

Testimony
House Bill 1463– Department of Human Services
Senate Appropriations Committee
Senator Ray Holmberg, Chairman
March 15, 2007

Chairman Holmberg, members of the Senate Appropriations Committee, I am Maggie Anderson, Director of Medical Services for the Department of Human Services. I appear before you to provide information regarding the fiscal note on this bill, and to offer an amendment.

Engrossed House Bill 1463 proposes to make a change to the Medicaid Income eligibility requirements. **Currently**, the income eligibility guideline for children six years of age to 19 years of age is 100 percent of the federal poverty level. The proposed change in this bill would increase this income eligibility level to 133 percent of the federal poverty level, which is the current level for children up to six years of age.

The change to the Medicaid income eligibility level is expected to result in an increased Medicaid enrollment of 2,700 children. Of these, approximately 2,450 children would move from the Healthy Steps (SCHIP) program to the Medicaid program. The net change for this portion of the bill is a savings of \$2.3 million of which \$144,067 are general funds.

Engrossed House Bill 1463 would also increase the income eligibility standard for the Healthy Steps Program from 140 percent of the federal poverty level (net income) to 150 percent of the federal poverty level (net income).

The Department estimates an additional 1,200 children would be eligible for Healthy Steps. This estimate is based on the number of children who were denied Healthy Steps Coverage for the period of August 2005 through July 2006, whose family income was between 140 percent (net) and 150 percent (net).

We estimate in the first two months of implementation about 204 children would enroll in Healthy Steps, if the income level was increased to 150 percent (net) of poverty. We further estimate that an additional 36 children would enroll each of the remaining 22 months. By the end of the biennium, we estimate the additional enrollees to be approximately 1,200.

Based on an average monthly premium of \$207.31 per month, the additional NET cost to increase the Healthy Steps income level to 150 percent (net) of the federal poverty level would be approximately \$3,875,868, of which \$977,106 would be general funds.

Unlike Medicaid, which is an entitlement program, states receive annual federal allotments for the operation of the State Children's Health Insurance Program. If an annual allotment is not fully used, it can be carried over to be used in subsequent years. During this current biennium, the Healthy Steps program in North Dakota has seen tremendous growth. In preparing the 2007-2009 Budget request, the Department prepared the Healthy Steps projection, based on an average of 3,958 children per month. Based on the current allotments, we expect to essentially fully expend all carryover, and current year allotments to sustain the program at the current eligibility limit. SCHIP is scheduled for reauthorization this year; therefore, changes may be made to the funding and allotment processes or amounts. The changes proposed in Engrossed

House Bill 1463 actually result in a savings of federal allotment; however, if the Medicaid change was removed from Engrossed House Bill 1463, the federal funds to support the Healthy Steps change (to 150 percent) would not be available.

The fiscal note also includes the funding for an additional .5 Full Time Equivalent (FTE) in the Medical Services Division and additional funding at the county level. Of the current Healthy Steps caseload, approximately one-third of the cases are processed at the State Office, the remainder at the county. The estimated cost for this additional .5 FTE for the 2007-2009 Biennium is \$65,159. This estimate includes salary, fringe, equipment and office space. Again, based on the current caseload allocation, the remaining two-thirds of the cases would be processed at the county-level. The estimate of additional funds needed for county-level expenses is \$121,567, which would support the cost of two additional FTE.

Senate Bill 2012 (the Department's Appropriation Bill) was amended by this committee to include the funds necessary to support the proposed Medicaid and Healthy Steps income eligibility changes in Engrossed House Bill 1463. The Senate Amendments do not include the funding for .5 FTE or county costs. The total included in Senate Bill 2012 is \$1.5 million of which \$.8 million are general funds.

Last week, I was notified by the Centers for Medicare and Medicaid Services (CMS) that North Dakota would be unable to expand coverage, as proposed in Engrossed House Bill 1463. Following is the information provided by CMS:

"This is to confirm our conversation. Under 1905(u)(2)(B), a Medicaid-eligible child who would not have been eligible under the State plan as of March 31, 1997 is an optional targeted low income child (for whom the State can claim the enhanced FMAP out of the

SCHIP allotment under 1905(b)). The statute does not provide a mechanism for the State to change that status. Because of this, the State cannot claim FMAP from Medicaid. I have heard there may be some states proposing a technical correction be put in the reauthorization for SCHIP to change this, since it does have the effect of limiting some States from expanding eligibility.

Unless or until this section of the law is changed, you cannot expand Medicaid to children who were not eligible for Medicaid on March 31, 1997, unless you have exhausted all your SCHIP allotment at the time of the change.”

Based on this communication from CMS, the Department is offering an amendment (Attachment A) which would allow for implementation of Engrossed House Bill 1463, if the appropriate changes are made during the reauthorization of SCHIP. The Department will ensure that the North Dakota Congressional Delegation and the American Public Human Services Association are aware of the section of the federal law that needs to be changed.

I would be happy to answer any questions you may have.