



COMMONWEALTH of VIRGINIA
Department of Medical Assistance Services

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January 10, 2014

MEMORANDUM

TO: The Honorable Robert F. McDonnell
Governor of Virginia

The Honorable Walter A. Stosch
Chairman, Senate Finance Committee

The Honorable Lacey E. Putney
Chairman, House Appropriations Committee

The Honorable Linda T. Puller
Chair, Joint Commission on Health Care

FROM: Cynthia B. Jones

A handwritten signature in black ink, appearing to read "Cynthia 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 with regard to the Virginia Family Access to Medical Insurance Security (FAMIS) Plan Trust Fund:

C. The Director of the Department of Medical Assistance Services shall report annually on December 1 to the Governor, the General Assembly, and the Joint Commission on Health Care on the status of the Fund, the number of children served by this program, the costs of such services, and any issues related to the Virginia Family Access to Medical Insurance Security Plan that may need to be addressed.

Enclosure

pc: The Honorable William A. Hazel, Jr., M.D., Secretary of Health and Human Resources

**Department of Medical Assistance Services
Annual Report to the Governor, the General Assembly
and the Joint Commission on Health Care**

The Virginia Family Access to Medical Insurance Security (FAMIS) Plan Trust Fund

December 2013

Report Mandate

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Background

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.

Status of the Fund

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 2013. Table 2 provides the appropriated amounts for the 2012-2014 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
FY 2012	\$14,065,627	(\$14,065,627)	\$0
FY 2013	\$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 2013 – FY 2014

State Fiscal Year	Total
FY 2013	\$14,065,627
FY 2014	\$14,065,627

Source: Chapter 806, 2013 Acts of the Assembly

Enrollment

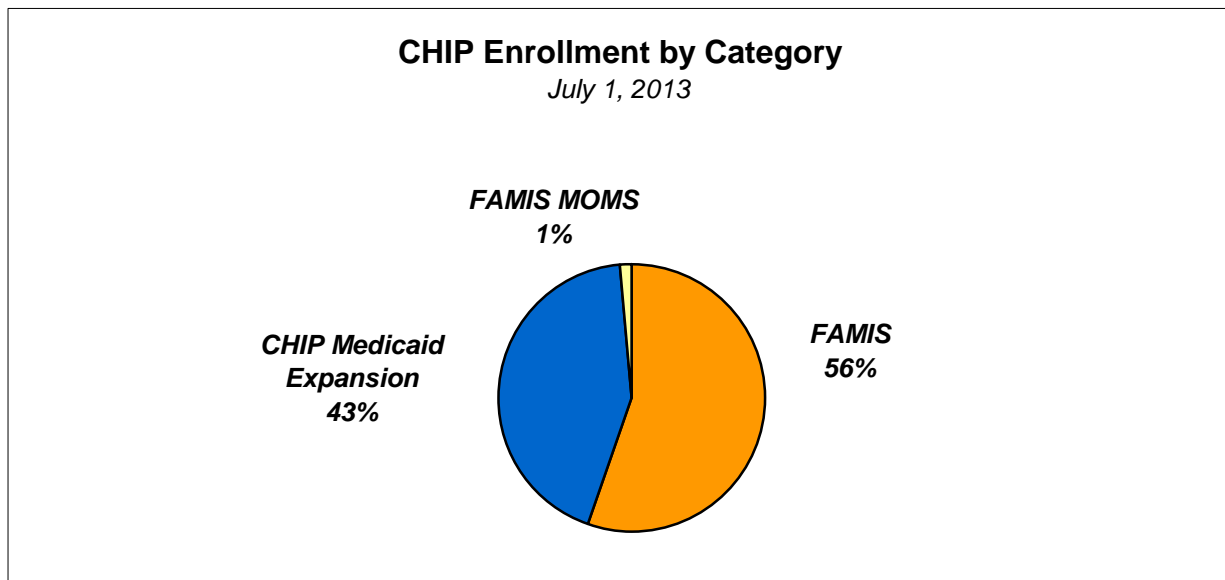
The FAMIS program was established in the summer of 2001 as Virginia’s Title XXI Children’s Health Insurance Program (CHIP), replacing the Children’s Medical Security Insurance Plan (CMSIP). Prior to FY 2003, all of the children enrolled in Virginia’s Title XXI plan were enrolled in the FAMIS program (or previously the CMSIP program). Beginning in FY 2003, children age six 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 made in

order to standardize the Medicaid FPL for all children under 19 and to prevent families from having children enrolled in two different programs (i.e., children under the age of six enrolled in Medicaid and children age six and over in the same family enrolled in FAMIS). Although these children were transitioned to Medicaid, Virginia continues to receive enhanced federal funding under the federal CHIP program for this population. This program is referred to as the CHIP Medicaid “Expansion;” however, this program has no relation to the expansion of Medicaid eligibility for adults available through the Patient Protection and Affordable Care Act (PPACA).

On August 1, 2005, 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. 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.

At any point in time in the year, Virginia’s Title XXI CHIP program provides health care coverage for approximately 6% of all children in the Commonwealth or approximately 19% of all children covered by the Department through Medicaid and FAMIS. 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: Virginia Medicaid Management Information System 07-01-13.

Note: the “CHIP Medicaid Expansion” has no relation to the expansion of Medicaid eligibility available through the Patient Protection and Affordable Care Act

After 10 years of growth, FAMIS enrollment is relatively stable. During FY 2013 enrollment of children in CHIP programs decreased slightly, from 114,782 children to 114,503 children. A 1.3% decrease in FAMIS enrollment, from 65,027 children to 64,201 children, was largely offset by a 1.1% increase in CHIP Medicaid Expansion enrollment. FAMIS MOMS enrollment continued to grow with an increase of 2.0% comparing July 1, 2012 enrollment of 1,581 women to July 1, 2013 enrollment of 1,613 women. Information on the number of children and pregnant women enrolled in the Children's Health Insurance Program on July 1 of 2012 and 2013 is displayed in Table 3 below.

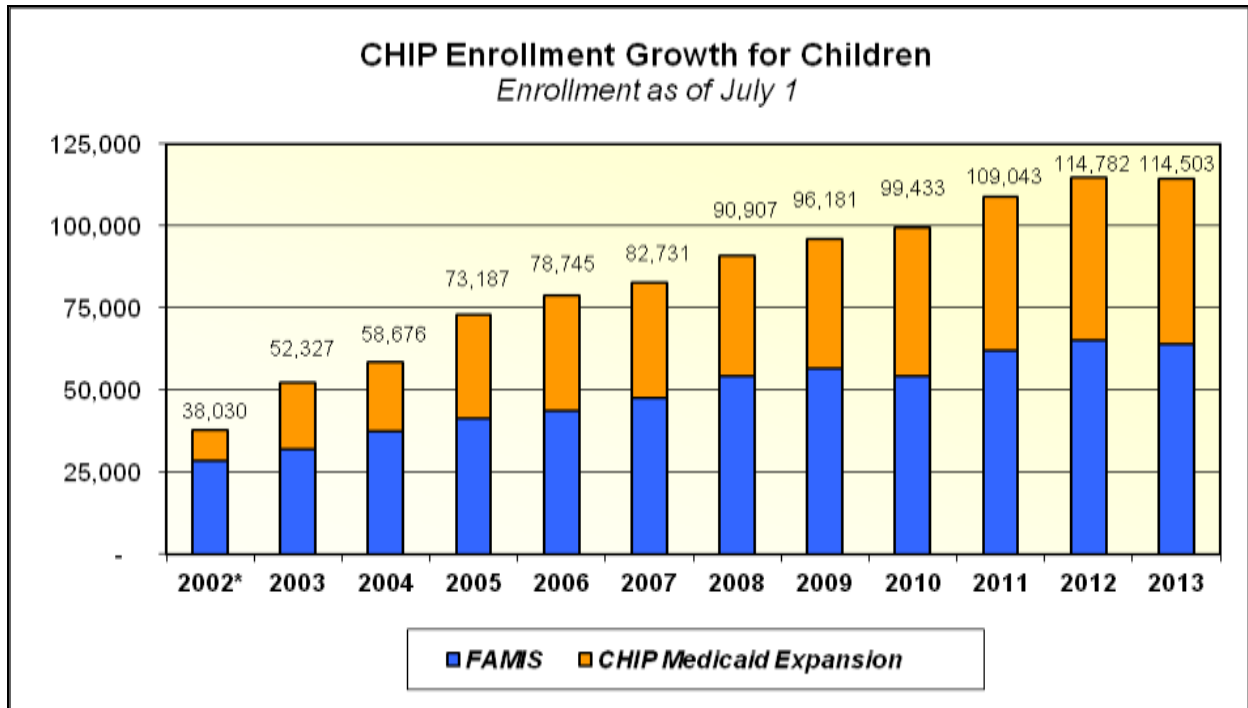
Table 3
CHIP Enrollment

PROGRAM	INCOME	# Enrolled As of 07-01-12	# Enrolled As of 07-01-13	Total Change	% Change
FAMIS (Children ≤18 years)	>133% to ≤ 200% FPL	65,027	64,201	-826	-1.3%
CHIP MEDICAID EXPANSION (Children 6 - 18 years)	>100% to ≤ 133%FPL	49,755	50,302	547	1.1%
TOTAL CHIP Children		114,782	114,503	-279	-0.2%
FAMIS MOMS (Pregnant women)	>133% to ≤ 200% FPL	1,581	1,613	32	2.0%
TOTAL CHIP		116,363	116,116	-247	-0.2%

Source: Virginia Medicaid Management Information System

Figure 2 displays the CHIP enrollment growth for children from July 1, 2003 (first year of program changes) through July 1, 2013.

Figure 2



* As of September 1, 2002

Source: DMAS staff analysis, 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 2013, the federal share of program funds was 65 percent. The Commonwealth’s share of CHIP program funding came from the FAMIS Trust Fund and the state general fund. In addition, the Robert Wood Johnson Foundation *Maximizing Enrollment* grant supported enrollment and retention strategies. The FAMIS Trust Fund provided 28% of the Commonwealth’s share of costs for FAMIS medical services and 4.8% of the total costs for the CHIP program. Table 4 shows the expenditures for the CHIP program by source for FY 2013.

Table 4
Total CHIP Expenditures in FY 2013

Expenditure Category	FAMIS Trust Fund	General Fund	Federal Fund	Total
FAMIS Medical	\$14,065,627	\$36,226,512	\$92,915,210	\$143,207,349
FAMIS MOMS		\$6,658,723	\$12,366,200	\$19,024,923
FAMIS Administrative*		\$3,918,780	\$7,419,539	\$11,338,319
CHIP Medicaid Expansion Medical		\$41,430,417	\$77,861,966	\$119,292,383
Total	\$14,065,627	\$88,234,432	\$190,562,915	\$292,862,974

*FAMIS Administrative expenditures include \$746,284 in General Fund expenditures incurred by DSS for eligibility determinations.
Source: DMAS Staff Analysis, Commonwealth Accounting and Reporting System (CARS) of expenditures and revenue transfers

CHIPRA Performance Bonus

The Children's Health Insurance Program Reauthorization Act of 2009 (CHIPRA) established performance bonuses for states to support the enrollment and retention of eligible children in Medicaid and CHIP. Performance bonuses provide additional federal funding for qualifying States that have taken specific steps to simplify Medicaid and Children's Health Insurance Program (CHIP) enrollment and renewal procedures by implementing at least five of eight identified processes. In addition, states must also increase enrollment of children in Medicaid above a state-specific baseline level. Virginia was awarded a second CHIPRA performance bonus for Federal Fiscal Year (FFY) 2012 of \$19,973,322 in December 2012. At the writing of this report, the Department is awaiting information about the FFY 2013 CHIPRA performance bonuses which is the final year that these bonuses are available to states.

Program Changes

The Patient Protection and Affordable Care Act (PPACA) created a new methodology for determining income eligibility for FAMIS and FAMIS MOMS as well as for Medicaid called Modified Adjusted Gross Income (MAGI). DMAS implemented the new methodology on October 1, 2013. This change is not expected to have a significant impact on FAMIS enrollment.

Also as of October 1, 2013, Virginia began using a Virginia version of the new single streamlined application for insurance affordability programs required by the Centers for Medicare and Medicaid Services (CMS) and implemented a new eligibility and enrollment system, VaCMS, for both the Medicaid and FAMIS programs. A new website, www.coverva.org, was also launched to provide information to Medicaid and FAMIS applicants and enrollees about the health coverage benefits and how to apply. It includes an eligibility screening calculator and a direct link to the Virginia Department of Social Services (VDSS) online application, CommonHelp. In addition, a new call center, *Cover Virginia*, was opened on October 1, 2013, to take telephonic applications and provide assistance to Medicaid and FAMIS applicants and enrollees as required by the PPACA. Because of these changes, as of October 1,

2013, the FAMIS Central Processing Unit (CPU) no longer processes new applications for FAMIS or FAMIS MOMS. All new applications for both Medicaid and the FAMIS programs are now processed at local Departments of Social Services (LDSS) utilizing the new VaCMS system, and once enrolled, these FAMIS cases will be maintained at a LDSS agency. Currently enrolled FAMIS and FAMIS MOMS cases will begin to transition from the FAMIS CPU to LDSS on a monthly basis, starting with cases due for annual renewal in April 2014. Once this transition is completed, there will be no Centralized Processing Unit for FAMIS cases.

Beginning January 1, 2014, pregnant women in the FAMIS MOMS income range will be eligible to obtain federally subsidized health insurance coverage through the Health Insurance Marketplace (formerly called the Health Benefits Exchange); therefore, starting in January 2014, the FAMIS MOMS program will be phased out, per the 2013 Appropriation Act language below:

Notwithstanding §32.1-325, et seq. and §32.1-351, et seq. of the Code of Virginia, and effective upon the availability of subsidized private health insurance offered through a Health Benefits Exchange in Virginia as articulated through the federal Patient Protection and Affordable Care Act (PPACA), the Department of Medical Assistance Services shall eliminate, to the extent not prohibited under federal law, Medicaid Plan First and FAMIS Moms program offerings to populations eligible for said subsidized coverage in order to remove disincentives for subsidized private healthcare coverage through publicly-offered alternatives. To ensure, to the extent feasible, a smooth transition from public coverage, DMAS shall endeavor to phase out such coverage for existing enrollees once subsidized private insurance is available through a Health Benefits Exchange in Virginia. The department shall implement any necessary changes upon federal approval and prior to the completion of any regulatory process undertaken in order to effect such change.

In response to the Appropriation Act, the Department of Medical Assistance Services plans to stop accepting applications for FAMIS MOMS after December 31, 2013. Beginning on January 1, 2014, pregnant women with family income above the income limit for Medicaid will be referred to the Health Insurance Marketplace for health care coverage. For women with a begin date of coverage prior to January 1, 2014, FAMIS MOMS coverage will continue throughout their pregnancy and postpartum periods. FAMIS MOMS accounted for only 1.4% of the total CHIP enrollment at the end of FY 2013 and 6.5% of the total CHIP expenditures during FY 2013. The FAMIS Trust Fund has not been used to support the FAMIS MOMS program; therefore, the changes in FAMIS MOMS enrollment that will occur starting January 1, 2014 will not impact FAMIS Trust Fund expenditures.

Summary

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. 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. The moneys in the Trust Fund are used in lieu of state general funds to draw down federal funds to cover a portion of the costs incurred in the Commonwealth's Children's Health Insurance Program under Title XXI of the Social Security Act.

After 10 years of growth, FAMIS enrollment is relatively stable. During FY 2013 enrollment in the FAMIS program decreased slightly, from 65,027 children at the beginning of the fiscal year to 64,201 children at the end of the fiscal year.

As directed by the 2013 Appropriation Act, DMAS will phase out the FAMIS MOMS program for pregnant women beginning January 1, 2014. This will not impact the number of children served by FAMIS or the FAMIS Trust Fund.