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July 24, 2012

**TESTIMONY OF SHELDON TOUBMAN BEFORE THE APPROPRIATIONS AND HUMAN SERVICES COMMITTEES IN OPPOSITION TO PROPOSED SECTION 1115 WAIVER TO CUT ELIGIBILITY, BENEFITS FOR THE MEDICAID LOW INCOME ADULTS PROGRAM**

Good morning. My name is Sheldon Toubman. I am an attorney with New Haven Legal Assistance Association, and I am speaking in opposition to the proposed Section 1115 LIA Waiver. Under its proposed waiver, DSS will impose a \$10,000 asset limit on eligibility for its Medicaid Low Income Adult (MLIA program) which provides Medicaid to single individuals ages 19 to 64 if they have income below 55% of the Federal Poverty Level (FPL). It will further require enrollees and applicants, aged 19 to 26, who live with their parents, or whose parents claim them as dependents, to provide information on their parents' income and assets, and will terminate from Medicaid any such individuals whose parents have essentially any income at all.

This waiver, if submitted and approved, will terminate many needy low-income individuals from the only health coverage they have, in a misguided effort to save money for the state. It will also wreak havoc on the State's scarce resources for determining eligibility for *other* Medicaid programs, resulting in even more unlawful delay – and medical harm and pain – for Medicaid applicants and current recipients.

I oppose the changes in the proposed waiver for the following reasons:

First, this waiver does not satisfy the most basic requirements for a Section 1115 waiver. In *Newton-Nations v. Betlach*, 660 F.3d 370 (9<sup>th</sup> Cir. 2011), the Ninth Circuit Court of Appeals, in rejecting a Section 1115 waiver approved by CMS, laid out the basic requirements for an 1115 waiver: the proposal must serve an "experimental, pilot or demonstration" purpose; the proposal must promote the objectives of the Medicaid Act; the "extent and period" of the proposal must be appropriate.

DSS has described the purpose of its waiver as:

"DSS proposes to use the demonstration experience to better understand the reasons and extent to which families with dependents under age 26 seek coverage under Medicaid as an alternative to continued parental coverage available under ACA. As noted earlier, Connecticut believes that families with college-age children are shifting coverage from private coverage to Medicaid LIA because family income and assets are not counted under current rules."

In other words, the demonstration starts with the premise that there are currently many young adults on MLIA living with "families who can afford to send their children to

college but are taking advantage of public aid for the poor so they don't have to buy more costly health insurance through a college or university," (see CTMirror.org article, June 26, 2012). But DSS offers no proof of the existence of any substantial numbers of such cases- or, indeed, of **any** such cases—nor, as discussed more fully below, does DSS provide any explanation of how it will determine the number of dis-insured young adults who end up with new, private, insurance coverage after being thrown off the MLIA program.

In reality, it is apparent from the extensive record that the **sole** purpose of this 1115 waiver here is to save money. This is demonstrated most clearly by DSS's intention to abandon the waiver entirely the moment 100% federal funding for the program is available. Indeed, in its concept paper submitted to CMS on October 27, 2011, it mentioned no demonstration purpose at all. It only added a brief reference to this after advocates wrote to CMS on December 7, 2011 raising this concern. Even now, DSS offers no explanation of how its proposed eligibility changes will test a new way of providing health care to the MLIA population, as is required by federal law.

Second, and more importantly, the second requirement of *Newton-Nations*, that an 1115 waiver serve the objectives of the Medicaid Act, means that there must be careful consideration of "the impact of the state's project on *the persons the Medicaid Act was enacted to protect*," i.e., Medicaid enrollees. 660 F.3d at 380, 381. Here, approving DSS's proposed waiver will have a severe negative impact, not only on current MLIA enrollees but on the many Medicaid enrollees and applicants under *other* Medicaid programs.

#### Harm to MLIA Enrollees and Applicants

The MLIA population is among Connecticut's most vulnerable population. With the exception of slightly higher standards for Fairfield County, eligibility for MLIA is set at 55% of the FPL. This means that an eligible individual can have income of no more than \$512 per month (roughly \$6,140 per year). It is therefore hardly surprising that many younger individuals at these very low income levels would be living with parents, if at all possible. Indeed, because of the current economy, 53 % of all young adults nationally, ages 18-24, live with their parents and 29% of adults, ages 25 to 39, live with their parents. Under DSS' proposal, if an adult aged 19 to 26 lives with his or her parents and one minor sibling and the parents earn more than 1,056 per month (\$12,677 per year, 55% of poverty for a family of four), that individual is not eligible for MLIA. Ironically, this family **would** be entitled to HUSKY A (family Medicaid) for the parents and their minor children, but no Medicaid for their adult child.

Prior to enrolling in MLIA, many of these extremely poor persons, and couples without children, had no health insurance or were enrolled in Connecticut's paltry state-funded SAGA medical program. Under MLIA, these individuals finally have access to both preventive care and medically necessary treatment. The program has been a great success in reducing the number of uninsured among our lowest income residents and DSS is to be applauded for both recognizing the need to reduce its uninsured

population and the value of quality medical care for our poorest and more vulnerable citizens.

But calling the current numbers of individuals served by MLIA “unsustainable,” DSS’ proposed plan will result in terminations and ineligibility determinations that are unrelated to the financial need of the individual seeking coverage or currently covered by MLIA, the financial means of their parents, or – most importantly -- the availability and affordability of alternative insurance coverage. DSS’ proposal will terminate young adults **regardless** of whether the parents of affected MLIA recipients have health insurance themselves, can cover their adult children under their employer’s plan or can afford to purchase medical coverage for their adult children at current prices (at MLIA income eligibility levels, the enrollees themselves will certainly not be able to afford to buy that coverage).

Thus, although state officials claim that they are targeting with this proposal “families who can afford to send their children to college but are taking advantage of public aid for the poor so they don't have to buy more costly health insurance through a college or university,” (see CTMirror.org article, June 26, 2012), the reality is that, if the waiver is adopted, **anyone** between 19-26 who lives with a parent who has essentially any income at all will be terminated from Medicaid—even if the young adult is not in college and he or she has no access to health insurance through their parent or otherwise, at any price.

This is exactly the wrong direction for Connecticut to move in as the state seeks to **reduce** the number of uninsured. Moreover, under the federal health care reform law upheld by the Supreme Court, MLIA will become a 100% federally funded program in January 2014, at which point DSS intends to make these same individuals eligible for MLIA again. Making changes now will cause unnecessary confusion and disruption in health care for low-income people, for such a short period of potential savings, at most 14 months.

#### Harm to All Medicaid Enrollees and Applicants

Beyond this, approving this waiver will harm applicants and enrollees in the **other** Medicaid programs by diverting extremely scarce DSS resources to the labor-intensive process of re-examining the eligibility of 78,000 current recipients and collecting and reviewing financial information on assets and income of many of their parents. DSS’s waiver proposal ignores the severe problems that the agency already has in managing its **existing** caseload, and its inability to timely process Medicaid applications, a direct result of having far too few staff to process these cases. Ten years ago, DSS’s total eligibility staff was comprised of 845 workers. Today, even with the 120 new Medicaid and SNAP eligibility workers DSS claims to have to have hired, its total eligibility staff is comprised of 716 workers, about **130 fewer workers** than it had ten years ago.

While DSS has been suffering from staff reductions over the past decade, its caseloads have also been steadily **increasing**. In 2001, DSS dealt with 325,000 Medicaid (plus

20,000 SAGA medical) enrollees. Today, it has about 575,000 Medicaid enrollees. This roughly equates to a **70% growth in the Medicaid population, simultaneous with a 15% reduction in the number of DSS workers to process applications and redeterminations** (even factoring in the newly announced hires).

Two federal court class actions are already pending against DSS precisely because of delays in processing Medicaid and SNAP, a direct result of its severe staffing problem as caseloads have increased and it has failed to replace retiring or transferring workers. *See Shafer v. Bremby*, No. 3:12-CV-00039 (AWT) (filed January 9, 2012 D. Conn); *Briggs v. Bremby*, No. 3:12-cv-00324-VLB (D. Conn). Indeed, since the Medicaid class action was filed in January of 2012, the delays in violation of federal Medicaid law have gotten worse, with a full 64% of cases pending at the end of each month now being untimely, versus 57% at the time the case was filed.

In the *Shafer* litigation, DSS asserts that these excessive delays are due largely to verification burdens imposed on them by the federal government, and not within their control. But the changes to LIA are being pursued by the State itself and with the full knowledge that it will exacerbate the existing illegal delays.

Indeed, my office also recently filed a complaint with CMS regarding DSS's inability to timely process Medicaid redetermination forms, because it has **insufficient staff even to log into the computer system the receipt of such forms**, resulting in automatic terminations of eligible individuals who have timely submitted their required paperwork to DSS. DSS has since publicly admitted the seriousness of this problem, which has rendered it in direct violation of the federal continuity of coverage Medicaid requirements at 42 C.F.R. § 435.930(b). Although the commissioner issued a memorandum in June directing DSS regional offices to appoint specific individuals to timely log in these forms, based on past experience, this memorandum, like so many issued in the past, will go largely unheeded as over-burdened eligibility workers engage in endless cycles of triage, as the caseloads grow more and more unmanageable.

DSS also has acknowledged that its eligibility management system, known as EMS, "is fragile and has a very limited capacity for change at this time," so being able to re-program EMS to newly apply asset tests for 78,000 LIA enrollees (and family income and assets for those 19-26) is a major computer challenge. Although this probably can be done, it will likely be at the price of delaying other actions needed to keep the EMS system functioning properly.

Finally, even if EMS is able to be reprogrammed to do this within its current severe limitations, there will still be a severe staffing problem: not enough workers to process applications and redeterminations under existing eligibility requirements, let alone new ones. The imposition of the asset test will require all 78,000 people now enrolled in LIA to submit new information and have their eligibility determined anew. It will require "self-attestation" forms regarding income and assets to be submitted for review by DSS before the waiver is approved, for all 78,000 MLIA enrollees except those expected to be redetermined within two months. Those individuals found to be ineligible — or, more

likely, those whose forms DSS has been **unable to review** due to short-staffing — will be processed for termination. Waiver Proposal at page 8.

DSS cannot timely process the applications and redeterminations that it receives **now**. Requiring this re-application process, even using supposedly streamlined “self-attestation” forms at the time of the initial change, will result in people currently covered by MLIA, and eligible under the **new** MLIA rules, losing coverage while their re-applications are pending. Indeed, DSS’s director of adult eligibility, Marc Shok, specifically warned against doing this, explaining in a March 28, 2012 e-mail message to DSS Deputy Commissioner Kathleen Brennan, that the “only viable” way to implement the proposed eligibility changes would be to grandfather all individuals currently on MLIA and not review their income and assets at all until their next redetermination period:

***“I don’t believe that DSS has the staff to support [the] implementation proposal*** – processing tens of thousands of applications in about 60 days with current staffing does not strike me as plausible, even if we waived verifications. Granting with shortened redetermination cycles will obviously mean more redeterminations. All of this occurring at a time when we’re facing litigation for our inability to timely process Medicaid applications in general.

“I strongly believe that our only viable implementation option (if we’re compelled to implement these changes) would be to apply new eligibility criteria to new LIA applicants and to existing clients at the time of their redeterminations...” (attached) (emphasis added).

Administration officials have disregarded this warning, refusing to grandfather enrollees under this knowledgeable DSS official’s “only viable implementation option.” As a result, applications and redeterminations for LIA, as well as all **other** Medicaid programs, will be slowed even more, as stretched workers are diverted to the new, burdensome MLIA eligibility tasks. None of this serves the Medicaid Act’s objectives.

#### Harm Has Already Begun Due to Premature Implementation of the Waiver

Indeed, these new problems have already started to manifest themselves because, with no authority whatsoever, DSS is already starting to implement the changes in waiver, as if CMS had already approved them. On or about June 8, 2012, DSS sent out a letter to all 78,000 MLIA enrollees which assumed, as a foregone conclusion, that these changes will in fact be made (form letter attached). DSS candidly admits that the purpose of this letter was “to notify [current participants on MLIA] of the proposed income [and] asset . . . changes and the State’s intention to seek an 1115 waiver for this program. This will **allow** individuals who may have higher income and assets under the demonstration rules time to obtain alternative insurance coverage, including coverage under the Charter Oak Program, and assure as little client disruption as possible.” Waiver Proposal at 7 (emphasis added). Of course, “allow” is a euphemism— individuals are already free to seek such other coverage, **if** in fact it

exists; the real intent is to encourage individuals to leave the MLIA program early, even before any waiver is approved.

The letter has already frightened thousands of vulnerable people by stating that, “[i]t is possible that, as of October 1, 2012, you will not remain eligible for Medicaid LIA” and that the recipients will have to complete and return new forms right away, or “we will have to close your case.”

And in its waiver proposal, DSS acknowledges that, long before the waiver is approved by CMS, it will be requiring both applicants and existing MLIA enrollees to provide new financial information, which may be difficult to obtain (particularly parental financial information), as a condition of staying on the program. We have anecdotal information that this information is already been required for new MLIA applicants. This will require enrollees to scramble to do this, and DSS workers to collect this information. Thus, with no authority and premised on its hope that the waiver will be approved, DSS has already begun to exacerbate the existing severe delays in Medicaid processing.

#### The Assertion that MLIA is “Unsustainable” under Current Rules is Unsupported

According to Administration officials, “We have to cut eligibility for the LIA program because it is ‘unsustainable over the long term.’” (from 6/26/12 CTmirror.org article, attached). “Unsustainable” means, eventually, you can’t keep something going for economic or other reasons. But here, in Jan. 2014, hardly the “long term,” there will not only be relief, but **100% federal relief** (and this will continue for three years, ultimately dropping down to 90% reimbursement, indefinitely). At best, a waiver will provide Connecticut’s taxpayers with 14 months of questionable savings. Contrast that with the rest of the growing Medicaid program, which is reimbursed at 50% and will continue to be reimbursed at that rate even after 2014. For example, the attached chart shows the growth in the MLIA (HUSKY D) program compared with the HUSKY A program over a recent 21 month period, indicating a similar total growth pattern in absolute numbers.

Cuts are not appropriate for **any** part of the current Medicaid program, especially as Connecticut gears up for the significant January 2014 expansion of that program under federal health care reform, also with 100% federal funding. But the administration inexplicably singles out the LIA program to call “unsustainable.” Targeting the one part of the current Medicaid program which will actually become 100% financed by the federal government in a year and a half for cuts is baffling. That is particularly so given the Administration’s leadership in appropriately lauding the Supreme Court’s decision allowing federal health care reform, which will address the plight of the uninsured in large measure through a Medicaid expansion, to proceed.

For all of these reasons, this poorly designed and ill-timed waiver should be rejected by your committees.

From: Brennan, Kathleen M.  
To: Shok, Marc C.; Fornella, Brenda L.; Kiselica, Michael J.; Polizella, Louis V.; Zavoiski, Robert W.; Voghel, Lee; Klasse, Daniel L.  
Cc: Brennan, Kathleen M.; Fornella, Brenda L.  
RE: \*\*Urgent peer--needed tonight or first thing in morning\*\*RE: CT MIA Draft E-mail  
Date: Thursday, March 26, 2012 11:17:49 PM

Only looking for your comments - the info is currently being disabled into a document - I just want to make sure that Mercer has captured our discussion - I'll take your comments but let me know if there are others....

-----Original Message-----

From: Shok, Marc C.  
Sent: Thursday, March 29, 2012 12:53 PM  
To: Brennan, Kathleen M.; Fornella, Brenda L.; Kiselica, Michael J.; Polizella, Louis V.; Zavoiski, Robert W.; Voghel, Lee; Klasse, Daniel C.  
Cc: Brennan, Kathleen M.; Fornella, Brenda L.  
Subject: RE: \*\*Urgent peer--needed tonight or first thing in morning\*\*RE: CT MIA Draft E-mail

Hi Kathy - I am not sure that I understand your request. Are you asking someone to distill all of the information in your email into a summary document for OPM?  
I must add that I don't believe that DSS has the staff to support Mercer's implementation proposal - processing tens of thousands of applications in about 60 days with current staffing does not strike me as plausible, even if we waived verifications. Granting with shortened redetermination cycles will obviously mean more redeterminations (all of this occurring at a time when we're facing litigation for our inability to timely process Medicaid apps in general.  
I strongly believe that our only viable implementation option (if we're compelled to implement these changes) would be to apply to new eligibility criteria to new LIA applicants and to existing clients at the time of their redeterminations (without doubling up). Since our meeting this week we have determined that there are about 11,000 overdue LIA redeterminations, which staff would need to clear asap. This, along with conducting regularly-scheduled redets may be possible (maybe the RAS should time-in), but I think it precludes the possibility of doubling up on the redets.

anyway, please clarify what you're looking for.

Thanks,  
Marc

-----Original Message-----  
From: Brennan, Kathleen M.  
Date: Thursday, March 29, 2012 11:47 AM

Adult Services, 10th FL  
25 Sigourney St.  
Hartford, CT 06106



STATE OF CONNECTICUT  
Department of Social Services

MLIA



Client ID:

June 8, 2012

NOTICE OF PENDING CHANGES TO YOUR MEDICAID FOR LOW INCOME ADULTS (LIA) BENEFIT

We are writing to advise you that the recently passed Connecticut state budget includes less funding for the Medicaid for Low Income Adults (LIA) program. Changes in the program require approval by the federal government and would take effect no sooner than October 1, 2012.

CHANGES TO HOW WE DETERMINE ELIGIBILITY:

Pending changes: if you have assets (cash, bank accounts, or certain other valuables, not including your house or your car) that add up to \$10,000 or more, you will not be eligible for Medicaid LIA. Also, if you are from 19 through 25 years old (until you turn 26 years old), and (1) live with your parent or parents, OR (2) can be claimed as a dependent on your parent's tax return, we will count your parents' income and assets as if they are yours. Currently, there is no asset limit for Medicaid LIA and parents' income and assets are not counted to determine eligibility.

CHANGE IN COVERAGE:

The only change is that nursing facility stays are covered for only 90 days per admission. Currently, there is no limit to the number of days for nursing facility stays.

HOW THIS MAY AFFECT YOU:

It is possible that, as of October 1, 2012, you will not remain eligible for Medicaid LIA and may need to find another type of medical benefit. If you are 19 through 25 years old and a parent has medical insurance through work, your parent may be able to add you to that insurance. Also, if you are a college student, you may be able to obtain medical insurance through the school. If that is not possible, you may be eligible for the state's Charter Oak Health Plan. We will tell you more about that in future notices.

NEXT STEPS:

In the next few weeks, we will send you some forms. Please be sure to complete and return these forms right away so that, if you are still eligible for Medicaid LIA after October 1, 2012, your benefits will continue. If we do not receive these completed forms by the date on the forms, we will have to close your case.

If you have any questions about this notice, please contact ACS (Xerox), our partner in this project, at 1-800-656-6684.

Thank you.

The Connecticut Department of Social Services

## Budget chairwoman threatens to scuttle new restrictions on health care for poor

June 26, 2012

By Keith M. Phaneuf

The House chairwoman of the legislature's budget panel threatened Tuesday to scuttle new restrictions on health care for the poor sought by Gov. Dannel P. Malloy's administration after learning patients were warned of changes before they had been enacted.

Rep. [Toni Walker](#), D-New Haven, who not only co-chairs the Appropriations Committee, but also an advisory panel conducting a hearing Tuesday on the changes, charged the Department of Social Services with overstepping its bounds.

"Do not assume that we will not overturn this," Walker told DSS Deputy Commissioner Kathleen Brennan during a hearing held by the [Council on Medical Assistance Program Oversight](#). "And I say this sincerely. It really angers us."

The New Haven lawmaker balked at a [letter](#) dated June 8 and sent to the nearly 78,000 residents currently served by the Medicaid for Low Income Adults program, commonly referred to as LIA.

"We are writing to advise you that the recently passed Connecticut state budget includes less funding for the Medicaid for Low Income Adults (LIA) program," the letter states. "Changes in the program require approval by the federal government and would take effect no sooner than Oct. 1, 2012."

The letter advises patients to prepare for potential loss of coverage.

The [bill appropriating \\$20.5 billion](#) for the entire state budget for the fiscal year beginning July 1 received final legislative approval May 8. But the legislature didn't reconvene in special session to adopt the [policy language](#) needed to implement that appropriations measure until June 12 -- four days after the letter was released.

"The fact that this was sent out before we passed the legislation is a problem," Walker said, adding that she and other council members also heard complaints that patients couldn't even reach DSS to pose questions because of insufficient outreach staff and jammed voice mailboxes.

"That we have created a panic in a population that is already fragile is a major problem," Walker said. "It is important that we let the commissioner know that all of those reactions were not appreciated."

Walker added that sending the letter "negates us as being part of the conversation and it negates the community ... and the agency does not have the right to determine things without going through the process."

"I appreciate your comments and I will take them back to the agency," DSS Deputy Commissioner Kathleen Brennan said, adding that the agency is working to improve its call-handling capability.

Brennan also said the intent of the letter was to give LIA clients the most time possible to prepare for potential changes.

But Rep. Susan Johnson, D-Windham, the council's other co-chairwoman, argued that if DSS had wanted to keep clients informed, its letter shouldn't have failed to mention Tuesday's public hearing at the Legislative Office Building.

Brennan said a link on the department's website does list public hearing dates, but Johnson responded: "Do you think that many of the people who need this kind of coverage have access to the Internet in their houses?"

LIA currently serves single adults without minor children and who have incomes at or below 56 percent of the federal poverty level.

The proposed changes include: setting an asset limit of \$10,000; counting the income and assets of a parent if a LIA applicant is between ages 19 and 26 and living with a parent or can be declared as a dependent for income tax purposes; and limiting nursing home coverage to 90 days per admission.

Because Medicaid is a federally administered health care program, states seeking to make changes to programs under that umbrella must apply to the U.S. Centers for Medicare and Medicaid Services for approval.

But under state law, even if the legislature has authorized the administration to apply to the centers, the final application must be reviewed by related state legislative panels: the Appropriations and Human Services committees. Should they reject the application, it cannot be filed with the federal government.

A panel of legislators, Medicaid consumers and health care advocates, the council advises the General Assembly on Medicaid waivers and related health care issues.

And several health care advocates who testified Tuesday, including some council members, argued that the application should be scrapped.

"It is hard to swallow the potential of this proposal to terminate coverage for thousands of people at a time when many, if not most of them, will be unable to afford or to find other coverage," Victoria Veltri, the state's healthcare advocate, testified. She said 15,000 to 20,000 people would lose coverage through all of the proposed changes.

Veltri also warned against assuming that most young adults still living with their parents come from households that could afford to buy coverage for them if state assistance is removed.

"We don't even know if any of these parents even have access to coverage" or if they can afford it, Veltri said, charging there is no hard data to support the administration's plan.

"I don't think there's anyone in this room who thinks this is about anything other than saving money," said Sheldon Toubman, a staff attorney with the New Haven Legal Assistance Association.

The nonprofit has taken legal action on behalf of DSS clients, charging that the agency has failed to process applications for Medicaid and food stamp assistance in a timely fashion. And Toubman said that requests to renew assistance have been improperly terminated by DSS -- even though clients submitted the correct paperwork on time -- because the agency lacks staff to process applications.

Citing a 2002 report from the legislature's Program Review and Investigations Committee, Toubman said the department had 845 staffers to process applications in 2002, compared with fewer than 720 now. And over the same period, the Medicaid caseload has grown 70 percent.

"This is an agency that can't do the basics, that can't direct the traffic," he said, adding that, given these challenges, there's no reason to support changes "that have no legitimate basis on sound health care policy."

But DSS officials testified that the move is essential to make the LIA program sustainable over the long term.

When the 2010 legislature and then-Gov. M. Jodi Rell converted the former State Administered General Assistance Program into LIA, the caseload was 47,000. It has since grown by about two-thirds and has an annual budget of more than \$460 million.

"It's got to remain," Malloy said Tuesday of the proposed package of new LIA limits. The legislature's nonpartisan Office of Fiscal Analysis estimated these changes would save \$50 million next fiscal year.

The governor didn't testify at the council meeting but took reporters' questions after his monthly meeting with department commissioners. "We have greatly exceeded enrollment" in LIA, he said.

Malloy added that the goal of the proposed restriction for young adults living with their parents is to target families who can afford to send their children to college but are taking advantage of public aid for the poor so they don't have to buy more costly health insurance through a college or university.

# HUSKY A/ LIA ENROLLMENT

## JUNE 2010 - MARCH 2012

