



# COMMONWEALTH of VIRGINIA

## Department of Medical Assistance Services

December 1, 2015

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DIRECTOR

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### MEMORANDUM

**TO:** The Honorable Terence R. McAuliffe  
Governor of Virginia

The Honorable Walter A. Stosch  
Co-Chairman, Senate Finance Committee

The Honorable Charles J. Colgan  
Co-Chairman, Senate Finance Committee

The Honorable S. Chris Jones  
Chairman, House Appropriations Committee

The Honorable John M. O'Bannon, III  
Chair, Joint Commission on Health Care

**FROM:** Cynthia B. Jones

A handwritten signature in blue ink that reads "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 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***

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**December 2015**

**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 monies 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 monies 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. Chapter 665 of the 2015 *Acts of Assembly* again appropriated \$14,065,627 for each year of the biennium.

## **Enrollment**

The FAMIS program was established in 2001 as Virginia's Title XXI Children's Health Insurance Program (CHIP), replacing the Children's Medical Security Insurance Plan (CMSIP). With this change, the program's income limit was also raised to 200% of the federal poverty level (FPL). 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, in families with income between 100% and 133% 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). 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). Virginia continued to receive enhanced federal funding under the federal CHIP program (65% in SFY 15) for this population.

In October 2013, Virginia implemented a new methodology for determining income eligibility for FAMIS and Medicaid, called Modified Adjusted Gross Income (MAGI). At that time, the upper income eligibility level for the CHIP Medicaid Expansion group and the lower income eligibility level for FAMIS, were increased to income between 109% and 143% FPL.

On August 1, 2005, Virginia's CHIP program was expanded under a demonstration waiver to include coverage of income-eligible pregnant women. This program expansion, called FAMIS MOMS, provides 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 and with the change to MAGI methods, the income eligibility limit for FAMIS MOMS reached 210% FPL.

Beginning January 1, 2014, pregnant women in the FAMIS MOMS income range were eligible to obtain federally subsidized health insurance coverage through the federal Health Insurance Marketplace (formerly called the Health Benefits Exchange); steps were taken to phase out the FAMIS MOMS program, per the 2013 Appropriation Act, and pregnant women with family income above the income limit for Medicaid were instead referred to the Health Insurance Marketplace for health care coverage. Subsequently, FAMIS MOMS enrollment dropped from 1,613 on July 1, 2013 to a low of seven on November 1, 2014. However, the 2014 Appropriations Act reinstated funding for FAMIS MOMS and, following receipt of appropriate federal approvals, enrollment was reinstated December 1, 2014 with an income limit of 200% FPL. By July 1, 2015, FAMIS MOMS was at 962. The FAMIS Trust Fund has not been used to support the FAMIS MOMS program.

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 (55.6%) of the individuals covered by Virginia's Title XXI CHIP program are children enrolled in the FAMIS program. An additional 44.1% are children enrolled in the CHIP Medicaid Expansion. The remaining 0.3% is pregnant and postpartum women enrolled in the FAMIS MOMS program.

After 10 years of growth, FAMIS enrollment of children is showing some decline. During SFY 2015 enrollment of children in CHIP programs decreased 7.2% from 114,982 to 106,645 children. The decrease was more profound in the FAMIS group than in CHIP Medicaid Expansion enrollment. Implementation of the MAGI methodologies raised the lower income level for FAMIS from 133% to 143% FPL, resulting in a group of children shifting from FAMIS to Medicaid. Suspending enrollment in FAMIS MOMS also resulted in a loss of newborns deemed eligible for FAMIS during much of calendar year 2014. During this same period children’s Medicaid enrollment grew by about 4%. Information on the number of children and pregnant women enrolled in CHIP on July 1 of 2014 and 2015 is displayed in the table below:

**CHIP Enrollment**

PROGRAM	INCOME	# Enrolled As of 07-01-14	# Enrolled As of 07-01-15	Total Change	% Change
FAMIS (Children ≤18 years)	>143% to ≤ 200% FPL*	63,698	57,505	- 6,193	-9.7%
CHIP MEDICAID EXPANSION (Children 6 - 18 years)	>100% to ≤ 143%FPL*	51,284	49,140	-2,144	-4.2%
<b>TOTAL CHIP Children</b>		<b>114,982</b>	<b>106,645</b>	<b>-8,337</b>	<b>-7.2%</b>
FAMIS MOMS (Pregnant women)	>143% to ≤ 200% FPL**	287	962	675	235%
<b>TOTAL CHIP Enrollees</b>		<b>115,269</b>	<b>107,607</b>	<b>-7,662</b>	<b>-6.6%</b>

\*Income level changed from 133% FPL to 143% FPL effective 10/1/2013 - present

\*\*Upper income level set at 210% FPL effective 10/1/2013 – 12/31/2013

Source: 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 2015, 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. The FAMIS Trust Fund provided 14% of the Commonwealth’s share of costs for FAMIS medical services and 4.7% of the total costs for the CHIP program. The table below shows the expenditures for the CHIP program by source for FY 2015:

**Total CHIP Expenditures in FY 2015**

Expenditure Category	FAMIS Trust Fund	General Fund	Federal Fund	Total
FAMIS Medical	\$14,065,627	\$36,776,657	\$96,907,187	\$147,749,471
FAMIS MOMS		\$1,531,638	\$2,844,471	\$4,376,109
FAMIS Administrative*		\$6,249,046	\$11,589,060	\$17,838,105
CHIP Medicaid Expansion Medical		\$44,057,693	\$84,254,524	\$128,312,218
Total	\$14,065,627	\$88,615,034	\$195,595,242	\$298,275,903

Source: DMAS Staff Analysis, Commonwealth Accounting and Reporting System (CARS) of expenditures and revenue transfers

The Affordable Care Act (ACA) reauthorized the CHIP program through FFY 2019 and provided for an additional 23 percentage point increase in federal match FFY 2016 through FFY 2019; bringing Virginia's enhanced federal CHIP match rate to 88%. While the ACA reauthorized the program through FFY 2019, it was only funded through FFY 2015. With the passage in April 2015 of the Medicare Access and CHIP Reauthorization Act (MACRA), CHIP's federal funding was extended through FFY 2017. Congressional action will be needed again to fund CHIP through FFY 2019.

### **Program Changes and Challenges**

Virginia has continued to utilize the single streamlined application for insurance affordability programs required under the PPACA. In August 2014, additional enhancements to VaCMS, Virginia's eligibility and enrollment system were implemented to support self-directed eligibility determinations. This streamlines enrollment for clients whose applications include the information necessary to have their eligibility determined based on verification through the federal data hub. Also in August 2014, the Cover Virginia call center began operating as a central processing unit (CPU). The CPU processed the remaining applications for individuals who initially applied for coverage through the federal Marketplace. In SFY 15 the Cover Virginia CPU processed all applications referred from the federal Marketplace. The Cover Virginia call center continues to take telephonic applications and as of April 2015, the CPU also processes the majority of those telephonic applications to eligibility determination and enrollment.

The required four-month uninsured waiting period prior to enrollment in FAMIS was eliminated in July 2014. In September 2014, Governor Terry McAuliffe announced his Healthy Virginia plan that included a goal of enrolling 35,000 more children in FAMIS or Medicaid by the end of calendar year 2016. Marketing and enhanced outreach activities have been launched to meet this goal including the development of a new ad campaign for FAMIS. In addition, the Governor directed the necessary steps be taken to allow dependents of state employees who are otherwise eligible for FAMIS to enroll in the program; over 550 children were enrolled in FAMIS as part of a targeted campaign during the Commonwealth's open enrollment period for the 2015 plan year.

The primary challenge for Virginia's CHIP program is an unknown future. As noted above, although the program is currently authorized through FFY 2019, the federal funding authority expires at the end of FFY 2017. While the program has benefited from bipartisan support both at the state and federal levels, continued funding for CHIP hinges somewhat on the extent to which it can be demonstrated that comparable children's coverage is or is not available in plans offered and purchased through the Health Insurance Marketplace. An analysis by the General Accounting Office\* of data from five states found that costs from deductibles, copayments, coinsurance, and premiums were almost always less for CHIP plans when compared to states' benchmark plans. Congressional leaders are looking to the Secretary of Health and Human Services for the results of her Department's evaluation of all states' data.

**Summary**

The FAMIS Trust Fund provides monies in lieu of general funds to draw down federal funds, covering a portion of the costs incurred by the program. At this time, the FAMIS program continues to provide an opportunity for low-income children to access health insurance coverage that otherwise they may not have because of affordability and coverage gaps. DMAS will continue to promote enrollment through marketing and outreach, and will continue to monitor enrollment trends and challenges to identify opportunities for improvement.

\*GAO-15-323