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Testimony Regarding the Department of Social Services Budget: HUSKY Program

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Appropriates Committee

February 18, 2009

Dear Senator Harp, Representative Geragosian, Senator Prague, Representative Hamm, Representative Villano and Members of the Subcommittee on Human Services:

I am a Senior Policy Fellow with Connecticut Voices for Children, a research-based public education and advocacy organization that works statewide to promote the well-being of Connecticut's children, youth and families.

I am here today to *oppose* the Governor's Budget recommendations for the HUSKY Program. Jamey Bell, Executive Director of CT Voices, is also submitting written testimony regarding the Governor's budget and its impact on adult and children's dental services, medical interpretation and HUSKY independent performance monitoring. I will therefore highlight other areas of the Governor's budget that negatively impact the HUSKY program. The Governor's budget reductions in HUSKY will result from *eligible* families failing to enroll in the program due to unaffordable premiums, *eligible* families failing to utilize preventive health care due to unaffordable co-pays, and health care providers being on the hook for co-pays that they cannot collect from many of the individuals whom they treat.

The Governor's proposals to cut \$273M¹ from health care programs for families and individuals should be carefully evaluated in light of the newly enacted Children's Health Insurance Program Reauthorization Act (CHIPRA, referred to below as CHIP) (P.L. 111-3) and the federal stimulus package (The American Recovery and Reinvestment Act). Together these two pieces of federal legislation will bring more than ***\$1.32 billion*** in new federal Medicaid and CHIP funding over the course of the next few years. CHIP is authorized from April 1, 2009 through September 30, 2013. The federal stimulus covers the period October 1, 2008 through December 31, 2010.

The federal stimulus increases the amount that Connecticut will be reimbursed for its Medicaid program during 9 calendar quarters beginning October 2008. The FMAP will increase by at least 6.25 percentage points above the base rate - from 50% to 56.25% (i.e., from 50 cents to 56.25 cents for each dollar spent in Medicaid).² States with high unemployment, including Connecticut, will receive additional percentage increases in their federal matching funds.³

In light of this large infusion of federal health care dollars, and the role of Medicaid and CHIP as counter-cyclical measures, the state should not be cutting back its Medicaid and HUSKY programs. (HUSKY is financed with the help of both federal Medicaid and CHIP dollars). The Governor's recommendations shift costs to low-income families and individuals – costs they simply cannot afford. We have enacted or attempted to enact many of these proposals before. The results: Thousands became uninsured, utilization of more expensive health care services increased, and investment in our health care infrastructure suffered.

We urge lawmakers to evaluate the cost effectiveness of modifying the structure of the HUSKY managed care program. Instead of paying private health plans a monthly capitated fee to manage the risk associated with providing health care to families, DSS would contract with an administrative services organization to provide administrative functions of the program, as it now does for behavioral health and dental services under HUSKY. An ASO can credential providers, help with scheduling appointments, transportation, etc.⁴

There are new opportunities in the CHIP bill to help Connecticut maintain its commitment to children and families in HUSKY and also to make improvements to the program. CHIP reimburses Connecticut 65 cents on the dollar for the subsidized portion of our HUSKY B program that covers children between 185% and 300% of FPL. This means we have to cut about \$3.00 in HUSKY B to save a state dollar and \$2.00 in Medicaid to save a dollar. With the increased FMAP for Medicaid, we will have to cut even more to realize the same savings.

Unlike Medicaid – CHIP is a capped state entitlement. *Connecticut has never used its entire federal CHIP allotment.* If we do not use all the allotted money, the federal government redistributes the unspent portion to other states. From the beginning of the CHIP program in 1997 to 2007, *over \$100M* allocated to Connecticut was left on the table for redistribution to other states.⁵ Under the new CHIP bill, we will have only two – rather than three – years to spend our allotments. In addition, the amount of the allotments will now be based on the state's projected spending on its program rather than the estimated number of uninsured children in the state. *Connecticut is slated to receive an increase from \$29M to approximately \$45.6M in federal funding in FFY 09,⁶ far more than our combined state and federal spending on HUSKY B in FY 08 (\$32M).⁷* Additional CHIP funds will be available to increase the number of children in *Medicaid* whose coverage qualifies for the higher federal match rate.⁸

We **oppose** the following specific proposals in the Governor's budget:

- **Elimination of state-funded health care coverage for legal immigrants:** Immigrant families in Connecticut work and pay taxes to contribute to HUSKY, yet they and their children will be denied coverage for non-emergency care. This is wrong. In addition, under the new CHIP legislation, Connecticut will be able to claim federal Medicaid and CHIP matching funds for pregnant women and children on Medicaid (HUSKY A) and HUSKY B, who are recent legal immigrants. Under the 1997 federal "welfare reform" law, states were prohibited from using federal matching funds to cover legal immigrants in the US for fewer than five years. To the credit of state lawmakers, Connecticut has maintained coverage for

this population with state-only dollars. Connecticut now has the opportunity to claim federal reimbursement of 56.2 cents and 65 cents on every dollar for eligible immigrants in Medicaid/HUSKY A and HUSKY B, respectively.⁹

- **Reduction in access to health care by increasing premiums and co-pays for HUSKY families:**
 - Imposes premiums and co-pays on adults in HUSKY A
 - Imposes co-pays on children in HUSKY A
 - Increases premiums on many of the children in HUSKY B¹⁰

Past attempts to increase premiums for HUSKY families have resulted in thousands of families dropping off the program when they could not afford the increased costs.¹¹ These increases were reversed by policymakers when the effect became clear. Research shows that the uninsured are increasingly less likely to obtain health insurance as premiums increase.¹² The federal stimulus package may prohibit DSS from imposing premiums on Medicaid enrollees if premiums are considered a change in eligibility rules that reduce coverage. The stimulus requires states to maintain their eligibility rules and procedures as a condition for receiving the higher FMAP.¹³

- **Imposes needless and duplicative paperwork requirements by eliminating rules that allow “self-declaration” of income.** The state already has the ability to verify income through electronic databases and other means. Adding more paperwork requirements will delay health care, increase administrative costs, and burden DSS staff. Lawmakers *reinstated* self-declaration rules when they and DSS officials recognized that cumbersome income verification rules acted as a barrier to enrollment of eligible children and families. The federal stimulus package requires states to maintain their eligibility rules and procedures in order to qualify for the increased Medicaid funding.¹⁴ *This means that DSS will not be able to eliminate self-declaration rules in order to obtain the savings noted in the Governor’s budget (\$2M in FY10 and \$2M in FY11).*
- **Reduces access to preventive and cost-effective health care for families in HUSKY by reducing benefits:**
 - **eliminates access to coverage for over-the-counter medications for adults**
Low-income residents often do not have the money to purchase less expensive over-the-counter drugs, forcing them to go without needed medications or to use more expensive prescription drugs.
 - **narrows the definition of medically necessary services.** Access to a full array of medically necessary services is vital to those with chronic and disabling conditions. This proposal has been rejected many times by the legislature and should be rejected again. The Governor gives no description of the services that would be cut in order to garner the millions in dollars of savings (\$4.5M in FY10 and \$9.0M in FY11). Children are entitled to *all* medically necessary services as a result of the protections in the Early and Periodic Screening, Diagnostic and Treatment requirements codified in state and federal Medicaid law.¹⁵
 - **includes mental health-related drugs** in the Department’s Preferred Drug List. The Governor’s budget estimates a cost savings of \$1.9M in FY 10 and \$2.0M in FY11). There is concern that inclusion of these medications on the PDL will

prevent children and adults from receiving timely access to necessary prescriptions to reduce the effects of serious mental illnesses.

- **Reduces community-based HUSKY outreach** . Most uninsured children in the state are eligible for coverage in the HUSKY program. Community-based outreach organizations that can help families fill out applications and answer questions are a central and absolutely necessary prerequisite to reaching, educating, and enrolling uninsured families. The state (as well as local governments and other organizations, such as community-based organizations) will be eligible for new outreach and enrollment grant funds (\$90M nationwide). The state will not have to put up matching funds; however, a state that receives a grant must maintain spending on outreach and enrollment from the previous fiscal year to qualify for the grant.¹⁶
- **Suspends supplemental payments to Federally Qualified Health Centers (FQHCs) and hospitals for un-reimbursed costs for pregnant women.** In light of the deepening recession this is not the time to reduce funds to our safety net providers.

Thank you for the opportunity to submit this testimony concerning the Governor's budget proposals related to the HUSKY program. Please free to contact me if you have questions or need additional information.

¹See attached list of cuts that include services to HUSKY children and parents, seniors and others who rely on Medicare Part D for prescription drugs and recent legal immigrant families.

² I. Lav, E. Park, J. Levitis, M. Broaddus, Center on Budget and Policy Priorities, *Recovery Act Provides Much-Needed Targeted Medicaid Assistance to States*, available at www.cbpp.org/2-13-09sfp.htm

³ *Id.*

⁴ See, M. Lee, S. Langer, Opportunities for Improving Care for Families in the HUSKY Program (April 2008), available at www.ctkidslink.org/pub_detail_407.html

⁵ See, R. McAuliffe and S. Langer, CT Voices for Children, *Connecticut Losing Out on Federal Funds for Children's Health Coverage*, (Feb. 2008), available at www.ctkidslink.org/pub_detail_392.html.

⁶ See, D. Homer, J. Guyer, C. Mann, J. Alker, Center for Children and Families, Georgetown University Health Policy Institute, *The Children's Health Insurance Program Reauthorization Act of 2009: Overview and Summary* (Feb. 2009), for an overview of the new CHIPRA legislation, available at <http://ccf.georgetown.edu>. Much of the information above regarding CHIPRA comes from the Center's summary.

⁷ Governor's Budget: FY 2010 and FY 2011 Biennium ("Governor's Budget"), *supra* at 538; available at www.ct.gov/opm.

⁸ Connecticut will be able to draw down the higher CHIP match for children in Medicaid with family income above 133% FPL. (The law rewards states, like Connecticut, that expanded Medicaid income limits for children before the original CHIP legislation was passed in 1997). Up until now states were limited to using no more than 20 percent of their CHIP allotment for children in Medicaid with income above 150% FPL.

⁹ The Governor proposes to eliminate coverage for *all* legal immigrants, Governor's Budget, *supra* at 519.

¹⁰ The Governor proposes to impose premiums of between 10% and 20% of the cost of services on HUSKY A parents. It is not clear from the proposal how the amount of the premium will be calculated. Per federal law, the premium and co-pay proposals include exemptions for certain groups: "some children under 18, individuals with income below 100% FPL, SSI recipients, pregnant women, and people in institutions." It is unclear *which* "children under 18" are exempt. The proposal also includes increasing the monthly premiums on HUSKY B children with family income between 235% and 300% FPL from \$30 for one child/\$50 for two or more children to \$50 for one child/\$75 for two and \$100 for 3 or more children. It will become even more unlikely that an uninsured parent of HUSKY B children will be able to afford the individual Charter Oak premiums for adult coverage as well as the increased premiums for their children. The costs are prohibitive.

¹¹ See, for example, *Avoiding Past Mistakes: Increasing HUSKY B Premiums Would Leave Thousands of Children Uninsured*, (May 2005) CT Voices for Children, available at www.ctkidslink.org/pub_detail_241.html; *Families at Risk: The Impact of Premiums on Children and Families in HUSKY A*, Connecticut Health Foundation (November 2003).

¹² Ku L., Coughlin T., *Sliding Scale Premium Health Insurance Programs: Four States Experiences*, Inquiry, 1999-2000; 36:471-480.

¹³ I. Lav et al., *supra*, *Recovery Act Provides Much-Needed Targeted Medicaid Assistance to States*, available at www.cbpp.org/2-13-09sfp.htm

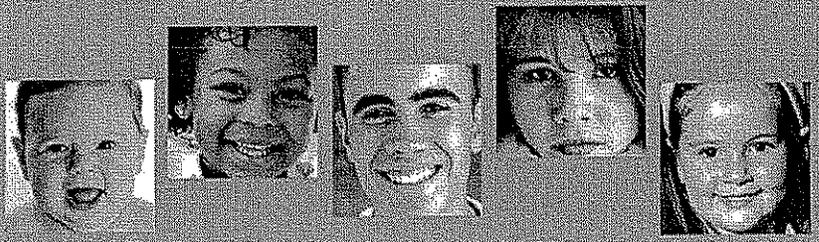
¹⁴ *Id.*

¹⁵ See, Conn. Gen. Stat. Sec. 17b-261(i); 42 U.S.C. Secs. 1396a(a)(43), 1396d(r), 1396d(a)(4)(B) and implementing federal regulations.

¹⁶ The Governor proposes cutting HUSKY community-based outreach in FY10 by \$500,000, Governor's Budget at 538. This proposal would *eliminate* the community-based outreach grants put into place by the Governor in 2007.

	Cost '09-10 (millions)	Cost '10-11 (millions)
Emergency dental coverage only for adults	22.7	28.0
No health care for recent legal immigrants except for emergencies or through SAGA	23.6	24.5
Co-pays on Medicaid services	8.5	10.5
Premiums for adults in HUSKY A	8.8	9.3
No Medicaid coverage for medical interpreters	5.5	6.0
Limited definition of " medical necessity "	4.5	9.0
Increased income verification requirements in HUSKY A (no "self-declaration")	2.0	2.0
Delayed implementation of HIV/AIDS community-based services waiver	1.6	4.0
Increased HUSKY B premiums	1.5	1.6
No vision care or non-emergency transportation in SAGA	1.1	1.1
Reduced HUSKY outreach, program support, Healthy Start	.7	2.5
No HUSKY performance monitoring	.2	.2
No clinic funding for pregnant women not eligible for Medicaid	2.0	2.0
Part D wrap-around which holds ConnPACE and Medicaid (dually eligible) participants harmless from limits in Medicare Part D program dismantled	31.0	34.5
Medicaid coverage for most over-the-counter drugs eliminated. Coverage for children in HUSKY A is retained.	7.0	7.6
Mental health-related drugs included in Preferred Drug List system	1.9	2.0
5-day temporary supply of prescription drug (instead of 30-day) dispensed where required prior authorization has not been obtained	1.2	1.3
Prior authorization of certain high cost drugs required	1.4	1.5

CONNECTICUT VOICES FOR CHILDREN



The HUSKY Program Budget in Context: An Analysis of the Governor's Proposed FY 2010 Budget

February 4, 2009

Why Public Investment is Important

The HUSKY program is a central component of Connecticut's system of health care for children. *One in four children in the state is enrolled in the program.* The HUSKY program provides health insurance coverage for nearly 235,000 children and 108,000 parents and pregnant women through HUSKY A (Medicaid) and nearly 14,000 children in HUSKY B (State Children's Health Insurance Program). While children and parents/caregivers make up 75% of persons covered by Medicaid in Connecticut, they account for just 23% of all Medicaid spending.¹ The federal government reimburses Connecticut for 50% of the costs of HUSKY A and 65% of the costs of HUSKY B.

HUSKY is a smart public investment. National data show that children with health insurance are more likely to have a usual source for care, more likely to have had health care in the past year, and less likely to have gone without needed care. As more families lose their jobs and health care coverage during this economic downturn, they will turn to the HUSKY Program to ensure access to needed care. Health care coverage is an essential part of Connecticut's core public infrastructure.

Connecticut's Public Investment Over Time

Funding for HUSKY							
	FY 02 Actual in inflation- adjusted (2008 \$)	FY 08 Actual	FY 09 Final budget	FY 10 Current Services ^a	FY 10 Governor's Recommended	Difference between Gov.'s Recommended FY10 & FY10 Current Services	Difference between Gov.'s Recommended FY10 & inflation adjusted FY 02
HUSKY A	Part of Medicaid budget	\$699.1M	\$735.6M	Part of Medicaid budget			
HUSKY B	\$20.9M	\$32.5M	\$52.3M	\$34.3M	\$32.7M	-\$1.5M (-4.4%)	\$11.8M (56.7%)
HUSKY outreach + Healthy Start + HUSKY Program support^b	\$5.2M	\$3.3M	\$3.4M	\$3.4M	\$2.7M	-\$0.7M (-20.6%)	-\$2.5M (-48.6%)
HUSKY Program performance monitoring^c	Part of funding for Children's Health Council	\$218,317	\$218,317	\$218,317	\$0	-\$218,317 (-100%)	NA

^a FY 10 Current Services represents the appropriation in FY10 that would be required to provide the same services (accounting for inflation, caseload changes, etc.) that are provided in the current fiscal year (FY09).

^b To allow valid year-to-year comparisons, three programs are aggregated, since there was some variation in where each was funded in the DSS budget over this period. In FY02 Children's Health Council provided HUSKY Program support, including HUSKY outreach, independent performance monitoring, operation of the Children's Health Infoline, and community provider education, all of which were eliminated by FY03. Between 1999 and 2005, The Robert Wood Johnson Foundation provided Connecticut organizations with additional, substantial outreach funding. Healthy Start programs provide services to improve maternal and child health for low-income families, including outreach.

^c In recent years, HUSKY Program performance monitoring has been funded in the Department of Social Services budget under a line item labeled "Children's Health Council." In FY 08, \$109,158 of the total amount appropriated was paid before June 30; the balance was paid after the close of the fiscal year. In June 2008, the amount budgeted for FY09 was cut 5% to \$207,410.

Budget and Policy Trends

During the last significant economic downturn in fiscal years 2002 and 2003, HUSKY health care coverage for children and poor families was cut. Increased premiums and co-payments were enacted, then rescinded when lawmakers realized that thousands of children and parents would lose coverage. Even after reversal of these actions, the effects were evident for years.

As fewer Connecticut families have been able to obtain health insurance from their employers over the last several years, the HUSKY Program has filled the health care coverage gaps. If not for the HUSKY Program, thousands more children, pregnant women and parents would be uninsured. Although we have made gains in covering more families, Connecticut still has over 300,000 uninsured residents, including about 43,000 children.²

In 2007, legislators and Governor Rell agreed to increase the fees paid to HUSKY medical and dental providers for the first time in approximately 20 years. Although this infusion of significant dollars was welcome by doctors, dentists, community health centers, child guidance clinics and other health care providers, this investment does not come close to meeting actual costs. For example, even after the increases, the Medicaid program pays on average only 57% of Medicare rates for child and adult specialty services such as orthopedics or cardiology.

During this economic downturn, Connecticut should step up its support for HUSKY and Medicaid, not cut back. These programs help children and families maintain their health by providing essential health care coverage when workers lose their jobs. Cuts to HUSKY are penny wise and pound foolish, particularly in this environment. Preventive care through HUSKY can help reduce costs for the entire health care system. Because the federal government currently covers a significant portion of the cost, Connecticut would have to cut \$2 from HUSKY A or \$3 from HUSKY B in order to save \$1 in state funds. Furthermore, Congress is poised to increase federal reimbursement significantly over the next two years. The economic stimulus package that has passed the House of Representatives includes a 10% increase in federal Medicaid dollars – from 50% to 54.9% reimbursement - for every dollar spent for Medicaid in Connecticut.

The HUSKY Program has experienced significant disruption in the past year due to the exit of three of the four managed care plans from the HUSKY program, and the carve-out of pharmacy and dental services from managed care plans. In this time of transition, it is vitally important that the progress toward ensuring needed care for every child continues uninterrupted. Maintaining independent performance monitoring of the HUSKY Program will help to ensure that policymakers have the information they need for oversight. Legislators need to know whether nearly \$800 million spent in the HUSKY program provides access to quality and timely health care to children and families.

Governor's Proposed FY 10 Budget

The Governor has proposed the following cuts to the HUSKY Program:

- **Eliminate state-funded health care coverage for legal immigrants:** Immigrant families in Connecticut work and pay taxes to contribute to HUSKY, yet they and their children will be denied coverage for non-emergency medical care. Moreover, new federal health legislation is expected to greatly expand available federal dollars for covering legal immigrants, reimbursing Connecticut for most of the cost, just as the state is eliminating coverage for all immigrants.
- **Reduces access to health care by increasing premiums and co-pays for HUSKY families.** Imposes premiums and co-pays on HUSKY A adults and increases premiums on many of the children in HUSKY B. Past attempts to increase premiums for HUSKY families have resulted in thousands of families dropping off the program when they could not afford the increased costs. These increases were reversed by policymakers when the effect became clear.
- **Imposes needless and duplicative paperwork requirements by eliminating rules that allow “self-declaration” of income.** The state already has the ability to verify income through electronic databases

and other means. Adding more paperwork requirements will delay health care, increase administrative costs, and burden DSS staff. Lawmakers reinstated self-declaration rules when they and DSS officials recognized that cumbersome income verification rules acted as a barrier to enrollment of eligible children and families.

- **Reduces access to preventive and cost-effective health care for families in HUSKY by reducing benefits** (e.g., eliminates all dental services for adults except emergency care, reduces access to less costly, over-the-counter medications, narrows the definition of medically necessary services, and eliminates foreign language interpretation services). Dental care is essential to overall health; access to a full array of medically necessary services is vital to those with chronic and disabling conditions; and access to interpreter services reduces medical errors and increases compliance with doctors' orders. In addition, low-income residents often do not have the money to purchase less expensive over-the-counter drugs, forcing them to go without needed medications or to use more expensive prescription drugs.
- **Reduces community-based HUSKY outreach.** Most uninsured children in the state are eligible for coverage in the HUSKY program. Community-based outreach organizations that can help families fill out applications and answer questions are a central and absolutely necessary prerequisite to reaching, educating, and enrolling uninsured families. Pending federal health legislation includes increased funding for outreach activities.
- **Suspends supplemental payments to Federally Qualified Health Centers (FQHCs) and hospitals for un-reimbursed costs for pregnant women.** In light of the deepening recession this is not the time to reduce funds to our safety net providers.
- **Eliminates funding in the amount of \$218,317 for independent performance monitoring in the HUSKY Program.** *Independent* analysis of HUSKY enrollment and utilization data provides policymakers with crucial information about how the program is performing and recommendations for improvements regarding access and utilization of services.

The Bottom Line

Experience in Connecticut and other states shows that decreasing outreach, increasing enrollment barriers, and increasing out-of-pocket costs for families can save the state money (at least in the short run), but this savings comes as a result of *keeping eligible children and parents from applying for coverage and getting needed care*. In addition, these reductions in coverage are likely to shift costs to families and other parts of the health care system when people seek care from safety net providers and emergency departments. Further, these cuts are short-sighted, given that Congress and the Obama Administration are in the process of finalizing legislation that would expand Medicaid and SCHIP funding for states.

¹ Kaiser Commission on Medicaid and the Uninsured. www.statehealthfacts.org.

² US Census Bureau. www.census.gov

