



# COMMONWEALTH of VIRGINIA

## *Department of Medical Assistance Services*

CYNTHIA B. JONES  
DIRECTOR

December 1, 2017

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### MEMORANDUM

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

The Honorable Thomas K. Norment  
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, Sr.  
Chair, Joint Commission on Health Care

**FROM:** Cynthia B. Jones

A handwritten signature in cursive script 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

# Annual Report on the Status of the Family Access to Medical Insurance Security (FAMIS) Plan Trust Fund – FY2017

*A Report to the Governor, General Assembly, and Joint Commission on Health Care*

*December 1, 2017*

## 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 monies in the Virginia Family Access to Medical Insurance Security (FAMIS) Plan Trust Fund are used, in lieu of state general funds, to draw down federal Title XXI funds to cover costs incurred in the Children's Health Insurance Program (CHIP). Virginia's CHIP program is called FAMIS. The Commonwealth's federal Title XXI/CHIP dollars support the FAMIS and FAMIS MOMS programs as well as a portion of Medicaid-enrolled children, known as the M-CHIP population.

The Trust Fund was established in the state treasury as a special non-reverting fund in 1997. 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. Language has been included in the Appropriation Act since 2003, mandating that interest earnings on the Trust Fund's balance shall remain in the state general fund.

## **Status of the Fund**

Beginning with the 2005 Acts of Assembly, budget language limits 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 criteria set forth in the *Code of Virginia*) were to exceed the limit, the amount exceeding the limit would be deposited in the general fund.

Chapter 836 of the 2017 Acts of Assembly appropriated \$14,065,627 for each year of the biennium.

## About DMAS and Medicaid

***DMAS' mission is to ensure Virginia's Medicaid enrollees receive high quality and cost effective health care.***

Medicaid plays a critical role in the lives of over a million Virginians, providing health care for those most in need. Medicaid enrollees include children, pregnant women, parents and care takers, older adults and individuals with disabilities. Virginians must meet income thresholds and other eligibility criteria before qualifying to receive Medicaid benefits.

Medicaid covers primary and specialty health care, inpatient care, and behavioral health and addiction and recovery treatment services. Medicaid also covers long term services and supports, making it possible for thousands of Virginians to remain in their homes or to access residential and nursing home care.

Quick Medicaid facts:

- Covers 1 in 8 Virginians
- Covers 1 in 3 births and 33% of children
- Supports 2 in 3 nursing facility residents

Virginia Medicaid and Children's Health Insurance Program (CHIP) are administered by the Department of Medical Assistance Services (DMAS) and are jointly funded by Virginia and the federal government under Title XIX and Title XXI of the Social Security Act. Virginia generally receives \$1 of federal matching funds for every \$1 Virginia spends on Medicaid.

## Eligibility in Virginia’s Title XXI/CHIP Programs

- The FAMIS program was established in 2001 as Virginia’s Title XXI CHIP program, replacing the Children’s Medical Security Insurance Plan (CMSIP). FAMIS provides health care coverage for children in households with incomes too high to qualify for Medicaid, but too low to otherwise afford high quality coverage. Currently, children age 18 and younger qualify for FAMIS if household income is between 143–200 percent of the federal poverty level (FPL).
- In the early years of FAMIS, there were different income thresholds depending on a child’s age. Families sometimes had children of different ages enrolled in two different programs: younger children in the state’s Medicaid program, and older children in FAMIS. In FY 2003, the Medicaid income eligibility ceiling for children ages six through 18 was raised to match the limit for younger children. The children who became newly eligible for Medicaid as a result of this change are referred to as the M-CHIP population. M-CHIP is a group of approximately 60,000 children ages six through 18 and between 100 and 143 percent of FPL. These children are enrolled in Virginia’s child Medicaid program, called FAMIS Plus, but their participation is funded with Title XXI CHIP dollars at a higher federal match rate than for Medicaid.
- On August 1, 2005, Virginia’s FAMIS program was expanded under a demonstration waiver to include coverage of income-eligible pregnant women. This program expansion, called FAMIS MOMS, provides vital prenatal and perinatal coverage to previously uninsured women who are within the CHIP/FAMIS income range (between 143–200 percent of FPL) and are likely to give birth to a child eligible for FAMIS.

### **Title XXI Enrollment**

In SFY 2017, approximately 19 percent of all children covered by the Department of Medical Assistance Services (DMAS) were covered with Title XXI/CHIP federal funds. Over half (53 percent) of the individuals covered by Virginia’s Title XXI CHIP dollars are children enrolled in the FAMIS program and 46 percent are children in the M-CHIP group enrolled in FAMIS Plus/Medicaid. The remaining one percent of participants are pregnant and postpartum women in the FAMIS MOMS program.

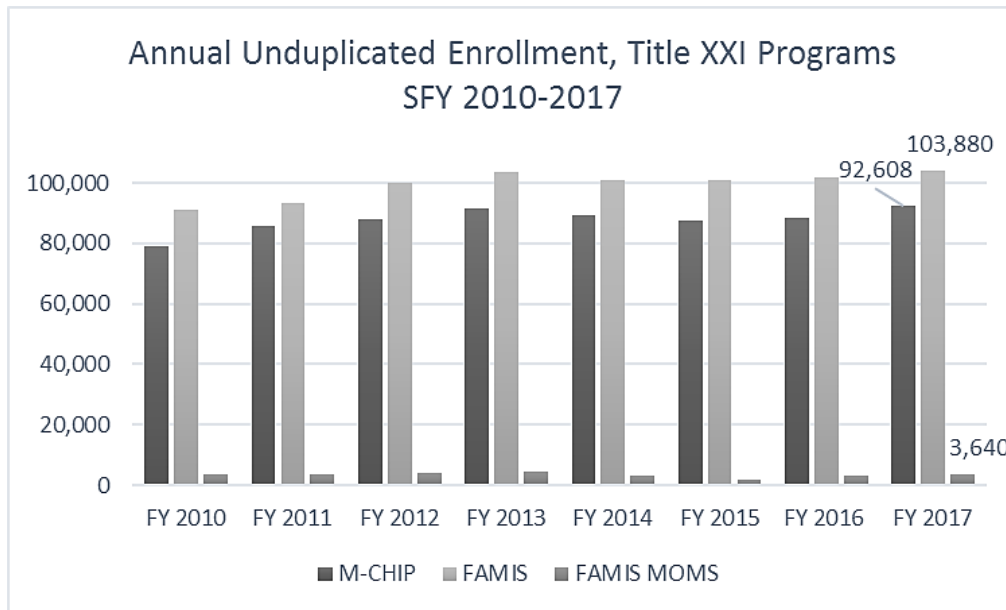
Monthly enrollment in Title XXI programs grew by 7.2 percent, or more than 8,000 participants, between July 1, 2016, and July 1, 2017. Information on the number of children and pregnant women enrolled in CHIP/Title XXI-funded programs on July 1 of 2015, 2016, and 2017 is displayed in the table below.

**CHIP Monthly Enrollment**

PROGRAM	INCOME	# Enrolled as of 7-1-15	# Enrolled as of 7-1-16	# Enrolled as of 7-1-17	# Change from SFY16	% Change from SFY16
FAMIS (Age ≤18 years)	>143% to 200% FPL	57,695	59,597	63,158	3,561	6.0%
M-CHIP (Age 6–18 years)	>100% to 143% FPL	49,018	51,468	55,896	4,428	8.6%
<b>TOTAL CHIP Children</b>		<b>106,713</b>	<b>111,065</b>	<b>119,054</b>	<b>7,989</b>	<b>7.2%</b>
FAMIS MOMS (Pregnant women)	>143% to 200% FPL	937	1,086	1,160	74	6.8%
<b>TOTAL CHIP Enrollees</b>		<b>107,650</b>	<b>112,151</b>	<b>120,214</b>	<b>8,063</b>	<b>7.2%</b>

**Source:** Monthly enrollment data from Virginia Medicaid Management Information System

The Commonwealth's *A Healthy Virginia* plan, announced in September 2014 by Governor McAuliffe, set ambitious goals for increasing enrollment of children in FAMIS and Medicaid. DMAS launched enhanced marketing and outreach activities to address these goals, including the development of a new media advertising campaign for FAMIS. Enrollment in Title XXI CHIP programs has seen significant growth since the launch of *A Healthy Virginia*. The chart below shows trends in annual unduplicated enrollment for SFY 2010 through 2017.



**Source:** Annual unduplicated enrollment data from Virginia Medicaid Management Information System. Annual unduplicated enrollment reflects member counts of those enrolled at any point throughout the state fiscal year.

### Cost of Services

FAMIS, FAMIS MOMS, and FAMIS Plus are supported by a combination of federal and state funds. Historically, the federal share of Title XXI/CHIP funding for Virginia was 65 percent (Medicaid is matched at 50 percent). The Affordable Care Act (ACA) reauthorized the CHIP program through FFY 2019 and specified an additional 23 percentage point increase in federal match for FFY 2016 through FFY 2019, bringing Virginia's "super-enhanced" federal CHIP match rate to 88 percent as of October 2016. During the following three quarters of SFY 2016, the general fund savings resulting from this ACA provision totaled just over \$50 million.

The Commonwealth's share of program funding comes from the FAMIS Trust Fund and the state's general fund. In SFY 2017, the FAMIS Trust Fund provided 38 percent of the Commonwealth's share of costs, and 4 percent of total costs, for the CHIP program. The table below shows expenditures for the CHIP program by source for SFY 2017.

#### Total CHIP Expenditures in SFY 2017

Expenditure Category	FAMIS Trust Fund	General Fund	Federal Funds	Total
FAMIS Medical	\$14,065,627	\$3,804,256	\$134,565,812	\$152,435,695
FAMIS MOMS		\$1,775,235	\$13,018,392	\$14,793,627
FAMIS Administrative		\$1,637,987	\$16,467,920	\$18,105,907
M-CHIP Medical		\$15,874,701	\$121,776,452	\$137,651,153
<b>Total</b>	<b>\$14,065,627</b>	<b>\$23,092,179</b>	<b>\$285,828,576</b>	<b>\$322,986,382</b>

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

## Program Changes and Challenges

The ACA provided federal reauthorization for the CHIP program through FFY 2019, but federal funding was authorized only through FFY 2015. The 2015 Medicare Access and CHIP Reauthorization Act (MACRA) then extended federal funding through FFY 2017. However, Congress recently failed to pass a new extension by the deadline, and federal funding for CHIP expired on September 30, 2017. When and whether Congressional legislation to fund CHIP will proceed was uncertain at the time this report was finalized.

DMAS projects that Virginia's remaining federal CHIP funds are sufficient to continue participants' coverage through January 31, 2018. Absent federal or state action to provide additional funds, FAMIS and FAMIS MOMS coverage will be terminated at the end of January. To provide advance notice, DMAS is sending letters in early December to families of the nearly 68,000 children and more than 1,000 pregnant women affected, notifying them that their coverage will end if Congress does not act.

Contingency planning for the termination of FAMIS coverage is already incurring administrative costs for DMAS and the Virginia Department of Social Services. These costs will rise significantly when the notification process is set in motion in early December. DMAS will need to train eligibility workers, application assistants, call center staff, local departments of social services, and others to advise participants as they receive termination letters. The Department will need to notify providers, modify information technology systems, and change online and paper applications and notices. Contracts for managed care and other services will need to be amended.

In addition to the loss of coverage for FAMIS and FAMIS MOMS participants, the state will face another challenge if Congress does not extend CHIP funding. Virginia is required, under the ACA Maintenance of Effort requirement, to continue coverage of the estimated 60,000 children in M-CHIP. Virginia will continue to receive Medicaid funding for this population, but the federal funding match will drop from the super-enhanced rate of 88 percent to the Medicaid rate of 50 percent. This change will result in an estimated \$34.7 million in additional general fund costs in SFY 2018, rising to \$79.0 million in SFY 2019.

DMAS is following federal negotiations closely and with a high level of concern. Even a temporary termination of FAMIS/FAMIS MOMS coverage would threaten health care access and create financial hardship for the nearly 70,000 Virginians, primarily children, who rely on these programs. Some children and pregnant women could opt to enroll in employer-sponsored health care plans or plans on the federal health care exchange. (The open enrollment period ends December 15, 2017, but loss of coverage would qualify families for a special enrollment period.) However, most families would face much higher out-of-pocket costs that could cause them to lose coverage, and not all families would qualify. Some participants with intensive medical needs might qualify for a "medically needy spend-down" that would allow them to transition to Medicaid. However, this process requires documentation of resources and additional administrative time. Research on the effects of past enrollment caps and freezes in state CHIP programs demonstrates that these events can lead to temporary or permanent loss of coverage as well as measurable impacts on children's health and families' finances.

## Summary

The FAMIS Plan Trust Fund provides monies in lieu of general funds to draw down federal funds, covering a portion of the costs incurred by the Commonwealth's CHIP programs. These programs ensure that more than 120,000 low-income children and pregnant women in the Commonwealth receive high-quality and cost-effective health care. FAMIS, FAMIS MOMS, and M-CHIP are vital components of Virginia's efforts to promote access to affordable health care for the state's most vulnerable residents.

The uncertainty of federal action to extend CHIP funding presents significant administrative and budgetary challenges for the Commonwealth. DMAS has initiated planning for a possible wind-down of the FAMIS and FAMIS MOMS programs. In the absence of Congressional action, this transition process will continue and will incur significant administrative costs. In addition, if Congress does not act to extend CHIP funding, Virginia will face an estimated \$34.7 million in increased costs in the current budget year, and tens of millions of dollars in additional costs for the 2018–2020 biennium, because of reduced federal matching funds to cover the M-CHIP population. Finally, if FAMIS coverage is disrupted even temporarily

by a freeze or termination of enrollment, DMAS expects that many children and pregnant women will lose access to health insurance coverage and suffer negative impacts such as increased out-of-pocket medical costs or difficulty accessing needed medical care.