

## Governor Carcieri's FY 2011 Budget Request: Implications for Health Insurance Coverage for Children and Families in Rhode Island

The General Assembly is currently considering Governor Donald L. Carcieri's proposed State Fiscal Year 2011 budget (H-7397), which runs from July 1, 2010 to June 30, 2011.

### Medicaid Funds in the American Recovery and Reinvestment Act

There are significant Medicaid funds included in the American Recovery and Reinvestment Act (ARRA, also known as the federal stimulus package). In exchange for getting a higher federal share of the Federal Medical Assistance Percentage (which decreases the amount of general revenues that a state has to spend on Medicaid), states must protect eligibility and premium levels for all populations.

The Governor's FY11 budget assumes that the enhanced Medicaid rate that is scheduled to end on December 31, 2010 will be extended for six months to June 30, 2011. The extension of this ARRA provision is included in President Obama's budget submission, but still requires Congressional approval. A total of \$95.3M in general revenue savings is assumed for FY11.

If this ARRA provision is extended, eligibility and premium levels for all children, parents and pregnant women enrolled in RItE Care would be protected through the end of FY11 (June 30, 2011).

### Budget Provisions that Could Affect Health Coverage for Children, Parents, and Pregnant Women

<p><b>Article 31</b></p> <p>Projected Savings:</p> <p>None in FY11</p>	<p><b>RItE Care Premiums will be Re-Instituted for Low-Income Families</b> - A \$45 monthly premium for families enrolled in RItE Care earning between 133%-150% FPL would be re-instituted, starting July 1, 2011.</p> <p>This budget article would not save any funds in FY 11 and would instead start on the first day of FY12. If it is passed as part of the FY11 budget, it would allow DHS time to satisfy public notice requirements and to get its systems ready so that the premiums can be charged to families beginning July 1, 2011 (the day after extended ARRA protections would end).</p>
<p><b>Article 21</b></p> <p>Projected Savings:</p> <p>\$15.3M General Revenue</p> <p>\$42.6M All Funds</p>	<p><b>Contracts for RItE Care Health Plans will be Re-Bid</b> - The RItE Care and Rhody Health programs will be re-procured, and health plans will be paid lower rates to manage the programs. In February 2010, DHS collected information through a Request for Information (RFI) from managed care organizations (MCOs) and other interested parties to glean suggestions and cost estimates for various program changes. A Request for Proposals (RFP) for MCOs is expected in March 2010, with new contracts for both programs to start on July 1, 2010.</p> <p>The following items may be included as part of the RItE Care re-procurement:</p> <ol style="list-style-type: none"> <li><b>1) Mandating a "generics first" pharmacy requirement for children with special health care needs</b> enrolled in RItE Care managed care health plans. A "generics first" requirement was put into place for the core RItE Care population of children and parents on February 1, 2009.</li> <li><b>2) Eliminating certain benefits for parents (such as dental and podiatry services), and/or limiting the number of ultrasounds provided to pregnant women.</b> These benefit changes were discussed in the RItE Care RFI issued by DHS, but no specifics regarding benefit changes have yet been offered via the budget process. More specific information on benefits should be included in the RFP expected in March 2010.</li> <li><b>3) Moving some services that are currently "out-of-plan" to be covered "in-plan."</b> Some children's services, such as Home Based Therapeutic Services (HBTS), are covered by Medicaid, but are not covered through the RItE Care health plans. An undetermined number of "out-of-plan" children's services could be moved "in-plan," which could improve access to care and smooth coordination for some children. More specific information on services will be included in the RFP expected in March 2010.</li> </ol>
<p><b>Article 19</b></p> <p>\$900,000 added to Restricted Receipts</p>	<p><b>Children's Health Account</b> - Increases the annual assessment ceiling applied to all private/commercial insurers for home health services, Children and Adolescent Intensive Treatment Services (CAITS) and Comprehensive Evaluation, Diagnosis, Assessment, Referral and Re-Evaluation Services (CEDARRS) from \$5,000 to \$6,000 per child for each service. Funds would be put in restricted receipts funds for Medicaid.</p>

## Analysis of Proposed Changes

### Proposed RItE Care Premium Change (Article 31 of FY11, to take effect FY12)

- Article 31 of the Governor’s FY11 budget proposal recommends re-instituting a monthly premium for families enrolled in RItE Care starting at 133% FPL. Premiums are currently in place for children and families starting at 150% FPL. Family premiums are currently set at 3% of income (\$61 for 150%-185% FPL, \$77 for 185%-200% FPL and \$92 for 200%-250% FPL).
- Rhode Island cannot currently increase premiums or charge new premiums because of “maintenance of effort” protections in the American Recovery and Reinvestment Act (ARRA, also known as the federal stimulus package). Rhode Island eliminated the \$45 premium for this income category on May 31, 2009 in order to comply with ARRA. Article 31 would restore this premium starting July 1, 2011.
- Although current estimates are not available for the number of children and parents currently enrolled in RItE Care who are in the 133-150% FPL income category, estimates from DHS in September 2009 were that 2,408 families (comprised of 3,917 children and 2,868 parents) were in this income range.
- Families that fail to pay RItE Care premiums two months in a row are sanctioned by the mandatory loss of RItE Care health insurance coverage for a period of four months, even if they can pay the premiums they owe during that time.
- After RItE Care premiums were imposed on low-income families and increased for other families in Fall 2008 and premiums were increased for families between 150% - 250% FPL, many more families were sanctioned for failure to pay RItE Care premiums than in the previous year. This indicates that many families had difficulty paying the premiums.

### Effects of Increased RItE Care Premiums on Families Losing RItE Care Coverage

Sanction Date	Number of Families who Lost Coverage	Number of Parents who Lost Coverage	Number of Children who Lost Coverage	Total Individuals who Lost Coverage
2008 Monthly Average Original Premiums	134	60	204	264
<b>Increased Premiums* 2/1/09 - 5/1/09</b>	<b>197</b>	<b>114</b>	<b>309</b>	<b>422</b>
Premiums Lowered* 6/1/09 - 12/1/09	146	63	218	281

Source: Monthly Cost Sharing Reports, Rhode Island Department of Human Services.

\*Notes: January 2009 sanction totals were not included in average number of sanctions between 2/1/09 and 5/1/09 because an incomplete notice sent by DHS resulted in a grace period for families. In July 2009, there were no sanctions due to a systems problem.

- RItE Care sanctions have increased for January and February 2010, indicating that families are already having difficulties paying the current premiums to keep their health coverage during times of economic hardship.