



# COMMONWEALTH of VIRGINIA

## *Department of Medical Assistance Services*

December 1, 2016

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DIRECTOR

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### MEMORANDUM

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

The Honorable Thomas K. Norment, Jr.  
Co-Chairman, Senate Finance Committee

The Honorable Emmett W. Hanger, Jr.  
Co-Chairman, Senate Finance Committee

The Honorable S. Chris Jones  
Chairman, House Appropriations Committee

The Honorable Charles W. Carrico  
Chair, Joint Commission on Health Care

**FROM:** Cynthia B. Jones

A handwritten signature in black ink that reads "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

ADMINISTERING MEDICAID AND THE STATE CHILDREN'S HEALTH INSURANCE PROGRAM IN VIRGINIA



**DMAS' mission is to provide a system of high quality and cost effective health care services to qualifying Virginians and their families.**

The Medicaid program, signed into law by President Lyndon B. Johnson on July 30, 1965, celebrated its 50<sup>th</sup> year in 2015.

Medicaid is a joint federal and state program authorized under Title XIX of the Social Security Act that provides health and long-term care coverage for specific groups of Virginians with low incomes. In Virginia, Medicaid is administered by the Department of Medical Assistance Services (DMAS) and is jointly funded by Virginia and the federal government. Virginia's federal matching rate, known as the Federal Medical Assistance Percentage (FMAP) is generally 50%, so Virginia receives \$1 of federal matching funds for every \$1 Virginia spends on Medicaid.

Medicaid is primarily available to children in families with low-income, pregnant women, elderly, individuals with disabilities, and parents below strict income limits.

DMAS also administers Virginia's Children's Health Insurance Program (CHIP) known as FAMIS. FAMIS covers children and pregnant women in families earning too much to qualify for Medicaid but too little to afford private insurance.

All states must follow federal Medicaid/CHIP guidelines regarding who is covered, but set their own income and asset eligibility criteria. Virginia's eligibility criteria are among the strictest in the nation.



## Department of Medical Assistance Services

### Annual Report to the Governor, the General Assembly and the Joint Commission on Health Care

**Report Mandate:** Section 32.1-352 C of the *Code of Virginia* requires, with regard to the Virginia Family Access to Medical Insurance Security (FAMIS) Plan Trust Fund, that 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."

#### 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 780 of the 2016 *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).

### Changes in Eligibility:

- 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, it has no relation to the expansion of Medicaid eligibility for adults made available through the Affordable Care Act (ACA).
- 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 is currently 210 percent FPL.
- In October 2013, as directed by ACA, 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 was changed to 143 percent 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, eligibility was reinstated December 1, 2014 with an income limit of 210 percent FPL. By July 1, 2015, enrollment in FAMIS MOMS was at 962

and reached 1,068 by July 1, 2016. The FAMIS Trust Fund has not been used to support the FAMIS MOMS program.

- In July 2014 the required four-month uninsured waiting period prior to enrollment in FAMIS was eliminated and in addition, as part of his Healthy Virginia Initiative, the Governor directed that necessary steps be taken to allow dependents of state employees who are otherwise eligible for FAMIS to enroll in the program.

#### Enrollment Trends:

- Historically, Virginia's Title XXI CHIP program provides health care coverage for approximately 6 percent of all children and in SFY 2016 approximately 18 percent of all children covered by the Department through Medicaid and FAMIS were covered through Title XXI. Over half (52.3%) of the individuals covered by Virginia's Title XXI CHIP program are children enrolled in the FAMIS program and 46 percent are children enrolled in the CHIP Medicaid Expansion. The remaining 1 percent is pregnant and postpartum women enrolled in the FAMIS MOMS program.
- After 10 years of steady growth, FAMIS enrollment of children showed some decline as SFY 2015 began. Enrollment of children in CHIP programs decreased 7.7 percent from 115,493 on July 1, 2013 to 106,602 children on July 1, 2014. The decrease was more profound in the FAMIS group than in CHIP Medicaid Expansion enrollment. Implementation of the MAGI methodologies mandated in the ACA 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%.
- 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 were launched to address this ambitious goal, including the development of a new media ad campaign for FAMIS. Marketing and outreach efforts had been significantly reduced for several years prior to this and in SFY 2016 enrollment has shown an increase of almost 4,000 children.

Information on the number of children and pregnant women enrolled in CHIP on July 1 of 2014, 2015, and 2016 is displayed in the table below:

### CHIP Enrollment

PROGRAM	INCOME	# Enrolled As of 07/01/14	# Enrolled As of 07/01/15	# Enrolled As of 07/01/16	# Change from SFY15	% Change from SFY15
FAMIS (Children ≤18 years)	>143% to ≤ 200% FPL*	64,447	57,584	59,108	1,524	2.6%
CHIP MEDICAID EXPANSION (Children 6 - 18 years)	>100% to ≤ 143%FPL*	51,046	49,018	51,468	2,450	5%
<b>TOTAL CHIP Children</b>		<b>115,493</b>	<b>106,602</b>	<b>110,578</b>	<b>3,976</b>	<b>3.7%</b>
FAMIS MOMS (Pregnant women)	>143% to ≤ 200% FPL**	287	962	1,086	124	13%
<b>TOTAL CHIP Enrollees</b>		<b>115,780</b>	<b>107,539</b>	<b>111,662</b>	<b>4,123</b>	<b>3.8%</b>

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

\*\*enrollment in FAMIS MOMS was stopped in mid-2013 and reinstated in December 2014.

**Source:** Virginia Medicaid Management Information System

### Cost of Services

The Title XXI CHIP program is supported by a combination of federal and state funds. Historically, the federal share of CHIP funding for Virginia was 65 percent. This enhanced match rate (Medicaid is matched at 50%) applies to both the FAMIS and the CHIP Medicaid Expansion program. The Commonwealth's share of CHIP program funding came from the FAMIS Trust Fund and the state general fund. In SFY 2015 the FAMIS Trust Fund provided 4.7 percent of the Commonwealth's share of the total costs for the CHIP program.

The Affordable Care Act reauthorized the CHIP program through FFY 2019 and provided for an additional 23 percentage point increase in federal match for FFY 2016 through FFY 2019; bringing Virginia's enhanced federal CHIP match rate to 88 percent as of October 2016. During the next 3 quarters of SFY 2016 the General Fund savings resulting from this ACA provision totaled just over \$50 million. 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 continue funding for CHIP beyond the end of this federal fiscal year. The table below shows the expenditures for the CHIP program by source for SFY 2016:

### Total CHIP Expenditures in FY 2016

Expenditure Category	FAMIS Trust Fund	General Fund	Federal Funds	Total
FAMIS Medical	\$14,065,627	\$11,227,669	\$119,584,156	\$144,877,452
FAMIS MOMS		\$1,725,704	\$12,655,164	\$14,380,868
FAMIS Administrative		\$3,568,073	\$12,552,184	\$16,120,257
CHIP Medicaid Expansion Medical		\$16,994,481	\$95,266,280	\$112,260,761
Total	\$14,065,627	\$33,515,928	\$240,057,784	\$287,639,338

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

### Program Changes and Challenges

Like Medicaid, Virginia's CHIP program has undergone significant changes in recent years to comply with various provisions of the Affordable Care Act. However, the primary challenge facing the program today is an uncertain future. As noted above, although the program is currently authorized through FFY 2019, the federal funding authority expires on September 30, 2017. While the program has benefited from bipartisan support both at the state and federal levels, continued funding for CHIP must be appropriated soon in order for the almost 112,000 children and pregnant women enrolled in FAMIS and FAMIS MOMs to continue receiving medical care through this program. If such federal funding is not available, the Commonwealth could choose to move these individuals into the Medicaid program, at a much lower federal match rate of 50 percent, resulting in significantly higher costs to the state. The other option would be to discontinue the program, although it is likely some carryover funds could sustain the program into early 2018. CHIP could also face significant programmatic changes depending on how the new administration moves to repeal and/or replace the Affordable Care Act.

### 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 high quality health care to many thousands of low-income children and pregnant women and is a vital component in Virginia's effort to protect their health. DMAS will continue to promote enrollment through marketing and outreach, and will continue to monitor enrollment trends and challenges to identify opportunities for improvement.