

## **American Academy of Pediatrics (AAP) Medicaid and SCHIP Update December 16, 2005**

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### New and Noteworthy

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### New and Noteworthy

1. HHS Approves Three Section 1115 Waivers

The US Department of Health and Human Services has approved three Health Insurance Flexibility and Accountability (HIFA) or Section 1115 waivers for Medicaid programs in recent months. Oklahoma received approval on September 30, 2005 for a waiver to cover an additional 50,000 Oklahoma residents with incomes at or below 185% of the federal poverty level (FPL) via a premium-assistance program. More information on this can be found online at:

<http://www.ohca.state.ok.us/about/news/pr093005.asp>

On September 27, 2005, Vermont received approval for its "Global Commitment to Health" 1115 waiver proposal. This waiver largely governs the financing of Medicaid in Vermont, without specifically addressing benefit or eligibility changes to the program, which may occur at a later date. The waiver limits federal spending in the state's Medicaid program over the 5-year life of the waiver. More information is available at:

<http://www.ovha.state.vt.us/globalhome.cfm>

On October 19, 2005, Florida received approval for its 1115 waiver proposal, which seeks to overhaul how Medicaid is administered in that state. The waiver creates a demonstration project in two Florida counties, whereby enrollees will largely be moved to managed care via a new financing mechanism. More information on this waiver can be found online at:

[http://www.fdhc.state.fl.us/Medicaid/medicaid\\_reform/waiver/index.shtml](http://www.fdhc.state.fl.us/Medicaid/medicaid_reform/waiver/index.shtml)

The Kaiser Commission on Medicaid and the Uninsured has created a fact sheet on the Florida Medicaid waiver, which is available at:

<http://www.kff.org/medicaid/7443a.cfm>

Please contact the AAP Division of State Government Affairs for more information on Medicaid waivers.

2. AAP Medicaid Reimbursement Survey Report Now Available

The AAP Department of Practice is pleased to release the 2004/05 Medicaid Reimbursement Survey State Report. This report compiles data from 46 currently responding states, providing data on Medicaid payment by state by Current Procedural Terminology (CPT) code for over 100 commonly used pediatric services. A complete national report is available, as well as individual state reports, which list payment by service and also provide payment as a percentage of Medicare. The 2004/05 Medicaid Reimbursement Survey State Report can be found online at:

<http://www.aap.org/research/medreim0405.htm>

Previous years data can be found online at:

<http://www.aap.org/research/medreimintro.htm>

### 3. MCHB Policy Research Report Details Devastating Effects of Loss of EPSDT by State

A September 2005 memo from the Maternal and Child Health Policy Research Institute provides critical insight into the importance of the Early and Periodic Screening, Diagnosis and Treatment (EPSDT) program. The report details the limits on the amount, duration, and scope of Medicaid services that would be available in 50 states if EPSDT were eliminated and states applied the coverage policies currently in effect for categorically needy adults. Under such a scenario, all states, but especially those in the South, would omit or restrict coverage for services needed by children with serious physical and developmental conditions. The most commonly affected services would be private duty nursing, home health services, physical therapy, occupational therapy, and speech-language pathology services. The report provides state-by-state coverage information on a number of critical services for children. This report can be found online at:

<http://www.mchpolicy.org/50-StateAnalysisofMedicaidBenefitCoverageforChildrenwithoutEPSDT.pdf.pdf>

### 4. Kaiser Examines Medicaid/SCHIP Actions for FY 2005-FY2006

The Kaiser Commission on Medicaid and the Uninsured has released an updated 50-state survey report entitled, "Medicaid Budgets, Spending and Policy Initiatives in State Fiscal Years 2005 and 2006." The report provides several findings on what has transpired with Medicaid budgets over the past several years, and also provides state-by-state actions. The report indicates that as the economy began to recover, state revenue growth started to climb and Medicaid spending growth slowed. It further found that the rate of Medicaid enrollment growth dropped for the fourth straight year of slowing rates. While states continue to implement cost containment strategies, more states implemented positive policy initiatives over the studied time frame, such as eligibility expansions and provider payment increases. As many as 25 states will be looking at section 1115 waiver authority in FY 2006, according to the report, which can be found online at:

<http://www.kff.org/medicaid/kcmu101905pkg.cfm>

### 5. Paper Examines Program Structure and Disenrollment

An article published in the November/December 2005 issue of *Health Affairs* indicates that the programmatic structure of Medicaid and SCHIP has an effect on child disenrollment from the programs. The study explored the effects of program fragmentation – whether or not Medicaid and SCHIP in a state were combined or administered separately. The objectives of the study were to establish how many children switch enrollment each year between Medicaid and SCHIP, and whether fragmentation of the programs exacerbates dropout. The author found that 27% of SCHIP enrollees switched to Medicaid each year, and 6% of Medicaid enrollees switched to SCHIP. While the difference is statistically significant, these percentages represent roughly the same number of children – 1 million children in SCHIP switched, and 1.4 million children in Medicaid switched. Comparing states with combined programs and separate programs, those with combined programs experienced 9.6% dropout annually, while those with separate programs experienced 13.9% dropout. Children living in states with separate Medicaid and SCHIP programs were 45% more likely to drop out than children living in states

with combined programs. The implications of this finding are discussed. An abstract of this article may be found online at:

<http://content.healthaffairs.org/cgi/content/abstract/24/6/1611>

6. GAO: State Medicaid Pays More for Prescription Drugs

An October 31, 2005 Government Accountability Office (GAO) report indicates that states studied pay more for prescription drugs in their Medicaid programs than do other payors. Total Medicaid expenditures for outpatient prescription drugs have grown nationwide from \$4.6 billion in FY 1990 to \$33.8 billion in FY 2003, more than twice the rate of increase in total Medicaid spending. The GAO report examined state payment for outpatient prescription drugs in five states, and reviewed how these payments compared to three market-based prices. The study found little variation among the five states' payments for most drugs – payments for 189 brand-name drugs varied by less than 7% on average. Each state's payments for brand-name drugs exceeded the Average Manufacturer Price (AMP) by 12%, the Best Price by 36%, and the Federal Supply Schedule (FSS) Price by 73% - three market prices based on actual sales transactions. While the GAO cautions that these study state results cannot be generalized to other states, the report would indicate that Medicaid is paying significantly higher for prescription drugs in at least these five states. This GAO report is available online at:

<http://www.gao.gov/new.items/d0669r.pdf>

7. Kaiser Medicaid Fact Sheets Released

A new interactive tool from the Kaiser Commission on Medicaid and the Uninsured provides the latest key data for each state's Medicaid program and the population it serves, allowing for easy comparisons of one state to any other state or to the nation as a whole. Comparisons can be made on a selection of important indicators using the most recent data from the Kaiser site, [www.statehealthfacts.org](http://www.statehealthfacts.org). The tool provides figures and tables that can be easily printed as custom fact sheets, emailed and saved. These fact sheets may be found online at:

<http://www.kff.org/mfs/index.jsp?CFID=1595998&CFTOKEN=25393475>

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ABBREVIATIONS and ACRONYMS

- AAP - American Academy of Pediatrics
- AMP – Average Manufacturer Price
- CPT – Current Procedural Terminology (TM)
- EPSDT – Early and Periodic Screening, Diagnosis and Treatment
- FPL – federal poverty level
- FSS – Federal Supply Schedule
- FY – fiscal year
- GAO – Government Accountability Office
- HHS – Health and Human Services, US Department of
- HIFA – Health Insurance Flexibility and Accountability
- 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. Send comments or questions to [schip@aap.org](mailto: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/shiprep.htm>

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