

Testimony Presented to the Appropriations & Human Services Committees

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THE MEDICAID FOR LOW-INCOME ADULTS (LIA) WAIVER

Good morning, Senator Harp, Senator Musto, Representative Walker, Representative Tercyak and distinguished members of the Appropriations and Human Services Committees. Thank you for the opportunity to offer testimony on an issue that is very important to this administration - the LIA waiver.

As you know, both Public Act 12-104, *An Act Making Adjustments to State Expenditures for the Fiscal Year Ending June 30, 2013*, and Public Act 12-1 of the June Special Session, *An Act Implementing Provisions of the State Budget for the Fiscal Year Beginning July 1, 2012*, included savings of \$50 million from the implementation of a LIA waiver. The waiver is important not only in balancing the state budget, but also as a matter of fairness as we balance the many needs that exist across the state with the state's limited resources. As many of you are aware, for fiscal year 2012, the state is anticipated to end the year with a \$120.3 million deficit on a budgetary basis. While the deficit will be closed through the use of dollars from the Budget Reserve Fund, these funds were originally planned to be used to pay down borrowing from 2009 to close that year's deficit.

Since the program expansion was approved by the federal government in 2010, the administration has been grappling with the unanticipated consequences of escalating caseloads and the resultant costs. In FY 2012, the state spent \$622.3 million between DSS and DMHAS; in FY 2009, the year prior to the expansion, expenditures were \$265.6 million. Costs and caseloads continue to increase - in FY 2012 the LIA caseload grew by over 10% (from 72,027 cases in June 2011 to 79,295 cases in June 2012) and in the most recent quarter ending June 30, 2012, the caseload increased almost 4%. Even the recently enacted budget, which included additional dollars to support the program, does not assume these higher caseload levels. (The June 2012 caseload is 3% higher than what had been projected for that month.)

The waiver before you today provides a cost-effective and sustainable approach to providing Medicaid coverage to low-income childless adults until the provisions of the Affordable Care Act are fully implemented. As you know, the Act extends Medicaid coverage to low-income adults with income up to 133% of the federal poverty level,

with the state receiving 100% federal reimbursement through 2016, phased down to 90% in 2020. While these provisions are to be implemented effective January 1, 2014, there are no certainties when it comes to politics in Washington, D.C.

The goals of the demonstration are to:

- Preserve Connecticut's commitment to coverage for the most needy low-income, adult residents in need of health care services in preparation for the expansion of Medicaid under the Affordable Care Act in 2014;
- Continue reliable access to affordable, quality health care services for Connecticut's most needy citizens;
- Coordinate health care services for demonstration participants through the implementation of person-centered medical homes;
- Gain depth and breadth in understanding what barriers exist today for families who have private coverage available;
- Provide early learning about Medicaid "newly eligibles" who may utilize nursing facility services and the implications for disability determinations and Medicaid policies for the aged, blind and disabled; and
- Manage program growth and expenses through 2013.

Specifically, the waiver requires DSS to consider household assets when determining eligibility. The department will institute an asset test of \$10,000, excluding the applicant's primary residence and a single vehicle, on current LIA participants as well as all new applicants. This is a significant increase over the level previously in place under the SAGA program, which had an asset limit of \$1,000. While the Governor is committed to serving the state's most needy citizens, he does not want to use scarce resources to provide services to individuals who could otherwise pay for them.

The waiver will also consider the income and assets of the parents of an individual who is under age 26 when the individual resides with one or both parents or when the individual is claimed by one or both parents as a tax dependent. As of December 2011, LIA expenditures for those under the age of 21 have grown to 4.3% of total expenditures with expenditures in the first six months of FY 2012 totaling \$12.5 million. The caseload for this age group has increased from 0.1% in June 2010 to 8.2% of the total caseload (or 6,114 cases) in December 2011 and is expected to continue to climb as more parents with college-age children become aware of the availability of LIA coverage. These are all new costs to the state as individuals were only eligible for the SAGA program if they were 21 years of age or older; the LIA program extended coverage to 19 and 20 year olds.

The Affordable Care Act requires health insurance plans that offer dependent coverage under the parent's health care plan to make that coverage available until a child reaches age 26 (regardless of whether the child is married). Although parents are allowed to continue to cover their children under their health insurance up to age 26, more parents are shifting coverage for their children to LIA because family income is not counted.

Although it is not known how many enrollees under the age of 26 reside with a parent or are considered dependents for tax purposes, we believe that, in principle, families who can cover dependent children, including young adult children, on their private insurance should do so. Households with sufficient financial resources should not be receiving publicly subsidized medical assistance.

Individuals residing in households affected by these changes will be afforded the opportunity to obtain coverage under the Charter Oak Health Plan, which currently provides comprehensive health insurance coverage for less than \$5,500 per year.

Section 26 of Public Act 12- 1, June Special Session, also requires the Department of Social Services to apply for a Medicaid waiver that limits nursing facility care to 90 days. This provision was intended to bring LIA closer to the SAGA program, which did not include coverage of long-term care. However, given the concerns that have been raised regarding the anticipated impact of such a provision, we feel it is important that we proceed cautiously in this area. Thus, the waiver application has been modified such that implementation would only occur after a thorough evaluation of the impact of this requirement.

This demonstration will test whether the elimination of the Medicaid asset test for the "early expansion" and, in 2014, the "newly eligible" population, has created an unintended incentive for individuals and families with dependents under age 26 to forgo private coverage and seek coverage under Medicaid. The demonstration will also allow the state to explore the differences between individuals receiving nursing home care under LIA and those receiving similar care under the Medicaid program for the aged, blind and disabled (ABD), including an assessment of whether the lack of an asset test under LIA allows additional assets to be out of reach from Medicaid and reduces efforts to pursue disability determinations as a means of obtaining Medicaid long-term care coverage. Data from this demonstration will be important for the state in assessing the impact of reforms under the Affordable Care Act on Medicaid, the Exchange and the private insurance market as a whole.

I urge your support of the waiver as submitted. First, it will help to ensure that households with sufficient financial resources are not receiving publicly subsidized medical assistance. Second, it will position the state for the period until the federal expansion to 133% of the federal poverty level is implemented by creating a sustainable LIA program in the interim. And third, the components of the waiver that I have outlined above are consistent with the requirements in section 26 of Public Act 12- 1, June Special Session.

Thank you for the opportunity to testify on this important topic. I would be happy to answer any questions you may have.