateau Health District in partnership with Clinch Valley Community Action Agency, and REACH in Richmond.

During the first quarter**,** *Project Connect* helped to enroll 293 children or pregnant women and to renew 82 children. An additional 221 new applications are pending approval, and 37 applications are pending renewal. Overall, *Project Connect* grantees achieved 106% of their quarterly new enrollment goal and 132% of the quarterly renewal goal, taking into account pending cases and denial rates. Of the three grantees, two will have exceeded their quarterly goals when pending cases have cleared. CINCH will have achieved 98% of their new enrollment quarterly goal and Cumberland Plateau will have achieved 94% of their overall quarterly goal.

All of the projects have actively assisted families to gather newly required US citizenship and identity documentation for both new and renewal applications as needed. Projects have begun to report specific case scenarios documenting barriers resulting from these DRA regulations.

PROJECT GRANTEE	LOCALITIES SERVED	FAMIS/ FAMIS MOMS Enrolled	FAMIS Plus /Medicaid PW Enrolled	Total Enrolled
Alexandria Neighborhood Health Services	Alexandria and Arlington	51	58	109
Consortium for Infant and Child Health (CINCH)*	Chesapeake, Portsmouth, Suffolk, Virginia Beach, Franklin, Poquoson, and York County	7	42	49
Cumberland Plateau Health District	Buchanan, Dickenson, Lee, Russell, Scott, Smyth, Tazewell, Washington, and Wise Counties	43	58	101
REACH	*Richmond City and surrounding area.*	8	108	116
TOTAL	*All Projects*	**109**	**266**	**375**

VIII. COORDINATION WITH THE DEPARTMENT OF SOCIAL SERVICES

A. Application Procedures

Applicants can file their FAMIS applications with the FAMIS CPU or their local Department of Social Services. If filed with a local Department of Social Services, the local agency determines FAMIS Plus (Medicaid) eligibility first. If the children are not eligible for FAMIS Plus, the agency determines their FAMIS eligibility. If eligible, the agency enrolls the children in the applicable program. After the children are enrolled in FAMIS, the local Department of Social Services transfers the case record to the FAMIS CPU for case maintenance.

If the applicant files the application with the FAMIS CPU, the CPU screens the application for Medicaid eligibility. If the applicants appear to be "FAMIS Plus-likely," the application is transferred to the DMAS FAMIS Plus Unit located at the CPU. If determined eligible for FAMIS Plus, the FAMIS Plus Unit enrolls the child and then transfers the case to the appropriate local Department of Social Services for case maintenance. This process takes place "behind the scenes" and does not require another application or any further action by the family. DMAS has implemented quality assurance procedures at the CPU and the FAMIS Plus Unit that check and double-check FAMIS Plus referrals to be sure that no application is lost.

The process is similar for applications from pregnant women. If an application is received at the CPU, it is screened and if determined Medicaid-likely is forwarded to the DMAS unit for determination. If the application is received at a local DSS, eligibility is determined for Medicaid coverage and if the woman is denied due to excess income, eligibility is determined for FAMIS MOMS.

B. DSS Cases Processed

During the third quarter of 2006, the CPU received 2,856 FAMIS approved cases from the local Departments of Social Services throughout Virginia. This is a decrease of 279 from the 3,135 cases received in the second quarter of 2006.

During the third quarter of 2006, the DMAS FAMIS Plus Unit at the CPU forwarded 918 approved FAMIS Plus cases to local Departments of Social Services for case maintenance. This was a decrease of 2,162 from the 3,080 FAMIS Plus cases the Unit transferred to local DSS agencies during the second quarter of 2006. The sharp reduction in the number of cases approved for FAMIS Plus is again primarily due to the impact of the new requirement to document both citizenship and identity. In addition, 33 pregnant women were enrolled in Medicaid by the FAMIS Plus unit and forwarded to local offices for maintenance. Again, this represents a significant decrease over the 190 women enrolled in Medicaid during the prior quarter.

C. Child Support Enforcement Outreach

A partnership with the Child Support Enforcement Division (DCSE) of DSS began in early 2004. The DCSE Customer Service Unit continues to send out FAMIS brochures each month with their application packets. DCSE agreed again this year to have a special message about FAMIS and FAMIS MOMS printed on child support checks distributed during the month of May.

IX. PREMIUM ASSISTANCE PROGRAM

Premium assistance for employer-sponsored insurance is available through the FAMIS program. The former premium assistance program, ESHI, was replaced with the new FAMIS *Select* program on August 1, 2005 following approval of Virginia's HIFA Waiver by the Centers for Medicare and Medicaid Services July 1, 2005.

FAMIS *Select* is a voluntary option available to families with children approved for FAMIS coverage who have access to an employer-sponsored or private health insurance plan. Instead of covering the child through the FAMIS plan, DMAS pays the policyholder $100 per month for each FAMIS *Select* child, up to the total cost of the family premium, to help cover the cost of the family policy. This amount is less than the average capitated rate that would be paid to enroll a child in a FAMIS Managed Care Organization and is therefore cost-effective for the Commonwealth.

If the family chooses FAMIS *Select* the child will:

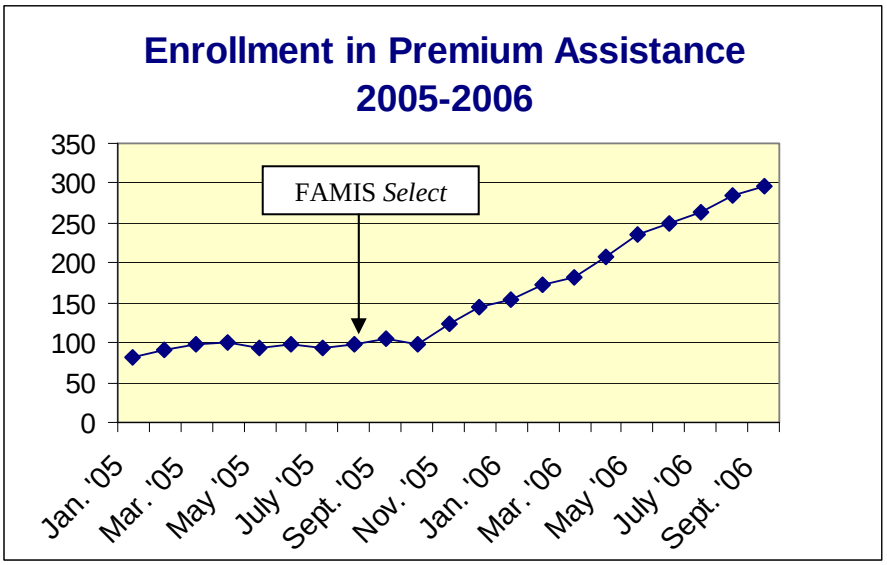
- Receive the health care benefits included in the employer-sponsored or private policy;
- Pay the out-of-pocket expenses required by the employer-sponsored or private policy;
- Receive coverage for childhood immunizations from FAMIS if not covered by the employer-sponsored or private policy;
- Receive $100 premium assistance per month/per child up to the total cost of the family policy;
- Remain in FAMIS Select as long as they remain eligible for FAMIS and provide monthly proof of premium payments for the employer-sponsored or private policy; and
- Be able to return to full FAMIS coverage at any time their parents decide to end participation in FAMIS *Select*.

Because of the premium assistance available through FAMIS *Select*, some families may be able to afford employer-sponsored or private health insurance for the entire family. At the end of the third quarter of 2006 FAMIS *Select* provided coverage for **296** FAMIS eligible children. An additional **236** adults and non-FAMIS eligible children were also covered by the health insurance policies funded in part by FAMIS *Select* premium assistance.

The following tables show the premium assistance activity in the third quarter of 2006:

FAMIS Select Activity	July 2006	August 2006	Sept. 2006	Total for Quarter
New applications received	25	14	17	56
Application disposition				
Approved	22	12	13	47
Denied	3	2	4	9
Active Cases				
Children enrolled for month	263	284	296	
Families enrolled for month	123	132	134	
FAMIS Select payments made				$84,257

Implementation of the more streamlined and family-friendly FAMIS *Select* program is resulting in increased enrollment in this cost-effective option as illustrated in the graph below.



X. SCHIP EXPENDITURES OF FUNDS

Expenditures for medical services received by FAMIS enrollees for the third quarter of 2006 totaled **$18,840,363,** a decrease of $1,210,757 from the prior quarter's expenditures of $20,051,120. Expenditures for medical services received by SCHIP Medicaid Expansion enrollees for the third quarter of 2006 totaled **$15,570,981,** an increase of $194,206 over the prior quarter's

expenditures of $15,376,775. Total third quarter Title XXI expenditures for medical services were **$34,411,344,** a decrease of $1,016,551 from the prior quarter's expenditures of $35,427,895.

Administrative expenditures for FAMIS and SCHIP Medicaid Expansion in the third quarter totaled **$1,065,924**, a decrease of $1,251,881 from the prior quarter's administrative expenditures of $2,317,805. Administrative expenses accounted for **3.0%** of all SCHIP expenditures during the third quarter. Administrative expenditures cover the cost of the FAMIS Central Processing Unit administered by ACS Inc., payments to DSS for local eligibility determinations, personnel costs for DMAS staff in the Division of Maternal & Child Health, processing of medical claims for enrolled children, media services and materials to support program outreach, grant funds to community programs to assist families, and other related expenses.

Total third quarter expenditures for children enrolled in Virginia's State Child Health Insurance Program, including the administrative expenses, was **$35,477,268**, a decrease of $2,268,433 from the prior quarter's expenditures of $**37,745,701**.

See tables #2 and #3 for third quarter 2006 expenditures by type of service.

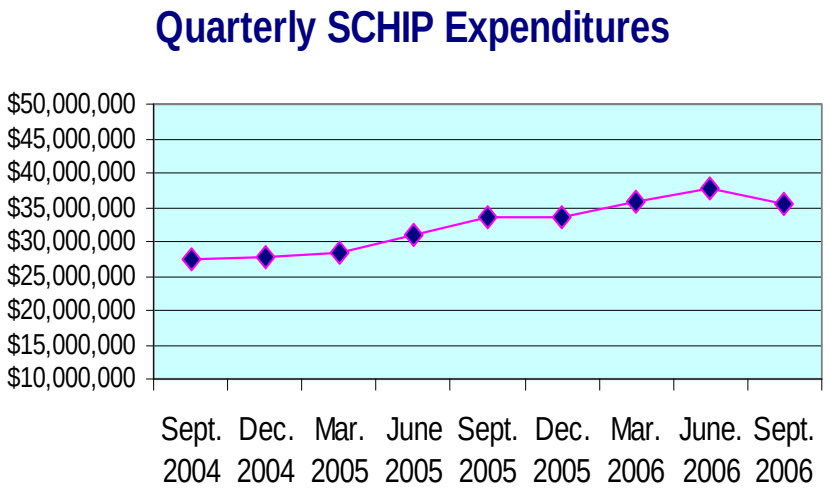


TABLE #1

**FAMIS FPL (Federal Poverty Limit) INCOME LIMITS
(Effective January 24, 2006)**

Size of Family	133% FPL Monthly Income Limit (eligibility for FAMIS Plus/Medicaid)	150% FPL Monthly Income Limit (for lower FAMIS co-pays and FAMIS MOMS eligibility)	200% FPL Monthly Income Limit (for FAMIS)
1	$1,087	$1,226	$1,634
2	1,463	1,650	2,200
3	1,840	2,075	2,767
4	2,217	2,500	3,334
5	2,594	2,925	3,900
6	2,971	3,350	4,467
7	3,348	3.775	5,034
8	3,724	4,200	5,600
For each additional person, add	377	425	567

TABLE #2

FAMIS EXPENDITURES BY TYPE OF SERVICE – July, August & September 2006

	SERVICE TYPE	JULY	AUGUST	SEPTEMBER	QTR TOTAL
1	**Health Care Insurance Premiums**	**4,317,192**	**3,404,354**	**3,946,390**	**11,667,936**
123744	ESHI Premiums	25,667	(1,700)	60,290	84,257
123747	HMO-Options Capitation Payments	0	0	0	0
123748	HMO-MEDALLION II Capitation Payments	4,291,525	3,406,054	3,886,100	11,583,679
123749	FAMIS Premium Refunds	0	0	0	0
2	**Inpatient Hospital Services**	**250,167**	**254,314**	**299,526**	**804,006**
123319	Long Stay Inpatient Hospital	0	0	0	0
123341	General Hospital	250,167	254,236	284,243	788,645
123348	Rehabilitation Hospital	0	78	15,283	15,361
3	**Inpatient Mental Health**	**0**	**0**	**0**	**0**
123459	Inpatient MH Services	0	0	0	0
4	**Nursing Care Services**	**0**	**0**	**0**	**0**
123416	Nurses Aides	0	0	0	0
123541	Skilled Nursing Facilities	0	0	0	0
123591	Miscellaneous Nursing Home	0	0	0	0
5	**Physician and Surgical Services**	**203,886**	**732,360**	**(212,043)**	**724,203**
123441	Physicians	203,886	732,360	(212,043)	724,203
123457	MC Providers - FFS Payments	0	0	0	0
6	**Outpatient Hospital Services**	**117,649**	**92,284**	**199,462**	**409,395**
123141	Outpatient Clinic	117,649	92,284	199,462	409,395
123349	CORF	0	0	0	0
7	**Outpatient Mental Health Facility Services**	**340,698**	**221,396**	**460,885**	**1,022,979**
123143	Community Mental Health Clinic	4,662	2,642	5,374	12,678
123340	Psych Residential Inpatient Services	0	0	0	0
123449	MH Community Services	83,911	58,117	105,133	247,161
123451	MR Community Services	0	0	0	0
123461	Private MH & SA Community	252,125	160,638	350,378	763,140
8	**Prescribed Drugs**	**227,215**	**176,304**	**366,064**	**769,584**
123445	Prescribed Drugs	227,215	176,304	366,064	769,584
9	**Dental Services**	**793,542**	**631,708**	**1,415,852**	**2,841,103**
123241	Dental	788,170	626,588	1,402,181	2,816,939
123242	Dental Clinic	5,372	5,120	13,672	24,164
10	**Vision Services**	**9,750**	**10,007**	**19,146**	**38,903**
123443	Optometrists	9,750	10,007	19,146	38,903
11	**Other Practitioner's Services**	**13,793**	**9,014**	**17,248**	**40,055**
123444	Podiatrists	655	864	1,230	2,749
123446	Psychologists	3,601	1,691	2,170	7,462
123447	Nurse Practitioners	4,616	3,359	7,680	15,655
123491	Miscellaneous Practitioners	4,922	3,100	6,168	14,189
12	**Clinic Services**	**93,872**	**32,955**	**65,308**	**192,136**
123142	Other Clinic	325	178	658	1,161
123147	Ambulatory Surgical Clinic	8,182	7,259	5,012	20,452
123148	Rural Health Clinic	10,025	9,251	24,431	43,707
123460	Federally Qualified Health Center	11,243	6,128	22,353	39,724
123473	School Rehab Services	63,883	10,139	12,527	86,548
123474	School Health Clinic Services	215	0	329	543
13	**Therapy Clinic Services**	**11,959**	**5,923**	**18,426**	**36,307**
123144	Physical Therapy Clinic	11,959	5,923	18,426	36,307

14	**Laboratory and Radiological Services**	**22,343**	**18,730**	**35,393**	**76,465**
123641	Lab and X-ray	22,343	18,730	35,393	76,465
15	**Durable and Disposable Medical Equipment**	**14,531**	**5,014**	**15,448**	**34,993**
123484	Medical Appliances	14,531	5,014	15,448	34,993
134241	Medical Appliances	0	0	0	0
18	**Screening Services**	**38,050**	**37,170**	**82,217**	**157,438**
123145	EPSDT Screening	38,050	37,170	82,217	157,438
19	**Home Health**	**1,444**	**969**	**1,362**	**3,776**
123442	Home Health	1,444	969	1,362	3,776
21	**Home/CBC Services**	**0**	**0**	**0**	**0**
123545	Private Duty Nursing	0	0	0	0
123566	Personal Care	0	0	0	0
22	**Hospice**	**0**	**0**	**0**	**0**
123435	Hospice Care	0	0	0	0
23	**Medical Transportation**	**2,629**	**2,632**	**2,623**	**7,883**
128641	Transportation	2,629	2,632	2,623	7,883
24	**Case Management**	**4,301**	**2,703**	**6,197**	**13,202**
123448	Maternal Infant Care	4,301	2,703	6,197	13,202
123465	Treatment Foster Care Case Mgmt.	0	0	0	0
	Total Expenditures for FAMIS Medical Services	**6,463,023**	**5,637,837**	**6,739,503**	**18,840,363**
	Administrative Expenditures	**126,207**	**405,332**	**453,311**	**984,851**
	Total FAMIS Expenditures	**6,589,230**	**6,043,169**	**7,192,815**	**19,825,214**

TABLE #3

MEDICAID EXPANSION EXPENDITURES BY TYPE OF SERVICE – July, August & September 2006

	SERVICE TYPE	JULY	AUGUST	SEPTEMBER	QTR TOTAL
1	**Health Care Insurance Premiums**	**2,758,320**	**2,743,741**	**2,769,007**	**8,271,068**
123757	HMO-Options Capitation Payments	0	0	0	0
123758	HMO-MEDALLION II Capitation Payments	2,758,320	2,743,741	2,769,007	8,271,068
2	**Inpatient Hospital Services**	**60,466**	**182,549**	**136,366**	**379,381**
123350	General Hospital	60,466	182,549	136,366	379,381
123352	Rehabilitation Hospital	0	0	0	0
3	**Inpatient MH - Regular Payments**	**22,811**	**11,244**	**170,172**	**204,228**
123303	Psych.Resident Inpatient Facility	22,811	11,244	150,724	184,780
123357	Inpatient Psychology Under 21 (Private)	0	0	0	0
123358	Long Stay Inpatient Hospital (MH)	0	0	0	0
123363	Inpatient Psychology Under 21 (MHMR)	0	0	19,448	19,448
4	**Nursing Care Services**	**0**	**0**	**0**	**0**
123554	Skilled Nursing Facilities	0	0	0	0
123559	Miscellaneous Nursing Home	0	0	0	0
5	**Physician and Surgical Services**	**147,643**	**694,557**	**(361,149)**	**481,051**
123424	Physicians	147,643	694,557	(361,149)	481,051
123425	MC Providers - FFS Payments	0	0	0	0
6	**Outpatient Hospital Services**	**91,092**	**77,309**	**150,348**	**318,749**
123116	Outpatient Hospital	91,092	77,309	150,348	318,749
123321	CORF	0	0	0	0
7	**Outpatient Mental Health Facility Services**	**601,773**	**436,522**	**812,841**	**1,851,136**
123115	Mental Health Clinic	7,958	5,162	11,517	24,637
123420	MH Community Services	109,704	68,239	128,968	306,910
123421	MR Community Services	980	327	1,633	2,939
123422	Private MH & SA Community	483,132	362,795	670,724	1,516,650
8	**Prescribed Drugs**	**242,260**	**182,958**	**444,794**	**870,013**
123426	Prescribed Drugs	242,260	182,958	444,794	870,013
9	**Dental Services**	**757,820**	**616,730**	**1,252,754**	**2,627,304**
123205	Dental	753,146	611,268	1,235,868	2,600,282
123206	Dental Clinic	4,674	5,462	16,887	27,022
10	**Vision Services**	**16,781**	**11,975**	**25,035**	**53,791**
123455	Optometrists	16,781	11,975	25,035	53,791
11	**Other Practitioner's Services**	**15,222**	**12,516**	**22,988**	**50,725**
123437	Podiatrists	578	604	785	1,967
123438	Psychologists	5,335	3,705	5,573	14,612
123439	Nurse Practitioners	1,739	1,981	5,515	9,235
123440	Miscellaneous Practitioners	7,570	6,225	11,116	24,911
12	**Clinic Services**	**74,081**	**30,227**	**48,658**	**152,966**
123117	Other Clinic	858	53	1,744	2,656
123118	Ambulatory Surgical Clinic	5,739	3,652	3,616	13,007
123124	Rural Health Clinic	9,505	7,925	21,011	38,441
123462	School Rehab Services	47,364	12,534	5,197	65,094
123463	School Health Clinic Services	795	110	575	1,479
123471	Federally Qualified Health Center	9,820	5,953	16,515	32,288
13	**Therapy Clinic Services**	**5,620**	**7,483**	**12,688**	**25,792**
123119	Physical Therapy Clinic	5,620	7,483	12,688	25,792
14	**Laboratory and Radiological Services**	**17,246**	**13,423**	**30,441**	**61,110**
123651	Lab and X-ray	17,246	13,423	30,441	61,110
15	**Durable and Disposable Medical Equipment**	**12,517**	**10,110**	**22,417**	**45,043**

123472	Medical Appliances	12,517	10,110	22,417	45,043
18	**Screening Services**	**14,421**	**18,361**	**35,485**	**68,267**
123123	EPSDT Screening	14,421	18,361	35,485	68,267
19	**Home Health**	**6,690**	**3,360**	**7,776**	**17,826**
123466	Home Health	4,063	468	5,073	9,604
123467	Community MR Services Waiver	2,627	2,892	2,703	8,221
21	**Home/CBC Services**	**9,999**	**18,914**	**32,555**	**61,468**
123476	Developmental Disabilities Waiver	1,170	990	0	2,160
123481	Developmental Disability Support Coordinator	526	0	351	877
123552	CD Facilitator Services	405	68	68	542
123553	Private Duty Nursing	3,249	12,230	22,277	37,756
123560	Personal Care	3,274	2,604	4,938	10,816
123592	Respite Care	1,375	3,021	4,921	9,317
123802	Day Support	0	0	0	0
22	**Hospice**	**0**	**0**	**0**	**0**
123470	Hospice Care	0	0	0	0
23	**Medical Transportation**	**2,305**	**1,895**	**2,157**	**6,357**
128651	Transportation	2,305	1,895	2,157	6,357
24	**Case Management**	**6,149**	**2,284**	**16,274**	**24,707**
123468	Maternal Infant Care	3,779	2,284	4,736	10,799
123469	Treatment Foster Care Case Mgmt.	2,370	0	11,538	13,908
	Total Expenditures for Medical Services	**4,863,217**	**5,076,158**	**5,631,605**	**15,570,981**
	Administrative Expenditures	**27150**	**27,047**	**26,876**	**81,073**
	Total MEDICAID EXPANSION Expenditures	**4,890,367**	**5,103,205**	**5,658,482**	**15,652,054**

APPENDIX I

Joint Legislative and Audit Review Commission (JLARC) Recommendations

Senate Joint Resolution 441 from the 2001 General Assembly Session directed the Joint Legislative and Audit Review Commission (JLARC) to conduct an evaluation of the development, management, utilization, and funding for the health and mental health services provided through the Department of Medical Assistance Services (DMAS). JLARC's report, *A Review of Selected Programs in the Department of Medical Assistance Services* (Senate Document 22, 2002), focused on four program areas, including the Child Health Insurance Program (Section II of the report). JLARC made six recommendations in the report.

Recommendation number 1 stated that the Medicaid enrollment data should be reported whenever FAMIS enrollment data is reported. DMAS added the Medicaid children enrollment figures to the Monthly Child Health Insurance Program Enrollment Report beginning with October 2002 data. The enrollment data in this report includes the Medicaid child enrollment numbers for the third quarter of 2006. (See Section III A of this report for current enrollment information).

Recommendation number 2 in the JLARC report recommended that DMAS, in conjunction with the FAMIS Outreach Oversight Committee, develop a telephone and/or mail survey to track the reasons why children drop out of the FAMIS program. DMAS has undertaken several initiatives to learn more about why children drop out of the FAMIS and FAMIS Plus programs. In addition to ongoing analysis of data from VaMMIS, during the third quarter of 2005 telephone surveys were conducted with 400 families whose children had recently failed to renew FAMIS and 400 families whose children had failed to renew FAMIS Plus. Responses from the surveys show that approximately 40% of families chose not to renew coverage as they had private health insurance and many others assumed they now earned too much income. DMAS continues to gather information and data on barriers to renewal identified by families and advocates and modify policies, adjust procedures and improve materials to retain eligible children in the program.

Recommendation number 3 directed DMAS to develop an up-to-date projection of the total number of uninsured children in Virginia, the number of children potentially eligible for Medicaid, and the number of children potentially eligible for FAMIS. DMAS worked with the Community Health Resource Center (consultant), the Virginia Health Care Foundation, the Virginia Hospital & Health Care Association, and the Virginia Poverty Law Center, to estimate the number of children remaining uninsured in Virginia who are potentially eligible for Medicaid or FAMIS. Although this estimate was revised twice as new data became available, the formula relied heavily on the 2001 Virginia Health Access Survey and the 2000 census data. Because this data had become dated, The Virginia Health Care Foundation, in collaboration with the Joint legislative Audit and Review Commission (JLARC), contracted with the Urban Institute to analyze the current rates of uninsurance in the Commonwealth. Rather than conduct an original survey, the Urban Institute examined relevant data sources and will produce their report in December 2006. However, as a result of this process, DMAS has been advised to discontinue reporting a percentage of eligible children covered.

Every day there are new children born or moving into the Commonwealth who are uninsured and, like most states, there is a continuing erosion of the employer-sponsored insurance market. The result is that the number of uninsured children in Virginia is a dynamic and constantly changing landscape. Therefore, because the target is so fluid and the data sources are different, it is not credible to measure growth in the percentage of children covered by a simple comparison of current DMAS enrollment

data to a static number of eligible children. DMAS will continue to report the number of children enrolled each month but will no longer report the percentage of eligible children covered.

Recommendation number 4 in the JLARC report recommended that DMAS adopt a single eligibility level of 133 percent of the federal poverty level for all medically indigent children under age 19 in the Medicaid program. The 2002 General Assembly authorized DMAS to make this change, which was effective on September 1, 2002. Approximately 9,000 children were transferred from FAMIS to Medicaid as a result of implementing the SCHIP Medicaid Expansion group that increased the Medicaid income limit for all children under age 19 to 133 percent of the Federal Poverty Level (FPL).

These children are funded by Title XXI funds (state child health insurance dollars) at the higher federal match rate. As of the end of the third quarter of 2006, there were 34,398 children enrolled in the Medicaid Expansion group.

Recommendation number 5 of the JLARC report directed the Department of Medical Assistance Services, in cooperation with the Virginia Department of Social Services (DSS), to develop a detailed plan to improve ongoing communication and coordination between the Medicaid and FAMIS programs. DMAS staff met with state and local DSS staff to develop policies and procedures to improve communication and work flows between local DSS agencies, the DMAS FAMIS Plus Unit and the FAMIS CPU. Detailed procedures were developed by the two departments' staff to implement the single Children's Health Insurance application form for Medicaid and FAMIS, uniform verification procedures and the "No Wrong Door" policy.

The sixth recommendation directed DMAS to expand the quarterly report to include information about how it is implementing the recommendations in the report. This information is included in the subject sections of this report.

APPENDIX II

2002, 2003, 2004, 2005, and 2006 General Assembly Legislation

A. 2002 Legislation

The 2002 General Assembly passed legislation that improved the access and outreach for the FAMIS program. These actions included:

1. House Bill 1062

This bill directed DMAS to work with the Departments of Health and Education to identify children in the Women, Infants, and Children (WIC) and school lunch programs who may also be eligible for FAMIS or Medicaid. DMAS continued to implement these interdepartmental initiatives during the fourth quarter of 2005.

2. House Bill 790

This bill allows an adult caretaker relative to submit a FAMIS application on behalf of a child. DMAS implemented this provision on July 1, 2002.

3. Budget language

Language in the Budget bill directed DMAS to:

a. Provide an exception to the six-month waiting period for dropping insurance for reasons of affordability. DMAS implemented this provision on July 1, 2002.

b. Allow a caretaker relative to apply on behalf of a child (same as House Bill 790). DMAS implemented this provision on July 1, 2002.

c. Adopt a single income level for Medicaid eligibility at 133 percent of the federal poverty limit for all children under age 19. DMAS implemented this provision on September 1, 2002. See Section III A of this report for information on the SCHIP Medicaid Expansion.

The continued increase in numbers of children enrolled in Virginia's Child Health Insurance Program attests to the success of this legislation in improving families' access to the program.

B. 2003 Legislation

The 2003 General Assembly passed legislation that improved the access to FAMIS and the retention of enrolled children. DMAS implemented these changes on August 1, 2003. Several provisions to create an "umbrella program" for Child Health Insurance in Virginia were passed, including the name change for the medically indigent Medicaid-enrolled children to "FAMIS Plus," and the coordination of administration of the FAMIS and FAMIS Plus programs. The legislation included:

1. House Bill 2287 & Senate Bill 1218

This legislation amended the FAMIS law for the following items, which were implemented on August 1, 2003:

a. Coordination with "FAMIS Plus", the new name for the medically indigent groups of Medicaid-enrolled children, and provided for a single application form for FAMIS and FAMIS Plus. In order to start phasing-in an umbrella program of Child Health Insurance, children who meet medically indigent criteria under the Medicaid program rules are covered under the new name, "FAMIS Plus", effective August 1, 2003.

   FAMIS Plus children continue to receive the full Medicaid benefit package and have no cost-sharing responsibilities. As stocks were depleted, the Medicaid and FAMIS member handbooks, the FAMIS brochures, the FAMIS MCO contracts, the managed care organizations' member handbooks, and mailings from DMAS were revised to reference "FAMIS Plus" as the new name for children's Medicaid. The enrollee eligibility verification systems used by service providers was changed to reference "FAMIS Plus" instead of "Medicaid" for children who are enrolled in the medically indigent aid categories. The system change was partially completed in May 2004 and the remainder was completed in the third quarter of 2005.

   DMAS staff meets regularly with Department of Social Services (DSS) staff to discuss administrative procedures that will make the administration of both FAMIS and FAMIS Plus efficient and seamless for the families, and to discuss computer systems-related issues. The procedures for coordinating administration, including outreach, enrollment, re-enrollment and services delivery, of the FAMIS and FAMIS Plus programs were developed by DMAS in partnership with DSS and the FAMIS contractor.

   The combined Child Health application form was implemented on September 1, 2002, and is a single application form currently used to determine eligibility for both FAMIS and Medicaid medically indigent children. This application form was revised to reference FAMIS Plus, and will continue to be used for both programs, FAMIS and FAMIS Plus.

   In August 2005, the application was further revised to allow pregnant women applying for Medicaid or FAMIS MOMS coverage to use the same form.

b. Co-payments for FAMIS benefits will not be decreased from the amounts in effect as of January 1, 2003. Co-payments for FAMIS children enrolled in managed care are based on the family's income. The co-payments that were in effect as of January 1, 2003, are outlined in Section V. C.

c. The six months prior insurance coverage limitation ("waiting period") changed to four months. Beginning August 1, 2003, families are asked if the child had health insurance coverage in the four months prior to application. If so, and there was no "good cause" for dropping the insurance, the child is ineligible for FAMIS for four months from the date the insurance was canceled. The revised eligibility policy was implemented on August 1, 2003. See Section V. B for more information on the impact of the four-month waiting period.

d. Specific mental health services were added to the FAMIS benefit package. Effective August 1, 2003, the following community mental health services are covered for FAMIS recipients:

- intensive in-home services,
- case management services,
- day treatment, and
- 24-hour emergency response.

Enrollees and service providers were notified of these new covered services in July 2003. The services are provided in the same manner and with the same coverage and service limitations as they are provided to children under the state plan for Medicaid. These services are "carved out" of the managed care plans and are reimbursed directly to the service provider by DMAS. Coverage of these services under FAMIS should reduce the general fund dollars utilized by the Comprehensive Services Act Program.

2. House Bill 2594

This legislation amended the FAMIS law by adding the sentence "Eligible children, residing in Virginia, whose family income does not exceed 200 percent of the federal poverty level during the enrollment period shall receive 12 continuous months of coverage as permitted by Title XXI of the Social Security Act."

For FAMIS, families are required to report a change in their income only when the family's gross monthly income increases to an amount that is over the 200% federal poverty level for the family size. Families of enrolled FAMIS children were notified of this change in the reporting requirements prior to the August 1, 2003, implementation of the change. Effective August 1, 2003, enrollment in FAMIS is for 12 continuous months, unless one of the following events occurs before the annual renewal:

a. an increase in gross monthly income to above 200% FPL,
b. a child moves out of state,
c. a child turns age 19,
d. a child dies,
e. the family requests cancellation, or
f. the family applies for Medicaid and the child is determined eligible for Medicaid.

Families must report the following changes before the annual renewal:

- increase in gross monthly income only if it goes above 200% FPL,
- change in the family size, and
- move to an out-of-state address.

If none of the above changes is reported, FAMIS eligibility will be renewed annually.

C. 2004 Legislation

House Bill 836

This legislation revises the name, purpose, membership, and responsibilities of the current Outreach Oversight Committee to Family Access to Medical Insurance Security (FAMIS) to

create the Children's Health Insurance Program Advisory Committee and declares the purpose of the committee to be to assess policies, operations and outreach for FAMIS and FAMIS Plus (Medicaid for children) and to evaluate various enrollment, utilization, and outcomes of children for these programs. The committee's membership is limited to 20 members and will include the Joint Commission on Health Care, the Department of Social Services, the Department of Health, the Department of Education, the Department of Mental Health, Mental Retardation and Substance Abuse Services, the Virginia Health Care Foundation, various provider associations and children's advocacy groups, and other individuals with significant knowledge and interest in children's health insurance. The committee will make recommendations on FAMIS and FAMIS Plus to the Director of the Department of Medical Assistance Services and the Secretary of Health and Human Resources. See Section VII D for further information about committee activity during this quarter.

D. 2005 Legislation

The 2005 General Assembly authorized the expansion of the FAMIS program to pregnant women with income up to 150% of the Federal Poverty Level and modification of the current premium assistance program currently know as ESHI (Employer Sponsored Health Insurance).

House Bill 2284

This legislation removed the requirement that the Family Access to Medical Insurance Security (FAMIS) plan provide wraparound benefits through supplemental insurance when benefits equivalent to the Virginia Medicaid program are not included in the employer-sponsored health insurance benefit plan.

In August 2005, the new FAMIS *Select* premium assistance program was implemented and it eliminated coverage for full wraparound FAMIS benefits for children enrolled in this premium assistance program and covered by employer-sponsored or private policies.

Budget Item 324 L

This budget item gave the Department of Medical Assistance Services the authority to amend the Family Access to Medical Insurance Security Plan and related regulations to expand medical coverage to pregnant women who are over the age of 19 with annual family income in excess of the Medicaid limit but less than or equal to 150 percent of the Federal Poverty Level and to simplify the administration of the premium assistance program available to families with children eligible for FAMIS who have access to an employer-sponsored health insurance program. It also gave the department authority to promulgate emergency regulations to implement this amendment within 280 days or less from the enactment date of the act.

DMAS submitted a waiver to the Centers for Medicare and Medicaid Services (CMS) to implement the two programs provided for by the 2005 General Assembly. On July 1, 2005 CMS approved the Virginia waiver. On August 1, 2005, both the FAMIS MOMS program for pregnant women with income between the Medicaid limit and 150% FPL, and the revised premium assistance program FAMIS Select were implemented. See section IV C and section IX for further information on these new programs.

E. 2006 Legislation

House Bill 831

This legislation requires that, insofar as feasible, individuals eligible for the Family Access to Medical Insurance Security (FAMIS) Plan must be enrolled in health maintenance organizations.

DMAS policy already required children enrolled in FAMIS to receive services through a contracted MCO if one was available in their locality. HB 831 codifies this requirement.

Budget Item 301 D

The General Assembly authorized DMAS to increase the income level for pregnant women in FAMIS MOMS from 150% FPL to 166% FPL. This increase in eligibility was implemented in on September 1, 2006.