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November 21, 2011

TO: Representative Cory Mason
Room 6 North, State Capitol

FROM: Charles Morgan, Program Supervisor

SUBJECT: CHIPRA Performance Bonus Payments

In response to your request, this memorandum provides information on performance bonus payments that are available to states for federal fiscal years (FFYs) 2008-09 through 2012-13 under the federal Children's Health Insurance Program Reauthorization Act of 2009 (CHIPRA). It includes a summary of criteria states must meet to be eligible for these bonus payments, and how the U.S. Department of Health and Human Services, Centers for Medicare and Medicaid Services (CMS) determines the bonus payment amounts to qualifying states. Finally, it addresses your question regarding how the state's recent request to CMS for a waiver of the maintenance of effort requirements included in the federal Affordable Care Act could affect future CHIPRA performance bonus payments for which the state may be eligible.

Background

CHIPRA includes a provision that authorizes CMS to provide bonus payments to qualifying states that have increased Medicaid enrollment of children above a baseline level. For the purpose of determining eligibility for bonus payments, only children who meet the state's eligibility criteria that were in effect on July 1, 2008, for CHIP-funded MA expansion programs, such as BadgerCare Plus, are counted.

In order to qualify for a bonus payment, a state must implement at least five of eight program features that simplify the application and renewal process. These features are:

(a) Continuous eligibility (assuring coverage for a child for 12 months, regardless of changes in the family's circumstances, with limited exceptions);

(b) Liberalization of asset requirements for MA and CHIP eligibility (imposing no asset test for children, or allowing administrative verification of assets;

(c) Eliminate requirements for in-person applications or face-to-face interviews for applications and renewals, unless there are discrepancies or individual circumstances justifying in-person applications or face-to-face interviews;

(d) Use of the same application and renewal forms for MA and CHIP;

(e) Automatic/administrative renewals for both MA and CHIP, which could include either of the following: (1) the state providing a pre-printed form with eligibility information available to the state, along with a notice that eligibility will be renewed and continued based on the information contained in the form unless the state is provided other information that affects the child's eligibility; or (2) the state makes a redetermination to the maximum extent possible based on information in the individual's Medicaid file, or other information available to the state, before it seeks information from the child's parent or representative;

(f) Presumptive eligibility for children for both MA and CHIP;

(g) "Express Lane" eligibility in both MA and CHIP, which is an option provided in CHIPRA that permits states to automatically enroll and renew eligible children in MA and CHIP, based on findings from an "Express Lane" agency designated by the state; and

(h) Premium assistance to subsidize qualified group health and employer-sponsored coverage, using MA and CHIP funds.

States with enrollment increases of up to 10% above their calculated baseline enrollment may qualify for "first tier" bonus payments. These payments equal the number of children above the baseline number, multiplied by 15% of the estimated per capita state MA expenditures for most MA-eligible children.

States with enrollment increases that exceed 10% of their calculated baseline enrollment may also qualify for "second tier" bonus payments. These payments equal the number of enrolled children above the number of children in the first tier, multiplied by 62.5% of the projected per capita state expenditures for this population of children.

FFY 2009-10 and 2010-11 Bonus Payments

FFY 2009-10 Allocations. For FFY 2009-10, Wisconsin demonstrated that it had implemented five of the program features listed above -- (b), (c), (d), (e), and (h). In addition, the state showed that it had increased enrollment of children in the program by 85,557 (23%) above the FFY 2009-10 baseline for the state (368,429), as calculated by CMS. This increase enabled the state to qualify for both "first tier" and "second tier" bonus payments.

For FFY 2009-10, Wisconsin received a bonus payment of $23,076,127, which DHS used to support MA benefits costs in the 2009-11 biennium. Wisconsin was one of 15 states that received

CHIPRA performance bonuses for that year. CMS distributed CHIPRA bonuses totaling $206,157,744 to those states.

FFY 2010-11 and Subsequent FFY Allocations. In October, 2011, DHS submitted enrollment information to CMS in order to qualify for FFY 2010-11 awards. DHS indicated that, for that year, the monthly average number of unduplicated qualifying children was 467,963, an increase of 13,977 from the average enrollment number from the previous year. CMS will establish a new baseline figure for the state, which will be equal to the state's baseline figure for the previous year, adjusted to reflect growth in the state's population of children, plus 3%. In addition, CMS will apply a new per capita state expenditure for this population of children. While it is not known at this time how the new enrollment figures and formula adjustments will affect Wisconsin's FFY 2010-11 bonus award, it is likely that this year's reward will be similar to the FFY 2009-10 award (approximately $23.1 million). The state may qualify for additional bonus payments in FFY 2011-12 and 2012-13.

The MA budget established for the 2011-13 biennium under 2011 Wisconsin Act 32 (the 2011-13 biennial budget act) did not assume that the state would receive CHIPRA bonus payments for FFYs 2010-11 through FFY 2012-13 to offset the state's share of MA program costs. However, DHS has indicated that it intends to use the CHIPRA bonus funds the state anticipates receiving for FFY 2010-11 to partially satisfy agency lapse requirements enacted as part of Act 32, rather than to support MA benefits costs in the current biennium.

Wisconsin's Affordable Care Act MOE Waiver Request and Future CHIPRA Payments

DHS estimates that, on an annualized basis, the administration's proposals to modify the MA program, as submitted to CMS last week, would reduce the number of children enrolled in the MA program by approximately 29,000 annually. If CMS approves all of the program changes requested by the state, these children would either no longer be eligible for the program, or they would remain eligible but not enroll in BadgerCare Plus due to the proposed increases in cost-sharing requirements requested by the state.

If the average enrollment of children in BadgerCare Plus were reduced by approximately 29,000, beginning in FFY 2012-13 (October 1, 2012 through September 30, 2013), it is estimated that the state's CHIPRA performance bonus payments would decrease by approximately $10.3 million in that year. Due to timing differences between state fiscal years and federal fiscal years, this projected reduction in the CHIPRA performance bonus payment would not be realized until the 2013-15 state fiscal biennium. A smaller reduction in the performance bonus payment is projected for federal fiscal year 2011-12 ($5.8 million) due to the fact that if approved by CMS, DHS has indicated that it would not implement the MA program changes at issue until April, 2012.

This estimate is based on the calculation that was used to calculate the state's federal fiscal year 2009-10 award. The actual reduction in performance bonus payments, compared to the 2009-10 payment award, would depend on several factors, including changes in per capita expenditures

and population growth-based adjustments to the state's baseline number. If CMS approves the state's MOE waiver request, it appears that Wisconsin could still qualify for the bonus payments by meeting at least five of the eight program features.

Please contact me if you require additional information on this matter.

CM/lb