

Testimony Before the  
United States Senate Committee on Finance  
September 7, 2017

By:

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Chairman Hatch, Ranking Member Wyden and members of the committee, thank you for allowing me to speak to you today on the importance to states of continued funding for the Children's Health Insurance Program.

And thank you Senator Warner – I remember well when you were Governor and I was hired as the CHIP Director to help you improve Virginia's program and enroll every eligible child. I particularly remember how you would ask every Friday, without fail, how many more children we had gotten covered that week. So before you go there, I will say that Virginia currently has 614,100 children covered through Medicaid and CHIP. These programs are the health insurance plan for almost one in three children in the Commonwealth, or slightly less than the national average.

I was invited here today to give the state perspective on the importance of continued funding for CHIP. As Dr. Schwartz has explained, the authorizing CHIP legislation provided certain flexibilities to states in how to design their programs so there are differences across the country. Virginia, like most states has a combination program with some children enrolled in Medicaid but supported by CHIP funding and others covered in a separate program. But however states have chosen to administer this program, it plays a vital role for all of us in ensuring children have access to affordable and appropriate health care coverage by building on top of the much larger Medicaid program. In fact, CHIP just turned 20 – it is now a mature program that is woven deep into the fabric of health care coverage in all states and is a key program protecting the health of children for all of us.

There are only two points I want to make in my five minutes today. First, that CHIP is vital to the health of children in Virginia and in each of the states you represent. By my quick calculation over 4 million children are covered by CHIP in just your states alone. Second, I want to make sure you understand that there are serious consequences looming if you delay reauthorization – even for a few months.

In Virginia, as of September 1<sup>st</sup>, there are 123,256 children receiving their health care through CHIP. Over 58,000 of them are enrolled in Medicaid and the other 65,000+ are enrolled in the separate program initially modeled after the state-employee health plan. We call the separate program "FAMIS" and we call the Medicaid program for children "FAMIS Plus"; the plus is because Medicaid provides additional benefits.

In Virginia we cover children up to 200% of the poverty level. We do not charge premiums but we do charge modest co-payments for services and children are required to be served through one of our 6 managed care plans at an average per child monthly cost of \$160.

Virginia also has a CHIP waiver to provide prenatal care to pregnant women with incomes above the Medicaid limit up to 200% of the poverty level and about 1,100 pregnant women are

currently enrolled. We also have a small premium assistance program whereby families can choose to enroll their child in an employer's health plan and we will help them cover the cost of the children's coverage, as long as it is cost-effective to do so and certain benefits are included.

The separate CHIP benefit package is strong and most recently, we have added new substance use treatments for CHIP children and pregnant women as part of Virginia's effort to address the opioid epidemic.

Virginia receives 88% federal funding for this program and to emphasize just how important this is to Virginia children, in the last 2 fiscal years this funding has paid for:

- 218,190 immunizations and 221,309 well-child checkups.
- 21,430 glasses/contact lenses
- 326,567 dental visits

In addition to this more routine and preventive care, CHIP has covered

- 258 heart surgeries,
- 6 brain cancer surgeries,
- 2 liver transplants,
- and 1 heart transplant,

We have provided services for:

- 1,118 children diagnosed with cancer
- 31 children living with HIV
- 32 children born with neonatal abstinence syndrome

You have heard today from Ms. George about the difference CHIP has made in her child's life. There are thousands of stories in each of your states that would deliver the same message. In Virginia I could tell you stories of children who simply get to lead more normal lives because of CHIP; they can play sports (you know you need to have insurance to play sports), control their asthma, see better in school, or get their teeth fixed; and their families breathe easier. Some even avoid falling into poverty because they have ready access to good quality health care for their children. Or I could tell you stories of children with very serious illnesses that have received lifesaving treatments because of this program. I could talk about James who learned he needed heart surgery days before he was to turn 18. Everyone worked together to expedite his eligibility and schedule his surgery so it would be covered before he aged out of CHIP. We couldn't pay for his considerable follow up treatments but we could help fix his heart.

Or Nathan, a 15 year old without health insurance who showed sudden symptoms of diabetes and was rushed to the local emergency room. On the cusp of entering a diabetic coma the staff transferred him to a nearby hospital better able to treat his health crisis. His mother was

fortunate to connect with a Virginia Health Care Foundation outreach worker, an organization Senator Warner is very familiar with as he is the founding chairman, and that we help support with CHIP administrative dollars. The outreach worker quickly assessed that Nathan would be eligible for FAMIS and personally engaged the local department of social services to expedite his application and ensure receipt of life-saving care without delay. Like so many others, Nathan's mother was amazed to find out that CHIP is designed to meet the needs of working families.

I hope you understand that CHIP is vital to the health of our children and therefore our nation and it works. But without congressional action soon we will be forced to start preparations to shut it down, throwing families of over 60,000 children in Virginia, and millions across the country into a panic.

You have heard that most states will not actually run out of federal CHIP dollars until sometime in the second quarter of FY 2018. Some might naively believe this means you can safely delay any action on CHIP while you deal with your very full calendar. But let me explain how problematic that would be for states and how devastating for families.

The analysis from CMS and the MACPAC data shows that with some redistributed funds, Virginia will run out of federal CHIP dollars sometime in March – and we agree. However, what that analysis does not take into account is that Virginia, like many states, covers these children through managed care plans. We pay those health plans a capitated rate retrospectively for the previous month's coverage. So in February 2018 we will pay the 6 health plans for the month of January – but in March we will not have sufficient funds to pay for the month of February. We will therefore need to terminate FAMIS coverage at the end of January.

In order to give families adequate notice, we will need to send them letters informing them of this alarming news at the end of November. To address the inevitable turmoil this will cause, in Virginia we will first need to train Eligibility Workers, advocates, application assistants, call center operators, and others before families receive those letters so they are able to answer questions and provide whatever assistance they can offer. In essence, we will need to mount a reverse outreach campaign. We will also need to inform providers along the same timeframe and prepare to deal with their questions as well.

We will need to expend funds to modify IT systems as eligibility rules are now embedded into such systems across the country and to change online and paper applications and notices. Countless other contracts for managed care, prior authorization reviews, auditors, etc. will also need to be amended.

I suspect for states without a high degree of managed care the situation will be even more precarious. They will have to try and predict what CHIP claims will come in, and when, in order

to shut down the program in time to cover unknown costs. This will be further complicated as parents who get that letter telling them their child's coverage will end soon will very likely rush their child to the doctor, dentist and eye doctor and fill any prescriptions to the maximum; thus driving up utilization and expending remaining dollars faster than anticipated.

Even if some states were able to continue a reduced level of coverage for a time – or move children in a separate program into Medicaid, it would take months to develop and implement new policies and change systems. In Virginia our legislators begin their regular session on January 10<sup>th</sup>, too late to begin any legislative debate of how to continue some form of coverage.

If the future of CHIP remains uncertain, states will soon need to make decisions about policies such as freezing enrollment so as to preserve current coverage as long as possible, and what to say to families and when to say it, as the end of funding approaches. I have a long "To Do" list of what will need to happen in Virginia and that list starts in October if CHIP is not reauthorized by September 30th.

While we have come so close to the wire this time that states would be grateful for any quick reauthorization, I do want to make the point that funding this program in 1 or 2 year increments breeds instability. It dampens innovation and probably limits state investment when the future is so uncertain. I absolutely endorse the MACPAC recommendation of reauthorizing and funding the program for five years.

Finally, I want to talk about the enhanced federal match rate for CHIP. I understand there is some question of whether or not it will continue at the current rate or be reduced. Please be aware that for Virginia alone, we know that if Congress reauthorizes CHIP but reduces the federal match rate to previous levels (65% for Virginia) we will experience an immediate \$56 million dollar shortfall in the current state fiscal year (July – June) and an \$83 million shortfall in the next. Virginia, like almost all states has built the current biennial budget on current law with the higher CHIP match.

As the chairman knows better than anyone – CHIP has always had strong bipartisan support and that is true at the state level as well. With all the very difficult and complex decisions you have to make about health care in America, surely whether or not to reauthorize CHIP is not one of them. On behalf of states I am here to ask you to please continue your strong support of children's health care with passage of a straightforward authorization for continued funding of CHIP, at current levels.

Thank You