State of Utah

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September 6, 2013

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

Dear Committee Member:

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

Enhanced Funding for Medicaid Eligibility Systems Operation and Maintenance

For the Medicaid program, the Centers for Medicare and Medicaid Services (CMS) has provided 90 percent federal matching funds to states for the design and development of new or improved Medicaid eligibility determination systems to accommodate the new Affordable Care Act (ACA) modified adjusted gross income (MAGI) rules and to coordinate coverage with the federally facilitated individual marketplace (FFM).

On February 6, 2013, we notified you about work that needed to be done to the State's existing eligibility system (eREP) in order to meet the requirements of the ACA. After the February letter, the State reached an agreement with CMS on how exchanges would function in Utah and we were able to better define how eREP would need to interact with the FFM and data hub. On June 13, 2013, we sent a second notification to you defining additional eligibility system enhancements needed to meet the requirements of ACA. All changes being made are encompassed by the mandatory changes to Medicaid and CHIP eligibility and do not include changes that would implement an optional Medicaid expansion to new adult groups.

In addition to these mandatory changes to eligibility systems, states may also receive 75 percent federal match for maintenance and operations, in the context of eligibility determinations. Historically, these eligibility determination functions have been matched at a 50 percent rate. In our state, the Department of Workforce Services (DWS) performs these functions for Medicaid. DWS will not need to change its current cost allocation methodologies, but CMS approval of this enhanced funding request will allow certain eligibility determination-related costs to be matched at the enhanced 75 percent Federal Financial Participation (FFP).

UTAH DEPARTMENT OF HEALTH

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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 age 19 through 64 up to 133 percent of poverty. 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.

Utah does not have to seek the enhanced 75 percent FFP. It could continue to receive 50 percent FFP for eligibility determination functions.

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 requiring a MAGI-based eligibility determination methodology, 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.

Receipt of the enhanced 75 percent FFP is conditioned on states meeting a series of system requirements. Some of these requirements include:

- State eligibility system being compliant with the CMS defined Seven Standards and Conditions
- State eligibility system capability to make MAGI-based eligibility decisions
- State eligibility system ability to accept the ACA single streamlined application
- State eligibility system functionality to coordinate with the FFM starting October 1, 2013

Utah is currently on track to meet the above criteria by October 1, 2013 and is eligible to request the enhanced 75 percent FFP.

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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 the mandated ACA changes, individuals that 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 that 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 Utah does not seek the enhanced 75 percent FFP, it would continue to receive 50 percent FFP for eligibility determination functions.

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

No additional costs have been identified from those stated in the previous letters sent on February 6, 2013 and June 7, 2013. There are no additional projected costs as the state's current cost allocation methodologies will not change. If CMS approves the enhanced 75 percent FFP for eligibility determination functions, there will be savings to the state because of the reduced requirement for state match.

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.

If Utah does not seek the enhanced 75 percent FFP, it would continue to receive 50 percent FFP for eligibility determination functions and would not be able to reduce its state match on those functions.

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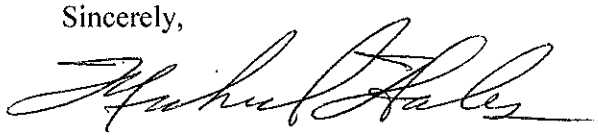
7) The impact, if any, of the ACA requirements regarding:
   a) the state's protection of a health care provider's refusal to perform an abortion on religious or moral grounds as provided in Section 76-7-306; and
   b) abortion insurance coverage restrictions provided in Section 31A-22-726

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,



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