



COMMONWEALTH of VIRGINIA

Department of Medical Assistance Services

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December 1, 2011


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: Cynthia B. Jones 

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, the number of children served by this program, the costs of such services, and any issues related to FAMIS that may need to be addressed.

I have enclosed for your review a copy of the report for Fiscal Year 2011. Should you have any questions or need additional information, please feel free to contact me at (804) 786-8099.

Enclosure

cc: The Honorable William A. Hazel, Jr., MD

**Report on the Status of the
Virginia Family Access to Medical Insurance Security Plan Trust Fund**



Virginia Department of Medical Assistance Services
December 2011

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 (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, beginning with the 2005 Acts of the Assembly, budget 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 Children's Health Insurance Program under Title XXI of the Social Security Act. Table 1 provides a history of deposits into and expenditures out of the Trust Fund for FY 1998 through FY 2011. 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
FY 2011	\$14,065,627	(\$14,065,627)	\$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 but then decreased in FY 2011 back to the original amount funded for the year.

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 890, 2011 Acts of the Assembly

ENROLLMENT

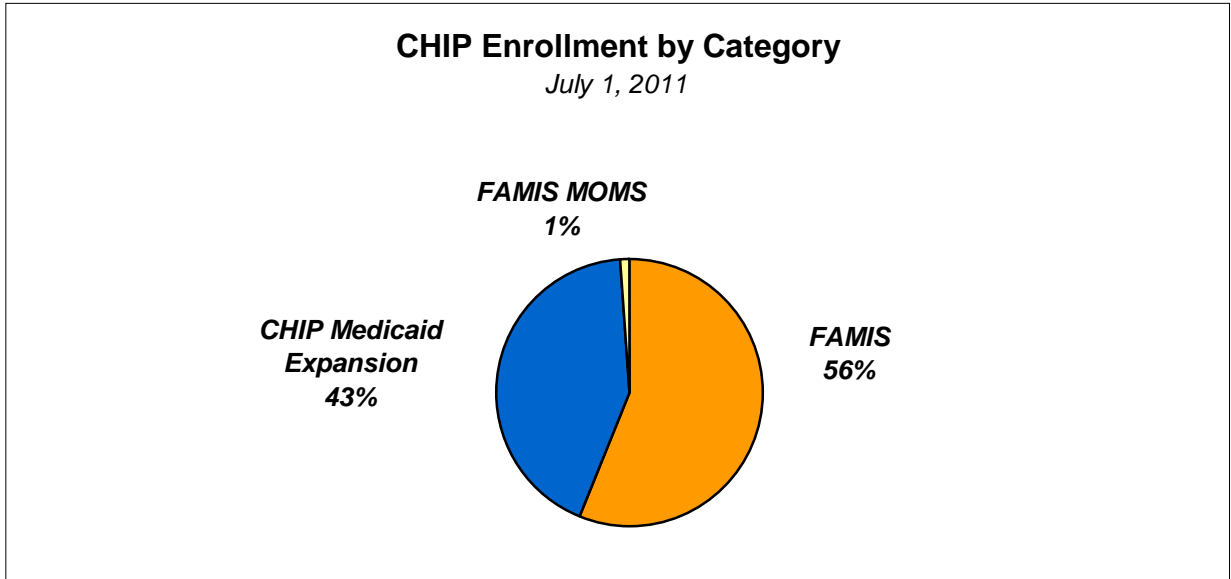
The FAMIS program was established in the summer of 2001 as Virginia’s Title XXI Children’s Health Insurance Program (CHIP), replacing the Children’s Medical Security Insurance Plan (CMSIP). Prior to FY 2003, all of the children enrolled in Virginia’s Title XXI plan were enrolled in the FAMIS program (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 (FPL) 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 Title XXI CHIP program provides health care coverage for approximately 5% of children in the Commonwealth.

Virginia’s CHIP program was expanded under a demonstration waiver 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. The intent of this 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 a child eligible for FAMIS. The income eligibility limit for the FAMIS MOMS program increased incrementally over the years to 200% FPL effective July 1, 2009.

Also under the demonstration waiver, FAMIS *Select* 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 the standard FAMIS program. Less than 1% children enrolled in FAMIS received services under the FAMIS *Select* option.

Over half (56%) of the individuals covered by Virginia’s Title XXI CHIP program are children enrolled in the FAMIS program. An additional 43% are children enrolled in the CHIP Medicaid Expansion. The remaining 1% are pregnant and postpartum women enrolled in the FAMIS MOMS program. See Figure 1.

Figure 1



Source: VaMMIS (Virginia Medicaid Management Information System) 07-01-11.

During FY 2011, enrollment in the CHIP program increased by 9.7%, from 99,433 children at the beginning of the fiscal year to 109,043 children at the end of the fiscal year. Most of the growth occurred in FAMIS, the separate CHIP program. FAMIS enrollment increased by 14.3% while the CHIP Medicaid Expansion enrollment increased by 4.1%. FAMIS MOMS enrollment increased by 9.0%, from 1,223 to 1,333 women. Information on the number of children and pregnant women enrolled in the Children’s Health Insurance Program on July 1 of 2010 and 2011 is shown in Table 3 below.

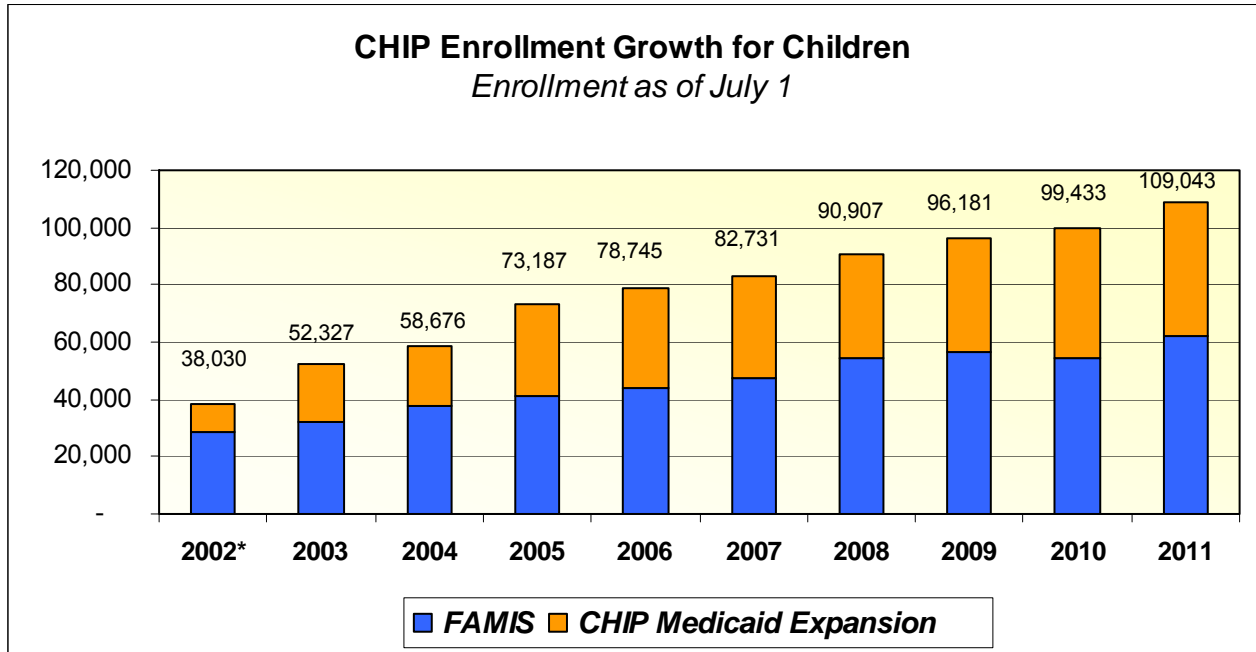
Table 3
CHIP Enrollment

PROGRAM	INCOME	# Enrolled As of 07-01-10	# Enrolled As of 07-01-11	Total Growth	% Growth
FAMIS (Children ≤18 years)	>133% to ≤ 200% FPL	54,175	61,907	7,732	14.3%
CHIP MEDICAID EXPANSION (Children 6 - 18 years)	>100% to ≤ 133%FPL	45,258	47,136	1,878	4.1%
TOTAL CHIP Children		99,433	109,043	9,610	9.7%
FAMIS MOMS (Pregnant women)	>133% to ≤ 200% FPL	1,223	1,333	110	9.0%
TOTAL CHIP		100,656	110,376	9,720	8.8%

Source: VaMMIS (Virginia Medicaid Management Information System) 07-01-11.

With the economic downturn, CHIP enrollment continues to grow at a greater rate than that of the Commonwealth's child population. Figure 2 shows the CHIP enrollment growth for children from July 1, 2003 (first year of program changes) through July 1, 2011.

Figure 2



* As of September 1, 2002

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

COST OF SERVICES

The Title XXI CHIP program is supported by a combination of federal and state funds. During FY 2011, the federal share was 65 percent. The Commonwealth's share of CHIP program funding comes from the FAMIS Trust Fund, state general funds, the Robert Wood Johnson Foundation *Maximizing Enrollment* grant, and for the first time in FY 2011 the Virginia Health Care Fund. The FAMIS Trust Fund provides 32% of the Commonwealth's share of costs for FAMIS medical services and 5.2% of the total costs for the CHIP program as a whole. Table 4 shows the expenditures for the CHIP program by source for FY 2011.

Table 4
Total CHIP Expenditures in FY 2011

	FAMIS Trust Fund	Health Care Fund	General Fund	Federal Fund	Total
FAMIS Medical	\$14,065,627	\$1,750,471	\$27,863,986	\$82,191,979	\$125,872,062
FAMIS MOMS			\$5,602,117	\$10,403,932	\$16,006,049
FAMIS Administrative*			\$2,974,275	\$5,604,371	\$8,578,647
CHIP Medicaid Expansion Medical			\$42,213,636	\$80,010,752	\$122,224,387
Total	\$14,065,627		\$78,654,014	\$178,211,034	\$272,681,145

Source: DMAS Staff Analysis, Commonwealth Accounting and Reporting System (CARS) of expenditures and revenue transfers
*FAMIS Administrative expenditures include \$390,052 in General Fund expenditures incurred by DSS for eligibility determinations.

POTENTIAL ISSUES DURING THE 2012-2014 BIENNIUM

Waiver for FAMIS MOMS and FAMIS Select

The federal demonstration waiver authorizing the FAMIS MOMS and FAMIS *Select* programs expires June 29, 2013. If the Centers for Medicare & Medicaid Services declines to renew the waiver for an additional three years, Virginia will have the option to increase income eligibility for pregnant women under Medicaid from 133% to 185% FPL and cover pregnant women with family income from 185% to 200% under the CHIP state plan without a waiver. The primary drawback to this approach is a decrease in federal match, from 65% under CHIP to 50% under Medicaid.

To replace FAMIS *Select*, Virginia could add a premium assistance program for the FAMIS population comparable to the Medicaid health insurance premium payment program for children. Administration of this approach is more complex than for FAMIS *Select*.

Health Care Reform

Several components of the Patient Protection and Affordable Care Act (ACA) will impact Virginia's Title XXI CHIP program during the 2012–2014 biennium.

- In order to continue receiving federal Medicaid funds, the ACA requires that Virginia ***maintain current income eligibility level of 200% FPL*** for children in CHIP through September 30, 2019. Virginia has the ***option*** to expand the CHIP ***income eligibility level up to 300% FPL, however, this expansion must take place before January 1, 2014*** as states will not be able to expand CHIP income eligibility limits after December 31, 2013.
- CHIP ***enhanced FMAP will increase by 23 percentage points*** starting October 1, 2015, through September 30, 2019. Thus, the ***federal match rate for FAMIS starting October 1, 2015 is projected to be 88 percent***.
- The ACA gives states the ***option*** to expand CHIP eligibility to include qualified ***children who are eligible to be covered under the state employees' health plan***.

By January 1, 2014:

- Children currently covered under the ***CHIP Medicaid Expansion will move to Medicaid***. A final interpretation is not yet available, however, the Centers for Medicare and Medicaid Services (CMS) anticipates that states can continue to receive the CHIP enhanced federal funding match rate for this population.
- States must determine eligibility for CHIP, as well as for Medicaid and subsidized health insurance coverage, using the same ***modified adjusted gross income (MAGI) standard*** that is based on the Department of Treasury definitions of household and countable income. While the proposed MAGI methodology is designed to be as comparable to Medicaid eligibility methodology as feasible, there will be some differences. The impact on FAMIS eligibility is undetermined, however, it is expected that some children currently enrolled in FAMIS will move to Medicaid and some children currently eligible for Medicaid will enroll in FAMIS due to the new income methodology.
- Uninsured ***parents*** of children eligible for FAMIS will be able to obtain ***subsidized health insurance coverage*** through a Basic Health Plan or the Health Benefit Exchange. The Commonwealth will need to have a ***single, streamlined application and process*** for determining eligibility for Medicaid, FAMIS, and health insurance subsidies.

These changes will allow the FAMIS program to continue providing appropriate and affordable health care to children in families with low income in an economically responsible manner.