

American Academy of Pediatrics (AAP) Medicaid and SCHIP Update February 27, 2004

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New and Noteworthy

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New and Noteworthy

1. Important US Supreme Court Ruling in Texas EPSDT Case Means States Can Be Held Accountable

The US Supreme Court ruled on January 14 that a state is not immune from federal enforcement of a consent decree entered into by state officials in a lawsuit involving a federal program. The Texas case, *Frew v. Hawkins*, was a class action lawsuit regarding the state's inability to provide Early and Periodic Screening, Diagnosis and Treatment (EPSDT) services to Medicaid enrolled children. The parties resolved the dispute through a consent decree in 1996. The plaintiffs returned to the federal court two years later seeking enforcement of the decree with which the state had allegedly not complied. The state claimed that it had immunity under the 11th Amendment from having to carry out the provisions of the decree. The question before the US Supreme Court was whether or not a federal court could enforce the consent decree. The unanimous opinion of the US Supreme Court confirms that federal judges do have the power to require state officials to live up to consent decree terms.

Please see the National Health Law Program (NHeLP) page on this decision for more information, including a link to the Supreme Court opinion itself:

<http://www.nhelp.org/pubs/200401.frew.html>

2. CBPP Chartbook Highlights Critical Nature of Medicaid and SCHIP for Children

A January report of the Center on Budget and Policy Priorities (CBPP) summarizes a number of recent research findings about children who receive health insurance coverage from Medicaid or SCHIP. The report highlights how critically important Medicaid and SCHIP are for children:

- SCHIP and Medicaid coverage led to a 1/3 reduction in the percentage of low-income children who are uninsured between 1997 and 2003;
- children covered by Medicaid and SCHIP are likely to have greater health needs than privately insured and uninsured children;
- publically-insured children gain better access to health services, and are more likely than uninsured children to have a "medical home" and receive a number of services;
- access to a usual source of care has improved for publically-insured children over the last decade, but has deteriorated for uninsured children;
- children currently insured by Medicaid and SCHIP are more likely to be in better health today than they were a year ago.

The entire report is available at:

<http://www.cbpp.org/1-15-04health.htm>

3. Study Indicates Enrollment Hurdles are Costly

In efforts to control Medicaid and SCHIP spending, a number of states have taken steps with regard to enrollment processes in recent years, making it more difficult once again for applicants to enroll in the programs. A new study in the January/February issue of Health Affairs indicates that not only do such moves keep people off the programs, but that the administrative burdens created by the moves may be quite costly. The study looked at New York City, where a streamlined application for Medicaid/SCHIP was implemented after the 9/11/01 tragedies, and uses the opportunity to compare the costs associated with enrollment using the simplified process in New York City (NYC) Medicaid and SCHIP to that of more complex enrollment procedures used elsewhere in the NYC area. The authors found that the average cost of enrolling a child in 3 of the 16 NYC area managed care organizations (MCOs) using more complex procedures to enroll children in both Medicaid and SCHIP was \$282. Under a simplified enrollment process like the one used in New York City after the 9/11 tragedies, enrollment costs would be approximately 40% lower than that figure, or \$166.

An abstract of this article can be found online at:

<http://content.healthaffairs.org/cgi/content/abstract/23/1/237>

4. KCMU Survey Updates FY 2004 State Medicaid Cost Containment Actions

The Kaiser Commission on Medicaid and the Uninsured (KCMU), in conjunction with Health Management Associates, has surveyed state Medicaid officials about state Medicaid spending growth and cost containment plans for the past three years. The most recent results were published in September 2003. In December, Health Management Associates conducted a brief survey update of these same officials to identify changes to Medicaid spending growth and cost containment actions taken since the beginning of FY 2004. This survey update found that:

- the rate of total Medicaid spending is slowing, as is enrollment growth;
- thanks to federal fiscal relief, the state share of Medicaid spending growth is significantly lower than the overall rate of spending growth;
- 18 states are taking mid-year actions to further slow Medicaid spending this year;

However, despite this seemingly positive news, states are expecting significant difficulties when the temporary federal fiscal relief expires in June 2004.

This entire report can be found online at:

<http://www.kff.org/medicaid/7001.cfm>

5. Three New Reports Indicate State Fiscal Crises Not Over

Three new reports, one from the Center on Budget and Policy Priorities (CBPP), one from the Kaiser Commission on Medicaid and the Uninsured (KCMU), and one from the National Conference of State Legislatures (NCSL) all indicate that while economic and state budget news in the past few months has been increasingly positive, the state budget crisis is by no means over. The KCMU report highlights that far fewer states are reporting that they will face budget shortfalls this year than last. Moreover, cumulative budget shortfalls in FY 2004 are much smaller than last year, and tax revenues are actually increasing for the first time in several years. But, as the report indicates, state fiscal conditions were extremely bad to begin with, and it will take time to return to pre-2002 tax levels.

As the CBPP report shows, states budgeted spending for FY 2004 very modestly, with spending expected to decrease 0.2% from last year. This reflects states' significant cuts to services, and while states may begin to be meeting or exceeding their limited expectations this year, this does not mean that states will be able to provide adequate services in the future.

The NCSL report reiterates the findings that states are doing much better this year than in the past, showing that the current cumulative budget gap is approximately \$2.5 billion, compared with the \$25.7 billion reported this time one year ago. However, this report also cites problems facing state FY 2005 budgets. While again FY 2005 shortfalls may be smaller than in the past, the NCSL report indicates that more than 50% of states will be facing budget gaps again, at a time when many cuts have already been made, and many one-time funding sources have been exhausted.

The KCMU report is available at: <http://www.kff.org/medicaid/7003.cfm>

The CBPP report is available at: <http://www.cbpp.org/10-22-03sfp2.htm>

A press release on the NCSL report is available at:
<http://www.ncsl.org/programs/press/2004/pr040219.htm>

From the Federal Government

6. Michigan and Washington Receive HIFA Waiver Approval

On January 16, the Centers for Medicare and Medicaid Services (CMS) announced the approval of a Michigan application for a Health Insurance Flexibility and Accountability (HIFA) waiver. The waiver, entitled "Michigan Adult Benefits Waiver" will allow the state to use Title XXI funds to provide coverage to uninsured adults with net family incomes at or below 35% of the federal poverty level (FPL). Michigan currently covers children in SCHIP to 200% FPL, and parents to 133% FPL. The demonstration includes protections for children in SCHIP that bars the state from closing SCHIP enrollment, instituting waiting lists, or decreasing eligibility standards for children covered under SCHIP during the five-year life of the demonstration program. The state must also provide a review of enrollment data to ensure that children are not inappropriately denied enrollment, and Title XXI funds must be used for services to cover children first.

Details of the Michigan waiver can be found on the CMS Web site, at:

<http://www.cms.hhs.gov/hifa/mihifa.asp>

On February 13, CMS announced the approval of Washington's application for a HIFA waiver. This was the third version of that state's HIFA waiver proposal. With this waiver approval, the state will be allowed to impose premiums on categorically needy optional children.

Details of the Washington waiver can be found on the CMS Web site, at:

<http://www.cms.hhs.gov/medicaid/1115/wa1115wpp.asp>

SUBSCRIPTION INFORMATION

To unsubscribe to the update, send a message to listserv@listserv.aap.org with the following command in the body of the e-mail message (with no subject heading):

UNSUB schip emailname@emailaddress
an example: UNSUB schip joesmith@email.com

If you wish to change the address at which you receive the updates, you must send an UNSUB command for the old address (as described above) and then send a SUB command, also to

listserv@listserv.aap.org, to subscribe from your new e-mail address. When using an SUB command, you must include an identifying name. An example:

SUB schip Joe Smith

To subscribe to the update, also use the above SUB commands.

ABBREVIATIONS and ACRONYMS

AAP - American Academy of Pediatrics

CBPP – Center on Budget and Policy Priorities

CMS – Centers for Medicare and Medicaid Services

EPSDT – Early and Periodic Screening, Diagnosis and Treatment

FPL – federal poverty level

FY – fiscal year

HIFA – Health Insurance Flexibility and Accountability

KCMU – Kaiser Commission on Medicaid and the Uninsured

NCSL – National Conference of State Legislatures

NHeLP – National Health Law Program

MCO – managed care organization

SCHIP - State Children's Health Insurance Program

The Division of State Government Affairs sends the Medicaid and SCHIP e-mail update to the Academy's Executive Committee, Board of Directors, District Vice-Chairs, Chapter Presidents, Committee on State Government Affairs, Committee on Federal Government Affairs, Chapter Executive Directors, other interested AAP members and staff, and other subscribers to the e-mail update. Send comments or questions to SCHIP@aap.org or contact Dan Walter at the American Academy of Pediatrics at (800) 433-9016 ext 4086.

Previous updates are available on the AAP Web site at:

<http://www.aap.org/advocacy/schiprep.htm>

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