House of Representatives

General Assembly

File No. 3

January Session, 2005

Substitute House Bill No. 6438

House of Representatives, February 18, 2005

The Committee on Appropriations reported through REP. MERRILL of the 54th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

AN ACT EXTENDING HUSKY PLAN, PART A BENEFITS FOR PARENTS AND NEEDY CARETAKER RELATIVES.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

Section 1. Section 17b-261 of the general statutes is amended by adding subsection (i) as follows (*Effective from passage*):

(NEW) (i) Any person receiving medical assistance pursuant to subsection (g) of this section who becomes ineligible for such assistance from March 31, 2005, to May 31, 2005, inclusive, shall continue to be eligible for such medical assistance through June 30, 2005. On and after July 1, 2005, such person shall not be eligible for medical assistance provided in accordance with this subsection and the Department of Social Services shall not pay for any such assistance provided to such person on or after July 1, 2005.

Sec. 2. (*Effective from passage*) The sum of $7,500,000 is appropriated to the Department of Social Services, from the General Fund, for the fiscal year ending June 30, 2005, for Medicaid.

This act shall take effect as follows and shall amend the following sections:		
Section 1	*from passage*	17b-261
Sec. 2	*from passage*	New section

HS *Joint Favorable C/R* APP

APP *Joint Favorable Subst.*

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either House thereof for any purpose:

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY05 $	FY06 $
Department of Social Services	GF - Cost	7,500,000	0

Municipal Impact: None

Explanation

This bill extends HUSKY medical benefits until June 30th, 2005 for those individuals whose transitional benefits are due to terminate during the last quarter of FY05. The Office of Fiscal Analysis estimates that 13,000 parents of children on HUSKY will have their benefits temporarily extended under this provision. Assuming a managed care cost of $190 per member, per month, this three month extension will cost approximately $7.41 million in FY05. The bill appropriates $7.5 million to fund these benefits. It should be noted that as this extension is a state only benefit, no federal reimbursement will be received on this expenditure.

OLR Bill Analysis
sHB 6438

AN ACT EXTENDING HUSKY PLAN, PART A BENEFITS FOR PARENTS AND NEEDY CARETAKER RELATIVES.

SUMMARY:
This bill extends Medicaid (HUSKY A) benefits for certain adults with incomes above 100% of the federal poverty level (FPL). Specifically, it continues until June 30, 2005 benefit eligibility for adults receiving HUSKY A on a "transitional" basis who become ineligible for the benefit between March 31, 2005 and May 31, 2005. The bill makes these individuals ineligible for this extended benefit beyond June 30, 2005, and it prohibits the Department of Social Services (DSS) from paying it after that date.

The bill appropriates $7.5 million to DSS from the FY 05 budget for Medicaid. It is not clear whether federal matching funds will be available to pay for this extension.

EFFECTIVE DATE: Upon passage

BACKGROUND

HUSKY—History of Adult Caretaker Coverage

Legislative History. In 1999, the legislature added a new Medicaid coverage group (Section 1931) to allow low-income adults who were not receiving cash assistance to receive medical assistance. It opened the program to parents and caretaker relatives of children receiving HUSKY A with income up to 185% of the FPL (the limit up to which children also qualify for HUSKY A coverage). But this limit never took effect because in 2000 the legislature reduced the income limit for these adults to 150% of the FPL and delayed the start of coverage to 2001.

PA 03-2 lowered the adult limit again to 100% of the FPL, effective April 1, 2003. However, adults with higher incomes who were receiving benefits on that date did not lose them. This was because Connecticut Legal Services filed suit in U.S. District Court challenging

DSS's implementation of the 2003 act.

Legal History. On March 28, 2003, Connecticut Legal Services filed suit in U.S. District Court (*Rabin v. Wilson-Coker,* Docket Case #03-CV-555) arguing that under federal law DSS had to offer "Extended Medical Assistance" (another name for Transitional Medicaid) to certain individuals who lost their "Section 1931" eligibility. The plaintiff adults were those in the state's 1931 coverage group who had incomes between 100% and 150% of the FPL. They asserted that they were entitled to Transitional Medicaid because Section 1931 allowed for continued coverage for people who lost their 1931 eligibility due to excess income.

On March 31, the District Court granted the plaintiffs a temporary restraining order preventing DSS from proceeding with the income limit reduction. On May 29, 2003, it denied plaintiffs' request for a temporary injunction and granted DSS summary judgment, rejecting the plaintiffs' claim that a reduction in the income limits was cause for Transitional Medicaid eligibility. The judge held the DSS position was supported by the federal law's legislative history, which called for Transitional Medicaid only when someone lost 1931 eligibility due to increased earnings, not because of a reduction in the program's income limits. DSS planned to suspend benefits for these individuals on July 1, 2003, but the plaintiffs appealed.

On June 26, 2003, a U.S. Appeals Court (2nd Circuit) issued a temporary injunction pending its review. But the order applied only to adults with earnings who were receiving benefits before April 1. Thus on July 1, unemployed adults who were in the higher income range lost their Transitional Medicaid benefits. (Some of the adults who lost coverage may have qualified for Medicaid under a different coverage category.)

On March 26, 2004 the Appeals Court ruled in favor of the plaintiff families, holding that they were entitled to two years of "Transitional" Medicaid if they lost their Medicaid eligibility under a different Medicaid category due to earnings (362 F3d 190 (2004)). Since the 2003 law went into effect on April 1, 2003, these families will remain eligible for Medicaid until March 31, 2005. (Certain other families can also get transitional coverage, such as those whose income goes above the 100% level due to child support income.)

Section 1931 and Transitional Medicaid

Section 1931 of the Social Security Act (42 USC § 1396u-1) was created under the Personal Responsibility and Work Opportunities Reconciliation Act (PRWORA) of 1996, which also established the Temporary Assistance for Needy Families (TANF, TFA in Connecticut) program. It essentially de-linked Medicaid from state cash assistance programs, which meant that receiving cash assistance no longer automatically made someone eligible for Medicaid. But Section 1931 requires states to offer Medicaid to families using standards that were in effect when PRWORA passed (thus ensuring families would not lose coverage they had), although it allows them to use less restrictive eligibility criteria. Hence, families receiving TFA (who, by definition, can have incomes no higher than 100% of the FPL) qualify for Section 1931 coverage.

In addition to de-linking cash and medical assistance, Section 1931 requires states to provide Transitional Medicaid benefits to families as follows. Families who would lose their Medicaid eligibility because their income exceeds the Section 1931 limits due to child support must receive up to four months of Transitional Medicaid. Families losing eligibility for Medicaid due to hours of, or income from, employment can receive up to 12 months of transitional benefits. (The former group was not affected by the lawsuit.)

In practice, DSS has offered two full years of transitional benefits by combining a different Section 1931 provision that allows states to combine the less restrictive eligibility methodology with the above time-limited coverage provisions. For families with child support income, DSS "disregards" this excess income for 20 months, after which the four months of mandatory coverage start. Families with excess earnings have these disregarded for one year. Then, the mandatory year of coverage begins. Federal matching funds are available for the full two years.

The governor's DSS budget implementation bill, HB 6688, reduces the period of Transitional Medicaid from two years to one.

COMMITTEE ACTION

Human Services Committee

Joint Favorable Change of Reference

Yea 14 Nay 0

Appropriations Committee

Joint Favorable Substitute
Yea 39 Nay 10