State of Utah

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Utah Department of Health

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June 13, 2013

Honorable Members of the Executive Appropriations Committee, the Health System Reform Task Force and the Business and Labor Interim Committee
State Capitol
Salt Lake City, Utah 84114

Dear Honorable Committee Member:

In accordance with the reporting requirements of Utah Code Title 63M-1-2505.5, the Department of Health (Department) submits this report on an item from federal health care reform that is scheduled to be implemented.

Mandatory Changes to Medicaid Eligibility

On February 6, 2013, the Department notified you about work that needed to be done to the State's existing eligibility system for public assistance programs (eREP) in order to meet the requirements of the Affordable Care Act (ACA). Because sufficient detail was not available in February and certain decisions regarding exchanges had not been made by the State, the original request did not cover the required connections that eREP must make with the federally facilitated individual marketplace (FFM). The purpose of this letter is to notify you that we plan to amend the original federal funding request submitted to the Centers for Medicare and Medicaid Services (CMS).

In the original request, the Department of Health, together with the Department of Workforce Services (DWS), and the Department of Technology Services (DTS) requested enhanced Federal Financial Participation (FFP) from CMS in order to make ACA-required changes to eREP. The changes included the development and use of a Modified Adjusted Gross Income (MAGI) methodology, which will enable the system to make Medicaid and Children's Health Insurance Program (CHIP) eligibility decisions based on the new requirements established by the ACA. The changes are limited to ACA-mandated changes to Medicaid and CHIP eligibility and do not include any changes that would implement an optional Medicaid expansion to new adult groups.

To accomplish the changes, DWS/DTS will need to move eREP from the proprietary platform that was originally used to create the system to an open source code that will allow greater flexibility in revising and customizing eligibility determination rules. The system will need data interfaces with new sources (including the Federal data hub) and will need to be able to integrate that information into the eligibility determination process. The application and renewal process for Medicaid and CHIP will need to be revised. DWS will need to make changes to its communications and contact center phone systems.

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Through the proposed amendment to our original federal funding request, Health, DWS, and DTS will modify eREP's Customer Portal system (myCase). This enhancement will include the following:

- modifications to existing myCase solutions to support increased volumes and electronic interfaces;
- an online single, streamlined application;
- a system and methodology to integrate "paper" applications; and
- modifications to support online change reporting and program re-certifications.

These changes will enable the system to gather the necessary data and information to make Medicaid and CHIP eligibility decisions based on ACA requirements. This amendment also covers integration of data and process modifications to other systems and processes impacted by these changes to myCase.

1) Specific federal statute or regulation that requires the state to implement a federal reform provision

Title II of Public Law 111-148, part of ACA, requires numerous changes to the Medicaid and CHIP eligibility determination processes. Title I, Subtitle E has requirements for interaction between the Medicaid and CHIP agency and the health insurance exchange.

2) Whether the reform provision has any state waiver or options

In June 2012, the Supreme Court ruled that states have the option to expand Medicaid to cover adults whose ages are between 19 through 64 and whose family income is under 133 percent of the federal poverty level. However, the Supreme Court's decision did not provide states with the opportunity to opt out of other mandatory changes to Medicaid and CHIP eligibility. Health is not aware of any waivers that are available for the mandatory changes to Medicaid and CHIP eligibility that will be addressed through this amendment.

3) Exactly what the reform provision requires the state to do, and how it would be implemented

In addition to the mandatory changes to Medicaid and CHIP eligibility described in our February 6 letter, the ACA requires a coordinated and streamlined eligibility and enrollment process for Medicaid, CHIP, and advance premium tax credits/cost sharing reductions to purchase coverage on the FFM. Generally, by October 1, 2013, individuals will be able to apply for coverage using a "single, streamlined application" which may be submitted online, by telephone, through the mail, or in person to DWS or the FFM. Individuals will provide their income and other eligibility information which will be verified primarily through state and private electronic data and potentially other information accessed through the federal data services hub. If the FFM assesses that an application is likely Medicaid or CHIP eligible, the application will need to be

transferred to DWS. If DWS determines that an application is not Medicaid or CHIP eligible and is likely eligible for tax credits, then DWS will need to transfer the application to the FFM.

4) Who in the state will be impacted by adopting the federal reform provision, or not adopting the federal reform provision

If the State adopts these provisions, individuals who apply for Medicaid and CHIP will be impacted. Individuals will be able to apply online through DWS and eREP will be programmed to determine their Medicaid and CHIP eligibility based on the new ACA-determined requirements. Individuals who apply through the FFM and are assessed to be Medicaid or CHIP will be sent to DWS for eligibility determination. Individuals impacted include parents and caretaker relatives, pregnant women and children under age 19. Currently these groups constitute about 120,000 cases on Medicaid and CHIP. If these provisions are not implemented, the State might have to use a contingency plan to accept Medicaid and CHIP applications – possibly relying on paper applications that would later need to be keyed into eREP.

5) What is the cost to the state or citizens of the state to implement the federal reform provision

DWS, DTS, and Health estimate the cost to implement this amendment and the original provisions in the February 6 letter will be approximately $21.0 million in total funds – $18.5 million in federal funds and $2.5 million in state funds. This represents an increase of $3.9 million in total funds – $3.3 million in federal funds and $0.6 million in state funds – from what was listed in the February 6 letter.

No additional state appropriations are being requested for the changes to eREP – current state match dollars will be extended by moving staff from work where 50 percent of their costs are funded by the federal government to this project where 90 percent of their costs will be funded by the federal government. The departments will then use the match savings to help backfill positions to cover existing workload during the course of this project.

6) Consequences to the state if the state does not comply with the federal reform provision

The State of Utah could lose significant federal funding for its Medicaid and CHIP programs if CMS decided to disallow federal payments because eligibility determinations in Utah were not conducted according to federal law. If all Medicaid and CHIP payments are disallowed, the State could lose approximately $1.4 billion in federal funds each year.

7) The impact, if any, of the ACA requirements regarding:

a) the state's protection of a health care provider's refusal to perform an abortion on religious or moral grounds as provided in Section 76-7-306; and

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b) abortion insurance coverage restrictions provided in Section 31A-22-726

The changes proposed by this amendment do not impact Medicaid or CHIP benefits or payments to providers. There does not appear to be any impact related to abortions.

Please let me know if you have any questions on the implementation of this item from federal health care reform.

Sincerely,

Michael Hales
Deputy Director, Department of Health
Director, Medicaid and Health Financing