COMMONWEALTH of VIRGINIA

Department of Medical Assistance Services

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December 15, 2010

MEMORANDUM

TO: The Honorable Robert F. McDonnell
Governor of Virginia

The Honorable Charles J. Colgan
Chairman, Senate Finance Committee

The Honorable Lacey E. Putney
Chairman, House Appropriations Committee

The Honorable Benjamin L. Cline
Chairman, Joint Commission on Health Care

FROM: Gregg A. Pane, MD, MPA

Subject: Report on the Status of the Family Access to Medical Insurance Security (FAMIS) Plan Trust Fund

Section § 32.1-352 of the *Code of Virginia* requires DMAS to report annually to the Governor, the General Assembly, and the Joint Commission on Health Care on the status of the Virginia Family Access to Medical Insurance Security (FAMIS) Plan Trust Fund.

I have enclosed for your review a copy of the report for Fiscal Year 2010. Should you have any questions or need additional information, please feel free to contact me at (804) 786-8099.

GAP/
Enclosure

cc: The Honorable William A. Hazel, Jr., MD, Secretary of Health and Human Resources

BACKGROUND ON FAMIS TRUST FUND

The Virginia Family Access to Medical Insurance Security (FAMIS) Plan Trust Fund was established in the state treasury as a special non-reverting fund in 1997 (though it was originally named the *Virginia Children's Medical Security Insurance Plan Trust Fund).* The State Corporation Commission annually calculates the tax revenue that is deposited into the trust fund. The *Code of Virginia* mandates that any moneys remaining in the Fund at the end of each fiscal year shall not revert to the general fund but shall remain in the Fund. From the beginning of the Fund until the middle of Fiscal Year 2002, the interest earned on the cash balances of the Fund was deposited into the Fund. However, language has been included in the Appropriation Act since 2003 that mandates that interest earned from the trust fund shall remain in the state General Fund.

Furthermore, in Chapter 951 of the 2005 Acts of the Assembly (§3-1.01 M.1 on Page 612 of Chapter 951) the language limits the deposits into the fund to $14,065,627 in each year of the biennium. If the amount to be deposited into the fund (based on the criteria set forth in the *Code of Virginia*) were to exceed the limit, the amount exceeding the limit is deposited in the General Fund. The moneys in the Trust Fund are used, in lieu of state general funds, to draw down federal funds to cover costs incurred in the Commonwealth's Title XXI program. Table 1 provides a history of deposits into and expenditures out of the Trust Fund for FY 1998 through FY 2010. Table 2 provides the appropriated amounts for the 2011-2012 biennium.

Table 1
History of Deposits and Payments from the Trust Fund

Fiscal Year	Deposits into Fund	Expenditures from Fund	Balance at the end of the Fiscal Year
FY 1998	$239,503	$0	$239,503
FY 1999	$8,072,030	($4,726,038)	$3,585,496
FY 2000	$9,449,406	($9,326,338)	$3,708,564
FY 2001	$12,421,643	($9,670,920)	$6,459,287
FY 2002	$14,680,907	($16,936,664)	$4,203,530
FY 2003	$14,065,627	($18,211,360)	$57,797
* FY 2004	$14,025,229	($14,001,661)	$81,365
* FY 2005	$13,995,237	($14,065,627)	$11,128
* FY 2006	$13,984,302	($13,995,245)	$185
FY 2007	$14,065,812	($14,065,563)	$249
FY 2008	$14,065,876	($14,065,627)	$249
FY 2009	$14,065,876	($14,065,627)	$249
* FY 2010	$14,065,876	($14,065,876)	$0

*The deposits in FY 2004, FY 2005, and FY 2006 were reduced due to language in the Appropriation Act which transferred $40,456, $70,390, and $81,325 respectively, in cash from the trust fund to the General Fund to cover expenses incurred by central service agencies. In FY 2010, the appropriation was increased by $249 to expense the entire fund balance.

Source: DMAS Staff Analysis, Commonwealth Accounting and Reporting System (CARS)

Table 2
FAMIS Trust Fund Appropriation FY 2011 – FY 2012

	Total
FY 2011	$14,065,627
FY 2012	$14,065,627

Source: *Chapter 874, 2010 Acts of the Assembly*

FAMIS/CHIP PROGRAM INFORMATION: FY 2010

The FAMIS program was established in the summer of 2001 as Virginia's Title XXI Children's Health Insurance Program (CHIP), replacing the Children's Medical Security Insurance Plan (CMSIP). Prior to state FY 2003, all of the children enrolled in Virginia's Title XXI plan were enrolled in the FAMIS program (or previously the CMSIP program). Beginning in FY 2003, children age 6 through age 18 and in families with income between 100% and 133% of the federal poverty level were enrolled in the Medicaid program. This change was to make the eligibility criteria for Medicaid standard for children of all ages and prevent families from having children enrolled in two different programs (children under the age of 6 being enrolled in Medicaid and children age six and over in the same family being enrolled in FAMIS). While these children were transitioned to Medicaid, Virginia continues to receive enhanced federal funding under the federal CHIP program for this population. The Commonwealth's CHIP program is funded with a combination of state general funds, the FAMIS trust fund (which is used in lieu of state General Funds) and federal funds. During FY 2010, the federal match rate was 65 percent. Table 3 illustrates the expenditures for the CHIP program by fund source for FY 2010 incurred by DMAS.

Table 3
Total CHIP Expenditures in FY 2010

	General Fund	Trust Fund	Federal Fund	Total
FAMIS Medical	$31,552,404	$14,065,876	$85,752,515	$131,370,794
FAMIS Administrative*	$4,191,917		$7,819,893	$12,011,810
CHIP Medicaid Expansion Medical	$37,287,765		$72,159,528	$109,447,293
Total	$73,032,086	$14,065,876	$165,731,936	$252,829,898

Source: DMAS Staff Analysis, Commonwealth Accounting and Reporting System (CARS) of expenditures and revenue transfers
* FAMIS Administrative expenditures include $1.5 million General Fund expenditures incurred by DSS for eligibility determinations.

FEDERAL ALLOTMENT

In February 2009, the President signed Public Law 111-3, the Child Health Insurance Program Reauthorization Act (CHIPRA), which reauthorizes the Children's Health Insurance Program (CHIP) through 2013. The Affordable Care Act of 2010 further extends CHIP through 2019. Virginia's federal allotment for FFY 2010 was **$184.4** million with an additional **$54** million of

carry over funds from the previous years' allotments. With the passage of CHIPRA, carry over funds must be used by the close of the next federal fiscal year. Prior to CHIPRA, carry over funds were available for up to two subsequent fiscal years.

CHIPRA IMPLEMENTATION

In February 2009, the President signed Public Law 111-3, the Children's Health Insurance Program Reauthorization Act (CHIPRA), which reauthorizes the Children's Health Insurance Program (CHIP) through 2013. This law also expands health coverage for children and establishes quality requirements and protections for both health and mental health care services. CHIPRA also alters how Medicaid and CHIP programs cover services for pregnant women. To be in compliance with CHIPRA provisions, the Department has implemented the following changes:

- **Enrolling in Medicaid pending verification of citizenship and identity if otherwise eligible:** This provision enables Medicaid applicants to enroll in Medicaid while they make reasonable efforts to verify their citizenship and identity. Through CHIPRA, Virginia now allows applicants to enroll in Medicaid for one year while they make efforts to verify their citizenship and identity. Enrollees must provide verification of their citizenship and identity by their first annual renewal or their Medicaid eligibility will be terminated.
- **Deeming Medicaid newborns to have met citizenship and identity requirements permanently:** Individuals born in the United States to mothers who were Medicaid eligible on the date of the individual's birth are considered to meet the citizenship and identity requirements permanently.
- **Allowing newborns to remain eligible for Medicaid for their first year:** This provision removes the requirement that newborns must reside in their mother's home during the first year in order to remain eligible for Medicaid.
- **Providing a disenrollment option for CHIP enrollees with only one managed care organization (MCO):** Individuals enrolled in CHIP who reside in an area where only one MCO is available have the option to disenroll from their MCO and receive care through fee-for-service. Individuals will receive a broader provider network if they participate in managed care; however, this provision increases an individual's choice regarding how he or she receives services.
- **Payment to Federally Qualified Health Centers (FQHCs) and rural health clinics (RHC):** This provision requires the same reimbursement methodology to FQHCs and rural health clinics under CHIP that is currently used to reimburse for Medicaid services.
- **Requiring CHIP applicants to prove citizenship and identity:** This provision requires CHIP (FAMIS and FAMIS MOMS) applicants to verify citizenship as part of the eligibility process. The Department of Medical Assistance Services (DMAS) will allow CHIP applicants to enroll in CHIP for up to one year while they make reasonable efforts to verify their citizenship. Enrollees must provide verification of their citizenship by their first annual renewal or their CHIP eligibility will be terminated.
- **Elimination of co-pays for pregnant women covered through CHIP:** CHIPRA does not allow cost sharing for pregnant women covered under CHIP. Cost sharing (e.g., co-payments and coinsurance) may not be charged for any pregnancy related services provided to FAMIS and FAMIS MOMS participants.

- **Deemed eligibility and enrollment of newborns of CHIP enrollees (FAMIS and FAMIS MOMS):** This provision allows for automatic coverage for children from birth through age one when the child is born to a CHIP enrolled woman. Newborns are first screened for Medicaid to determine the proper program in which to enroll them.
- **Loss of Medicaid or CHIP is a qualifying event for employer sponsored health insurance:** CHIPRA § 311 requires that group health plans offer employees special enrollment rights ("qualifying events") in group health plan coverage without having to wait for an open enrollment period if either the employee or dependent loses eligibility under CHIP or Medicaid or the employee or dependent becomes eligible for premium assistance if otherwise eligible for a group health plan. Enrollment must be requested within 60 days after the loss of eligibility under Medicaid or CHIP or after the date the employee or dependent is determined to be eligible for premium assistance. DMAS worked with the Bureau of Insurance and the federal Department of Labor to implement this provision.
- **Mental Health Parity for Managed Care:** CHIPRA, along with the Wellstone-Domenici Mental Health Parity and Addiction Equity Act of 2008, end insurance benefit inequity between mental health/substance abuse services and medical services. CHIPRA specifically requires that states that provide mental health coverage for CHIP participants (which Virginia does) provide those services in the same scope as it provides medical services. Service limits for MCO mental health services were removed effective July 1, 2010.

In addition, the Department implemented the following options allowed under the CHIPRA legislation:

- **Social Security Data Match:** This provision enables citizenship to be verified for all Medicaid and CHIP applicants and renewing enrollees by matching their Social Security numbers against the files of the Social Security Administration. This process enables applicants to prove citizenship without having to provide documentation that many applicants find difficult to locate.
- **Obtaining federal matching funds for certain legal immigrant children (Medicaid State plan amendment approved February 1, 2010):** This provision allows the Commonwealth to obtain federal matching funds for covering legal immigrant children in our Medicaid and CHIP Medicaid Expansion programs. The Commonwealth historically covered these children with 100% state funds.

UPDATE ON CURRENT ENROLLMENT

During SFY 2010, enrollment in the CHIP program increased from 96,163 children at the beginning of the fiscal year to 99,433 children at the end of the fiscal year. However, all of the growth was in achieved in the CHIP Medicaid Expansion program while the separate CHIP program, FAMIS, experienced a decline in enrollment. Data showed that many FAMIS families moved into the Medicaid program at annual renewal due to a loss in family income. Information on the number of children enrolled in the Children's Health Insurance Program as of July 1 is shown in the following table:

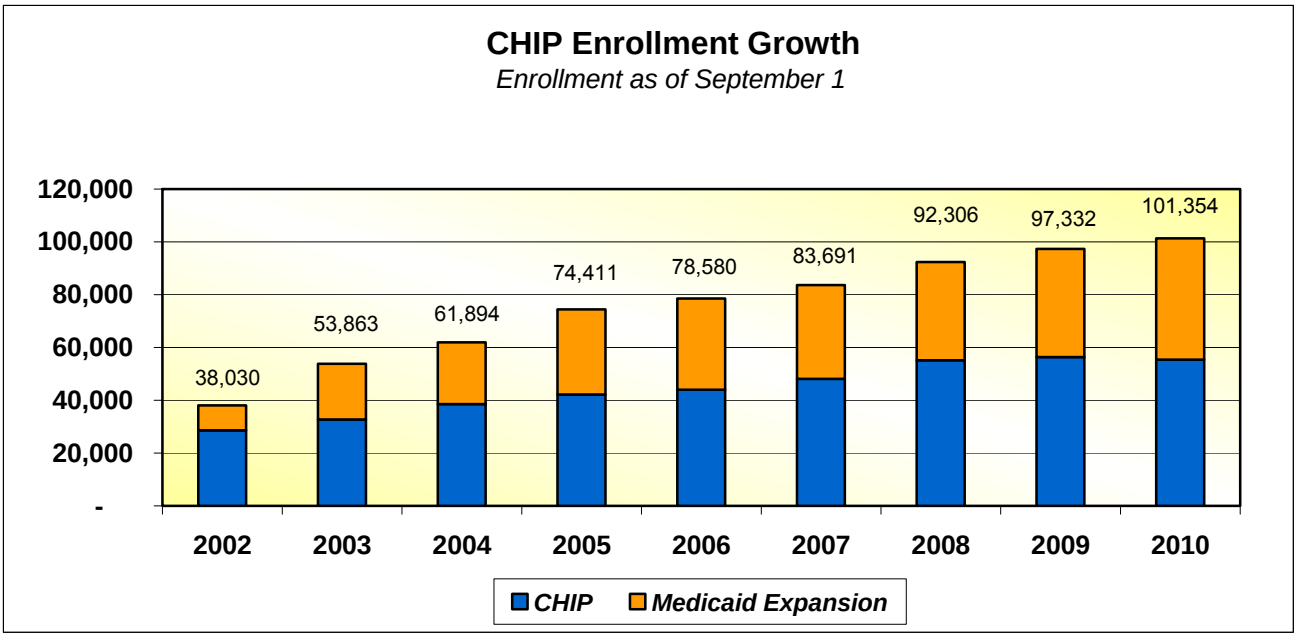
Table 4
CHIP Enrollment

PROGRAM	INCOME	# Enrolled As of 07-01-09	# Enrolled As of 07-01-10	Total Growth	% Growth
FAMIS (Children ≤18 years)	>133% to ≤ 200% FPL	56,464	54,175	-2289	-4%
CHIP MEDICAID EXPANSION (Children 6 - 18 years)	>100% to ≤ 133%FPL	39,717	45,258	55410	14%
TOTAL CHIP Children		**96,163**	**99,433**	3,252	3%

Source: *VaMMIS (Virginia Medicaid Management Information System) 07-01-10.*

The FAMIS program replaced the former CMSIP program on August 1, 2001. At that time, there were 32,587 children enrolled. The steady increase in enrollment was the result of aggressive outreach efforts at the State and local level, as well as the implementation of program and policy improvements. However, enrollment growth in recent years has leveled off. The chart below shows the CHIP enrollment growth from September 1, 2002 (implementation of program changes) through September 1, 2010:

Chart: 1



Source*: DMAS staff analysis, VaMMIS (Virginia Medicaid Management Information System).*

While the point in time monthly enrollment has remained around 100,000 over the last year, more than 160,000 children were covered by CHIP at some point in SFY 2010. That is a 3% increase over the previous year. The Table below displays the total unduplicated ever enrolled figures for SFY 2009 and 2010:

Table 5
CHIP Unduplicated Ever Enrolled

PROGRAM	INCOME	SFY 2009 Unduplicated Ever Enrolled	SFY 2010 Unduplicated Ever Enrolled	Total Growth	% Growth
FAMIS (Children ≤18 years)	>133% to ≤ 200% FPL	86,289	86,029	-260	-0.3%
CHIP MEDICAID EXPANSION (Children 6- 18 years)	>100% to ≤ 133%FPL	69,793	74,461	4,668	7%
TOTAL CHIP Children		**156,082**	**160,490**	**4,408**	**3%**

Source: *DMAS staff analysis,* ***(Virginia Medicaid Management Information System)****. 10.08.10*

MAXIMIZING ENROLLMENT OF KIDS – RWJF GRANT

Virginia was one of eight states awarded $1 million in funding over four years and support from the Robert Wood Johnson Foundation (RWJF) to increase enrollment and retention of eligible children in the CHIP and children's Medicaid programs in February of 2009. With approval by CMS, DMAS is able to use grant funding to draw down federal matching funds thereby increasing our funding up to almost $3 million. In May of 2009, Virginia completed a thorough Diagnostic Assessment conducted by a team of national experts retained by RWJF. From this, a final report was developed and released in February 2010.

With guidance from the grant's national program office, National Academy for State Health Policy (NASHP), the Department developed an improvement plan based on the recommendations provided in the Diagnostic Assessment report. From this improvement plan, goal teams were formed comprised of key DMAS staff, Department of Social Services (DSS) staff, Department of Education (DOE) staff, Department of Health (VDH) staff, local departments of social services (LDSS) staff, partners from the Virginia Health Care Foundation and the Virginia Poverty Law Center, and other key stakeholders. Virginia's grant seeks to accomplish the following goals:

1. Develop an analytical agenda and data technical tool
2. Improve retention rates
3. Reach the remaining eligible but un-enrolled children
4. Improve communication between DMAS, DSS, and LDSS
5. Decrease denial rates of new application for administrative reasons

An Executive Steering Committee chaired by the Health and Human Resources Secretary and composed of the DMAS Director, the DSS Commissioner, the DOE Superintendent, the VDH Commissioner, the Executive Director of the Virginia Health Care Foundation, the chair of the Children's Health Insurance Advisory Committee (CHIPAC), and a child health advocate from the Virginia Poverty Law Center was also formed to provide support, oversight, and ensure coordination between agencies to achieve grant goals.

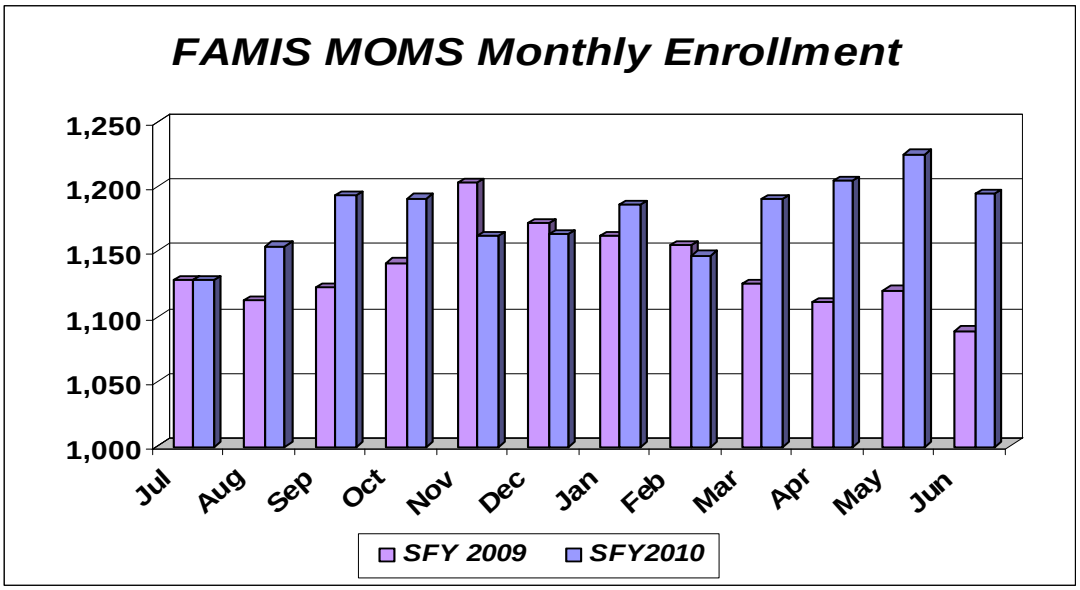
DMAS is well on its way to accomplishing identified goals through interagency goal workgroups. The second year of this four year initiative will conclude in February of 2011 when a new work plan will be developed and implemented. DMAS' work on this initiative will continue through 2013 to reach the ultimate goal of increasing enrollment and retention of eligible children in Medicaid and CHIP.

CHIP WAIVER PROGRAMS

Both the FAMIS MOMS program for pregnant women and the FAMIS *Select* Premium Assistance Program are operated under a HIFA Waiver from the Centers for Medicare & Medicaid Services (CMS). During SFY 2010, DMAS worked closely with CMS to address required changes due to the CHIPRA legislation and renew the state's HIFA waiver. In June 2010, CMS granted a renewal of the waiver to continue operating the FAMIS MOMS and FAMIS *Select* programs for another three years.

Virginia's CHIP program was expanded to include coverage of pregnant women with family income above the Medicaid limit of 133% FPL but less than or equal to 150% FPL on August 1, 2005, as authorized by the 2005 Appropriations Act. In accordance with the approved waiver, the intent of this new program expansion called FAMIS MOMS was to provide vital prenatal care to uninsured women living within the CHIP income range and likely to give birth to FAMIS eligible children. The 2006 General Assembly increased the income limit for the FAMIS MOMS program to 166%. This change was implemented September 1, 2006. The 2007 General Assembly authorized an additional increase of the income limit for the FAMIS MOMS program to 185% FPL, implemented on July 1, 2007. The 2008 General Assembly increased eligibility for FAMIS MOMS to 200% FPL. This increase was implemented on July 1, 2009. After a period of decline in SFY 2009, enrollment increased in SFY 2010. In June 2010, 1,194 pregnant women were enrolled in the program. The chart compares the monthly enrollment for these years.

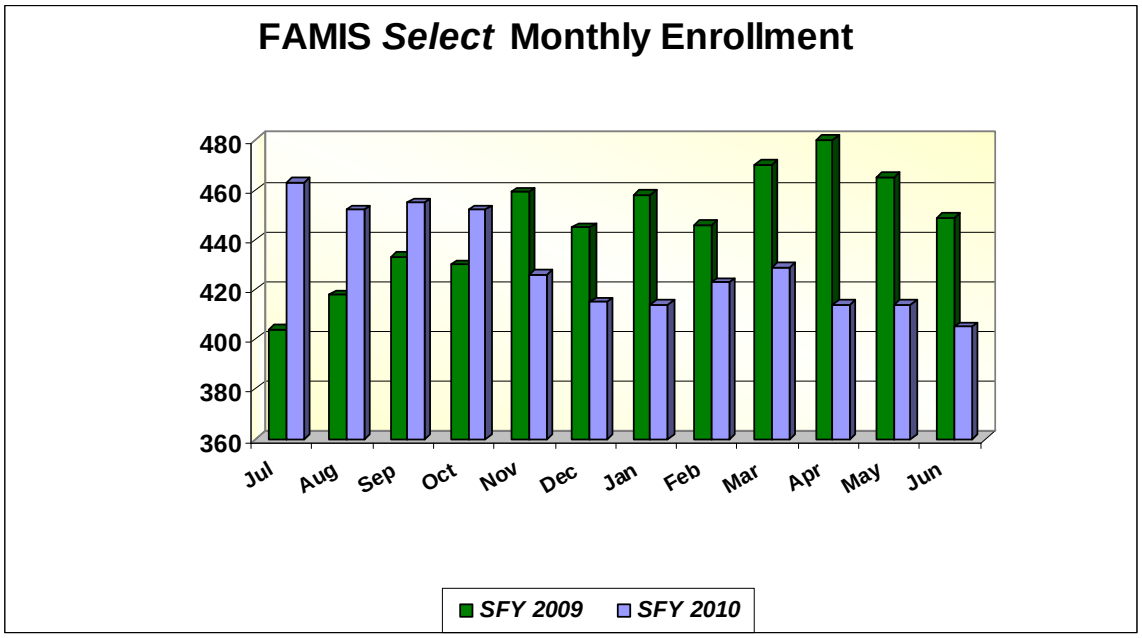
Chart: 2



***Source**: DMAS staff analysis, VaMMIS (Virginia Medicaid Management Information System).*

FAMIS *Select* replaced the former Employer Sponsored Health Insurance (ESHI) program on August 1, 2005, and provides an alternative for families with children enrolled in FAMIS who have access to private or employer-sponsored coverage. If the family elects to participate in FAMIS *Select*, they receive up to a $100 per month per child to help pay for the cost of covering the child in a private or employer's health plan instead of through FAMIS. The child then receives the health care services provided by the private/employer-sponsored health plan, and the family is responsible for any costs associated with that policy. By the end of SFY 2010, these private/employer based policies funded through a combination of employer, family and CHIP funds provided coverage to 405 children. Enrollment in FAMIS *Select* decreased by 44 children from the end of SFY 2009 to 2010. Enrollment in FAMIS *Select* began to decrease at the end of SFY 2009. DMAS attributes this to the economic downturn and members' loss of access to private coverage. FAMIS *Select* enrollment is displayed in the following chart:

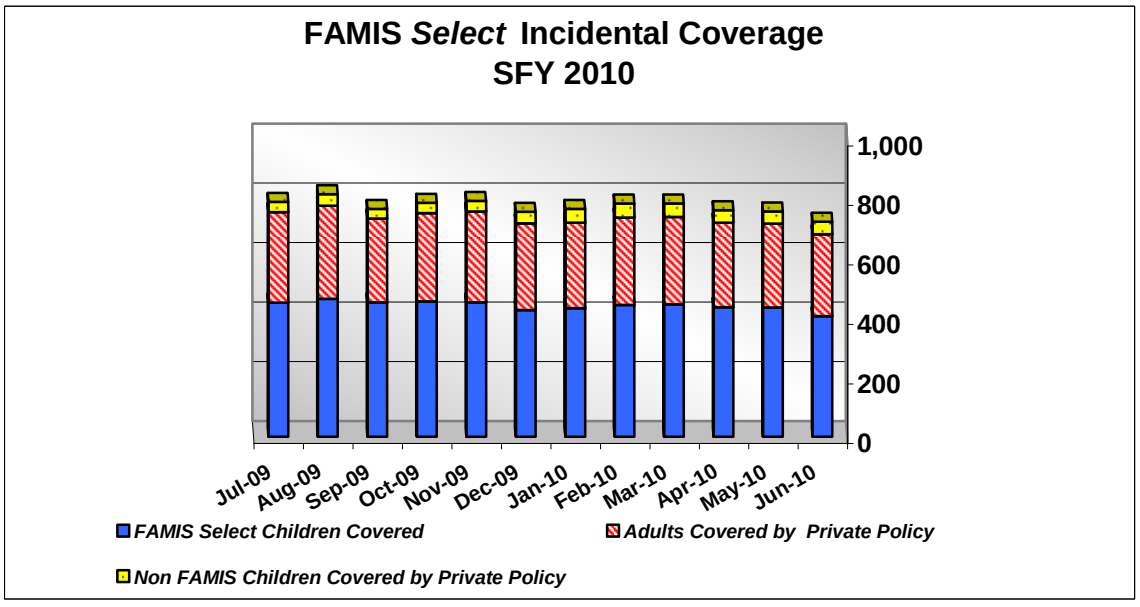
Chart: 3



***Source**: DMAS staff analysis, MCH Monthly Enrollment Reports.*

The premium assistance payment provided by CHIP funds often helps the family afford coverage for the entire family while remaining a cost-effective way for the Commonwealth to provide coverage for the FAMIS eligible child. By the end of SFY 2010, this incidental coverage provided healthcare to an additional 276 adults and 42 non-FAMIS eligible children. The chart below displays the incidental coverage of families enrolled in the FAMIS *Select* program:

Chart: 4



Source: DMAS staff analysis, FAMIS Select Monthly Enrollment Tracking.

FAMIS OPERATIONS

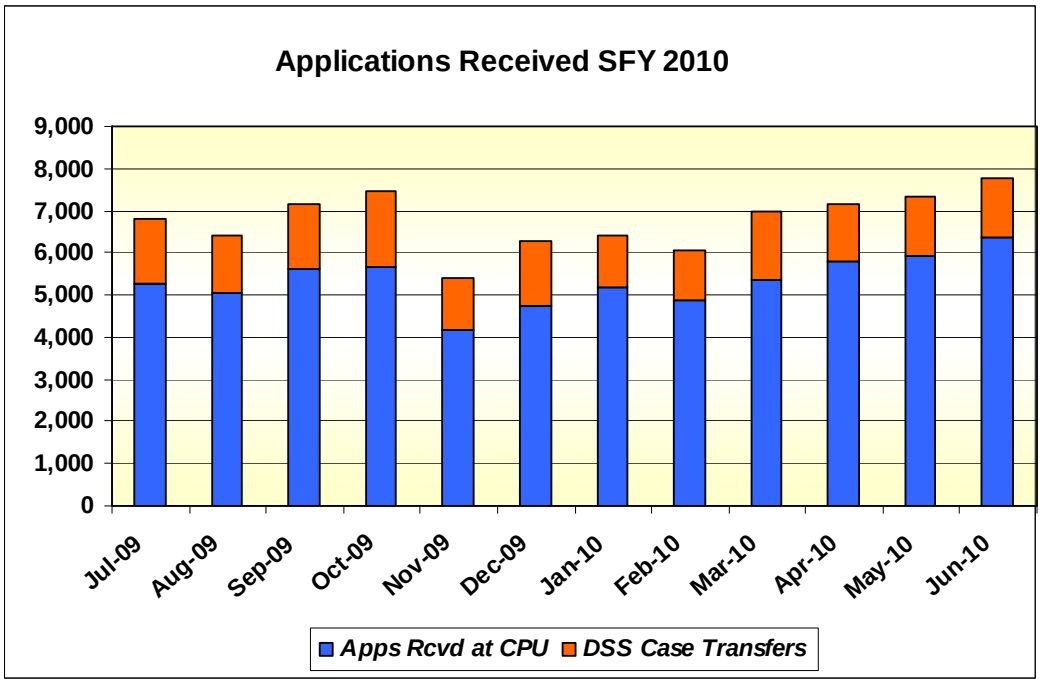
The FAMIS Central Processing Unit (CPU) was established in August 2001 to provide a statewide call center and application-processing site and is administered by Affiliated Computer Services (ACS) Inc., under contract to DMAS. A new CPU contract was awarded to ACS August 1, 2007. The initial contract period ended on July 31, 2010, and Virginia has exercised the option to extend the contract for the first of three renewal periods.

During this fiscal year, DMAS implemented a number of enhancements at the FAMIS CPU to simplify the application process and improve retention, such as:

- An updated the web-based eligibility system to perform a complete FAMIS Plus/Medicaid eligibility determination for children and pregnant women;
- The new SSA data match process to meet CHIPRA requirements for citizenship and identity verification for CHIP enrollees thereby reducing the burden of proof on applicants;
- A streamlined enrollment process for infants born to a FAMIS or FAMIS MOMS enrollees without requiring a new application; and
- A new single page pre-filled renewal application which replaced the two page pre-filled renewal form.

The FAMIS CPU received 299,682 calls in SFY 2010, with an average monthly call volume of 24,974. By utilizing an IVR (interactive voice response) system, 24% of calls are handled electronically without the need to speak with a live representative. More than 64,000 applications were received at the CPU (electronic, mailed and faxed combined) in SFY 2010 with an average monthly volume of 5,333 applications. This is a 10.3% increase in application receipts over last year. Electronic applications represented 50% of all new applications received at the CPU. The local DSS offices approved 27% of the applications received during SFY 2010. The total number of applications received at the FAMIS CPU with a pregnant woman applying for FAMIS MOMS during this fiscal year was 6,544, which is a 52% increase over last year. Below is a chart detailing the volume of applications received at the FAMIS CPU:

Chart: 5



Source: *DMAS staff analysis, ACS monthly reports.*

MARKETING AND OUTREACH ACTIVITIES

The DMAS Maternal and Child Health Marketing and Outreach Unit continued to focus its efforts on reaching children and pregnant women eligible to enroll in the FAMIS program. As the economy continued to show decline in SFY 2010, FAMIS Plus continued to experience dramatic increases in enrollment with growth each month averaging 3,500 children. The FAMIS program did not experience this same level of growth, but instead alternated in modest monthly increases and declines throughout the year. DMAS continued to attribute the stagnant growth in the FAMIS program to the growing population of working families facing job loss who have slipped from FAMIS to Medicaid eligibility. Recent research and comparative studies from other states seem to support the notion that the emergent population of FAMIS eligible children and pregnant women reside in families whose circumstances have also changed. These families may not realize they have become eligible or may have no prior experience of public programs or may feel embarrassed to apply.

In an effort to reach out to this new and growing population, staff continued their partnership with the Rapid Response team, now under the administration of the Department of Labor, Employment and Training Administration by providing targeted outreach materials and training assistance. Staff also formed partnerships with the Central Virginia Legal Aid Society and with the Richmond Kickers. In addition, staff provided ongoing statewide support to Virginia's Workforce Centers and partnered with Henrico County Schools to promote a FAMIS Teen poster competition on the FAMIS website. Henrico students selected the winning poster, which remained on the website for a period of three months.

During the fall of 2009, DMAS coordinated the annual Back-to-School campaign and Back-to-School mailing. This included printing FAMIS flyers and free and reduced lunch approval letter inserts that were distributed to over 900 Title I and PASS schools across the state for inclusion in students' Back-To-School packets. Staff participated in Back-to-School outreach events across the state, contributed FAMIS materials to projects such as the YMCA sponsored Bright Beginnings back pack giveaway in Metro Richmond, and lent support to community events throughout Virginia. Although there was no budget allowance in SFY 2010 to conduct a media buy, staff leveraged free media coverage to a targeted Spanish speaking population. Staff successfully secured print adds in a Spanish newspaper with circulation in Harrisonburg, Roanoke, Richmond, Charlottesville, Crozet and Waynesboro and through a Spanish radio program on 1380 AM WBTK in Richmond.

DMAS continued to partner with the Virginia Health Care Foundation to fund four Project Connect grants to provide local application assistance in high need areas of the states and to provide SignUpNow (SUN) training for community outreach workers and advocates who wish to assist families and pregnant women to apply for FAMIS. In addition to the online training modules, in spring 2010, three training workshops were conducted across the state providing training for more than 100 advocates.

CONCLUSION

While an important source of support for Virginia's Title XXI Children's Health Insurance Program, the FAMIS Trust Fund contributes a relatively small portion of the program's budget. In SFY 2010, the FAMIS Trust Fund contribution of $14,065,876 represented 5.6% of the $252,829,898 total costs of Virginia's Title XXI Children's Health Insurance Program. The federal allotment contributed 65.6% of the costs. The remaining 28.9% came from state general fund dollars.

Virginia's Title XXI Children's Health Insurance Program provided health care coverage for 5% of the children in the Commonwealth in SFY 2010. Enrollment continued to increase, but at a slower rate than previous years. Net enrollment of children in CHIP increased by 3% in SFY 2010 compared to 7% in SFY 2009. Enrollment in the FAMIS program decreased from 56,464 children on July 1, 2009 to 54,175 children on July 1, 2010, while enrollment in the CHIP Medicaid Expansion increased from 39,717 children to 45, 258 children. Enrollment in the FAMIS MOMS program for pregnant women increased by 10% to 1,223 women on July 1, 2010. Enrollment in the FAMIS *Select* premium assistance program decreased from 451 children to 405 children. As a result of the economic downturn, DMAS believes that many children that may have previously been eligible for the FAMIS (CHIP) program are now being enrolled in the FAMIS Plus (children's Medicaid) program. Anecdotal evidence suggest that as a result of the economic downturn, families now eligible for FAMIS may not be aware of the public health care options available to them. With reduced funding for marketing and outreach, DMAS staff worked to develop innovative and cost effective strategies to publicize FAMIS.