

# SENATE BILL REPORT

## SB 5596

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As of February 15, 2011

**Title:** An act relating to creating flexibility in the medicaid program.

**Brief Description:** Requiring the department of social and health services to submit a demonstration waiver request to revise the federal medicaid program.

**Sponsors:** Senators Parlette, Zarelli, Becker and Hewitt.

**Brief History:**

**Committee Activity:** Health & Long-Term Care: 2/14/11.

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### SENATE COMMITTEE ON HEALTH & LONG-TERM CARE

**Staff:** Mich'l Needham (786-7442)

**Background:** Medicaid is a federal-state partnership with programs established in the federal Social Security Act, and implemented at the state level with federal matching funds. The federal law has provided a framework for coverage for children, pregnant women, some families, and elderly and disabled adults, with varying income requirements. The Patient Protection and Affordable Care Act (PPACA) creates a new mandatory eligibility category for non-elderly, non-pregnant adults with income at or below 133 percent of the federal poverty level (FPL), beginning January 1, 2014. States have the option to provide Medicaid coverage to all non-elderly individuals above 133 percent of FPL through a state plan amendment.

PPACA requires states to maintain the Medicaid eligibility income standards that were in place in March 2010 through December 31, 2013, for all adults. The maintenance of effort requirement extends through September 30, 2019, for all children covered in Medicaid or the Children's Health Insurance Programs. States may be exempt from the maintenance of effort requirement for optional, non-pregnant, non-disabled, adult populations whose income is above 133 percent of FPL if the state certifies it is currently experiencing a budget deficit or projects to have a budget deficit in the following fiscal year.

The Secretary of the Department of Health and Human Services (HHS) has some authority to grant waivers from certain requirements to allow states to demonstrate innovative approaches in their Medicaid programs. Washington State recently received approval for a bridge demonstration waiver to allow early federal Medicaid match for the new eligibles (adults that

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will be eligible for Medicaid in 2014) that are enrolled through our state funded Basic Health and medical care services programs.

**Summary of Bill:** Department of Social and Health Services (DSHS) must submit a Medicaid Marketplace demonstration waiver. To the extent permitted under federal law, the waiver request must include:

- an indexed block grant with maximum flexibility for the state to manage within the appropriation. The capped allotment must be based on targeted per capita costs and estimated caseload for the five-year demonstration;
- flexibility over benefit design for all categories of eligibility to align with the Basic Health benefits package approved in the section 1115 bridge waiver;
- the ability to implement variable cost-sharing and premiums for all categories of eligibility to encourage good consumer behavior and lower utilization of health services;
- the ability to streamline eligibility determination, free from maintenance of eligibility requirements, with the opportunity to streamline administration of the multiple categories of eligibility;
- the incorporation of all active Medicaid waivers under the Medicaid state plan; the ability to impose enrollment limits and benefit design changes for all optional populations;
- the flexibility to innovate with differential cost-sharing and premium arrangements between health plans, wellness incentives, tiered prescription drug copays with formularies, selective contracting for certain services, benefit design flexibility for optional benefits, new payment methodologies, and health savings accounts with mid-level deductible; and
- an expedited process for the Centers for Medicare and Medicaid to respond to any state request for changes within 60 days to ensure the state has the flexibility to manage within its appropriation.

In addition, DSHS must evaluate the merits of moving to an insurance subsidy model for certain Medicaid populations, and consider steps to remove the administrative silos that separate the development disabilities and long-term care services and evaluate whether including the services in a more global approach to medical services would improve health outcomes and lower costs. DSHS must hold ongoing stakeholder discussions in developing the waiver request, and identify statutory change that may be necessary for implementation. The Legislature must authorize implementation of any waiver approved by HHS.

**Appropriation:** None.

**Fiscal Note:** Requested on February 11, 2011.

**Committee/Commission/Task Force Created:** No.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.

**Staff Summary of Public Testimony:** PRO: This is a means to redesigning Medicaid to ensure we have a stable, sustainable program with a manageable budget. States need flexibility for the program and the opportunity to share in the savings if we can create

efficiencies. Cost sharing and premiums work as evidenced with our experience with Basic Health.

CON: The current bill would have negative impacts on children and families. The state has had great success covering children in Apple Health and this would set us back. A block grant leaves the state at risk and can result in capped enrollment and the loss of federal Children's Health Insurance Program Reauthorization Act of 2009 bonus money the state has received. Restricting enrollment and having patients bare the costs for care with premiums and co-pays leaves the complicated populations in these programs exposed. The aged, blind, and disabled populations have complex health issues and they would have great exposure under this approach. A better approach for them would be focusing on the development of health homes. The Governor does not support a block grant, but may be comfortable with an indexed per capita agreement similar to the approach negotiated in the Bridge waiver. There is some interest in benefit design flexibility based on the Basic Health design, with a supplemental benefit design for the at-risk populations. Cost sharing and premiums are of some interest for targeted populations, not the entire Medicaid population. There is interest in streamlining eligibility.

OTHER: It is good public policy to have more control over the program and more flexibility with program design. It will be a win-win and result in savings for tax payers and the state and support individual responsibility.

**Persons Testifying:** PRO: Senator Parlette, prime sponsor.

CON: Jen Estroff, Children's Alliance; Kate White Tudor, Healthy Washington Coalition and Washington Association of Community and Migrant Health Centers; Roger Gantz, DSHS.

OTHER: Roger Stark, Washington Policy Center.