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Medical Assistance Incentive Payments to Local Child Support Agencies (DCF -- Child Support and DHS -- Medical Assistance and FoodShare -- Administration)

[LFB 2009-11 Budget Summary: Page 172, #3 and Page 371, #4]

CURRENT LAW

Medical Support Orders. As part of a child support proceeding, courts are required to assign responsibility for, and direct the manner of payment of, a child's health care expenses. In assigning responsibility for a child's health care expenses, courts must consider specific factors, including: (a) whether a child is covered under a parent's health insurance policy or plan at the time of the court action; (b) the availability of health insurance to each parent through an employer or other organization; (c) the extent of coverage available to a child; and (d) the costs to the parent for the coverage of the child. Courts may require a parent to initiate or continue health care insurance coverage for a child and to provide copies of necessary program or policy identification to the custodial parent.

The federal Office of Child Support Enforcement (OCSE) in the Department of Health and Human Services issued new regulations in July of 2008 that expanded medical support services that county child support agencies provide. The new regulations: (a) require that states adopt guidelines which address how the parents will provide for the child's health care needs through health insurance coverage and/or through cash medical support; (b) define "reasonable cost" as an amount that does not exceed 5% of the parent's gross income in determining whether to add a child to existing coverage or as the difference between self-only and family coverage; (c) require child support agencies to petition the court to either include private health insurance that is accessible to the child and available to the parent at a reasonable cost or order cash medical support if private health insurance is not available at a reasonable cost; and (d) grant states the authority to enforce medical support orders.

Under these federal regulations, county child support agencies are required to send out national medical support notices to the employers of non-custodial parents. If a court orders a person to provide coverage for a child's health care expenses and the parent is eligible for family coverage, the employer must: (a) permit the parent to obtain family coverage for the person's child, if eligible for coverage, without regard to any enrollment period or waiting period restrictions that may apply to the policy; (b) provide family coverage for the person's child, if eligible for coverage, upon application by the person, the child's other parent, the Department of Children and Families (DCF), or a county child support enforcement agency; (c) notify the county child support agency when coverage under the plan is in effect and, upon request, provide copies of necessary program or policy identification to the child's other parent; and (d) after the child is covered, and as long as the parent is eligible for family coverage under the policy, continue to provide coverage for the child unless the employer receives satisfactory written evidence that the court order is no longer in effect or that the child is covered under another policy that provides comparable coverage.

The federal regulations do not require county child support agencies to enforce medical support orders beyond sending them to the employers of non-custodial parents.

Automated Identification of Available Insurance for Children. In 2007, the Kids Information Data System (KIDS), Wisconsin's certified statewide automated child support system, was enhanced to automate medical support activities. Each month, the Department of Health Services (DHS) receives information regarding children's health insurance coverage directly from Wisconsin health insurance companies. This data is transmitted to the KIDS system and used by DCF to determine whether a parent has health insurance available for a child who is not covered. Once identified, a national medical support notice is sent to the employer. When the notice is returned to the child support agency stating that the child was added to the health insurance policy, the county child support agency enters the information into KIDS. Once the insurance company enrolls the child, it will report the information to DHS in its monthly report. This process does not apply to self-insured employers.

GOVERNOR

Department of Health Services. AB 75 would provide $300,000 ($150,000 GPR and $150,000 FED) annually in DHS to fund incentive payments to DCF for identifying children who are receiving medical assistance (MA) benefits and who have other health insurance coverage or access to other health insurance coverage. The source of federal revenue is MA administrative matching funds. Although not specified in the bill, the administration indicates that the incentive payment would be $100 per identified child.

The bill would reduce MA benefits funding by $3,060,000 (-$1,210,800 GPR and -$1,849,200 FED) in 2010-11 to reflect the administration's estimates of savings the MA program would realize, as costs that would otherwise be paid by MA would instead be paid by other insurance sources.

Department of Children and Families. The bill would provide $882,400 ($300,000 PR and $582,400 FED) annually in DCF for payments to county child support agencies as an incentive for the agencies to identify children who are receiving MA benefits, yet already have other health insurance coverage or have access to other health insurance coverage. The $300,000 PR amount is the GPR and FED that would be transferred from DHS, and the $582,400 FED assumes that DCF would claim 66% child support matching funds on the $300,000.

The bill would authorize DCF to disclose to DHS information it possesses or obtains that would assist DHS to identify children with MA coverage who have health insurance coverage or access to health insurance coverage. AB 75 would prohibit disclosure of this information for any purpose not connected with the administration of this provision.

DISCUSSION POINTS

Background

1. As part of a child support proceeding, courts are required to assign responsibility for, and direct the manner of payment of, a child's health care expenses. Local child support agencies enter this information within 24 to 48 hours of the hearing into the KIDS system and send out national medical support notices to employers. Federal regulations require no further enforcement of the medical support orders after the notices are sent out. However, local child support agencies provide follow-up services, including phone calls and court hearings, to ensure that, if available, a child is covered under private health insurance.

2. In an attempt to automate and update health insurance information available for children, the Bureau of Child Support (BCS) worked with the Department of Health and Family Services (now DHS) to set up an interface between KIDS and the MA program to identify situations where a parent is covered by insurance, but the child is not covered under the policy. This process was completed in 2007. As a result, for the period from August, 2007, through August, 2008, more than 25,000 national medical support notices were sent to employers due to the automated interface data exchange. The automated interface data exchange increased the number of national medical support notices sent out, which increased the workload of local child support agencies.

3. In addition, federal regulations issued in July, 2008, defined "reasonable cost" and required coverage of a child under private health insurance if that insurance was available at a reasonable cost. Reasonable cost was defined as an amount that does not exceed 5% of the parent's gross income. Additional review of medical support is necessary to determine whether coverage of a child under private health insurance is reasonable.

4. The combination of enforcing medical support orders, automating the identification of private health insurance available for children, and having to discern if adding a child to health insurance would not exceed 5% of the parent's gross income increased the workload at local child support agencies. Although local child support agencies are only required to send out national medical support notices, they also field additional calls from employers and non-custodial parents

regarding the medical support notices and whether adding a child to insurance would be a reasonable cost. In addition, local child support agencies follow up with the notices sent out to ensure that employers add a child to the health insurance policy if it is available at a reasonable cost. If necessary, local child support agencies schedule and attend court hearings to change support orders.

5. At the same time these workload increases were occurring, federal funding was reduced due to the federal Deficit Reduction Act of 2005, an audit determination that limited matching funds on certain cases, and federal regulations that reduced medical support liability incentive payments to counties. These funding cuts are discussed in more detail in Paper #241.

6. As a result of the increased workload and reduction in funding, local child support agencies are seeking additional funding to support and expand enforcement of medical support orders. DCF indicates that with additional funding, child support agencies could review and modify approximately 150,000 court orders that already include a standard provision for medical support, but the health insurance is not being provided by the non-custodial parent under the order. Local child support agencies could also identify situations where stepparents, grandparents, or other caretakers could enroll children under private health care policies. These situations may or may not include some children receiving MA benefits.

7. DCF also indicates that without additional funding, identification of private health insurance coverage for MA children would not be a priority. Federal child support incentive payments are not currently based on states' performance with medical support orders. With limited funding, local child support agencies may reduce medical support enforcement activities in order to fund other enforcement activities, such as establish paternity and child support orders, so as not to jeopardize the federal child support incentive payment. This could result in a reduction of the overall number of children who receive health care coverage and who have coverage available, as well as the number of MA-enrolled children who would be enrolled in a private health care plan.

Governor's Proposal

8. The Governor's recommendation is intended to provide a financial incentive for county child support agencies to identify additional MA children who could be enrolled in a parent's health insurance coverage. Many of these children would continue to be enrolled in MA, but savings would be realized because at least some of the child's health care expenses would be covered by private insurance. The bill assumes that the state incentive payment would be $100 per child identified and that 3,000 children would be identified each year; however, the $100 incentive payment is not specified in the bill, and DCF and DHS would have flexibility in designing the incentive payments. The county child support agencies would also receive $194 in federal matching funds as long as the $100 incentive payment was spent on child support enforcement activities.

9. In developing the proposal, the administration believed that the $150,000 GPR appropriated in DHS could be matched with 50% federal MA administrative matching funds, and

then the $300,000 amount transferred to DCF and awarded to the counties could be matched again with 66% federal child support matching funds. This would allow the $150,000 GPR amount to be leveraged to $882,400 per year ($150,000 GPR, $150,000 MA FED match, and $582,400 child support FED match).

10. It has since been determined that this "double-matching" of federal funds is not allowable. Because the federal child support match rate is higher (66% versus 50%), a more straightforward approach would be to restructure the Governor's proposal to directly appropriate the GPR in DCF's Bureau of Child Support, rather than initially appropriating the funds in DHS and then transferring them to DCF. This would allow for better tracking of state dollars that are eligible for federal child support matching funds, eliminate an unnecessary transfer of funds between agencies, and prevent double-counting that occurs when the same funds are appropriated in two different agencies. As under the Governor's proposal, DCF could then use these funds for incentive payments to county child support agencies.

11. The inability to claim both the MA match and the child support match reduces the total amount of funding available under the proposal by $441,200 annually (from $882,400 to $441,200). These figures assume that the $150,000 GPR would be matched at the 66% child support rate rather than the 50% MA rate. If the MA match rate were used, a larger revenue loss would occur. If the Committee wished to fund the program at the level assumed in the bill, it could increase the GPR contribution to $300,000 per year. With the additional federal match, a total of $882,400 would be available.

12. If the Committee chooses to initially appropriate the GPR funding in DHS, as recommended by the Governor, these funds could be placed in a separate GPR appropriation, instead of DHS's MA administration appropriation.

Medical Assistance Savings

13. DCF indicates that from August, 2007, through August, 2008, the number of MA children enrolled in private health care plans increased from 19,845 to 31,922 due to the automated interface data exchange. DCF also indicates that currently approximately 27,500 of MA children are covered by insurance that covers medical expenses. Of these 27,500, the automated interface data exchange identified approximately 21,000 policies, while local child support agencies identified another 6,500 private health insurance policies. DCF estimates that with additional funding, an additional 3,000 private health insurance policies would be identified annually for MA children. Since the interface data exchange does not include information from self-insured employers, local child support agencies are solely responsible for identifying MA children that could have access to coverage under a self-insured health plan.

14. The administration estimates that for every child who is receiving MA benefits that is identified and, instead, receives private health insurance coverage, the MA program saves $1,020 per year ($404 GPR and $616 FED). However, the administration does not anticipate that any savings would be realized in the first year, but estimates that savings would total $3,060,000 in

2010-11 ($1,210,800 GPR and $1,849,200 FED). These savings could increase in future years if additional children are identified.

15. If fewer than 3,000 policies were identified, then MA savings would be reduced $1,020 annually for each child under 3,000 not identified. It is assumed that if this provision were not enacted, then the county child support agencies would not identify the 3,000 MA-enrolled children who are eligible for private health care coverage, and there would be no savings associated with the MA program (Alternative 7).

County Concerns and Alternatives

16. As noted, county child support agencies have experienced workload increases and federal funding reductions in recent years. Under AB 75, additional funding is provided for local child support enforcement activities for the higher workload due to enforcement of medical support orders, but the funding is conditioned on local child support agencies finding private health insurance coverage for a child that is enrolled in MA.

17. Local child support agencies have indicated that the identification of private health insurance for MA-enrolled children has slowed in recent months. With the economic downturn, jobs have been eliminated and hours have been reduced. Therefore, access to private health care coverage may be decreasing. Given these trends, the counties are concerned that they may not be able to identify 3,000 additional children and that some of the incentive funds would go unused. If this occurred, a lesser amount of MA savings would be realized.

18. These county concerns could be addressed with two alternative approaches. One option would be to add the additional GPR funding and federal child support match to the county child support contracts to support medical support enforcement activities, and not make this funding contingent on the counties identifying additional MA-eligible children. This would address the county concerns about workload, federal funding cuts, and the potential inability to access the proposed incentive payments, but it would eliminate the financial inducement for counties to identify additional MA-eligible children, and may not result in savings to the MA program.

19. A second option would be to specify a higher incentive amount in the statutes, such as $200 or $300 per child. This would make it more likely that counties would be able to access all of the funds, but could also reduce the amount of MA savings. Depending upon the amount of funding provided and the amount of incentive payment, any number of alternatives could be developed. In considering alternatives, it should be noted that DHS believes that the state would save about $400 GPR annually for each MA child that is identified and enrolled in a parent's health insurance plan. Also, children often remain enrolled in the MA program for more than one year, so the total GPR savings would exceed $400 per child. Therefore, if the incentives induce the county agencies to identify additional MA-eligible children, the state would realize savings compared to current law even if the incentive payment was increased significantly above the $100 amount proposed by the administration.

20. It is difficult to estimate whether the number of policies identified would increase or decrease if: (a) the total funding level was $441,200 (Alternatives 1, 2, or 4), rather than $882,400 (Alternatives 3 or 5); or (b) the funding was conditioned on the MA incentive program (Alternatives 1, 2, or 3), rather than provided to local child support agencies to fund medical support enforcement activities without conditions (Alternatives 4 or 5). DCF indicates that there is no specific cost that has been associated with the identification of each MA-enrolled child who has private health insurance coverage available. Rather, the local child support agencies would simply receive a $100 payment for each policy identified. Because the program has not yet been implemented, it is difficult to predict how different funding levels for the incentive program would affect the number of MA children identified. In addition, the amount of savings estimated by the administration is a very small share of total MA funding (about 0.05%). Due to these factors, Alternatives 1 through 5 below do not reestimate the amount of MA savings associated with the proposal.

ALTERNATIVES

1. Approve the Governor's recommendation, but eliminate federal MA matching funds of $150,000 annually in DHS to avoid a "double-match" of federal revenues. Under this alternative, funding of $150,000 annually would be provided in a new annual GPR appropriation in DHS to be transferred to DCF for the MA incentive program. DCF could claim $291,200 in federal child support matching funds each year, so that the total amount of funding for the program would be $441,200. DCF would award incentive payments to county child support agencies for identifying children who are receiving MA benefits and who have other private health insurance coverage or access to private health insurance coverage.

ALT 1	Change to Bill	
	DCF Funding	DHS Funding
FED	- $582,400	- $300,000
PR	- 300,000	0
Total	- $882,400	- $300,000

2. Provide $150,000 GPR and $291,200 FED annually in DCF to fund incentive payments to county child support agencies for identifying children who are receiving MA benefits and who have other private health insurance coverage or access to private health insurance coverage. Eliminate funding for the program in DHS. This option is the same as Alternative 1, except that the program would be administered entirely by DCF.

ALT 2	Change to Bill	
	DCF Funding	DHS Funding
GPR	$300,000	- $300,000
FED	- 582,400	- 300,000
PR	- 600,000	0
Total	- $882,400	- $600,000

3. Provide $300,000 GPR and $582,400 FED annually in DCF to fund incentive payments to county child support agencies for identifying children who are receiving MA benefits and who have other private health insurance coverage or access to private health insurance coverage. Eliminate funding for the program in DHS. This option is the same as Alternative 2, except that total program funding would equal the amount assumed in AB 75 ($882,400 per year).

ALT 3	Change to Bill	
	DCF Funding	DHS Funding
GPR	$600,000	- $300,000
FED	0	- 300,000
PR	- 600,000	0
Total	$0	- $600,000

4. Provide $150,000 GPR and $291,200 FED annually in DCF to be added to the county child support agency contracts to fund medical support enforcement activities. Eliminate the MA incentive program and reduce funding in DHS by $150,000 GPR and $150,000 FED annually.

ALT 4	Change to Bill	
	DCF Funding	DHS Funding
GPR	$300,000	- $300,000
FED	- 582,400	- 300,000
PR	- 600,000	0
Total	- $882,400	- $600,000

5. Provide $300,000 GPR and $582,400 FED annually in DCF to be added to the county child support agency contracts to fund medical support enforcement activities. Eliminate the MA incentive program and reduce funding in DHS by $150,000 GPR and $150,000 FED annually.

ALT 5	Change to Bill	
	DCF Funding	DHS Funding
GPR	$600,000	- $300,000
FED	0	- 300,000
PR	- 600,000	0
Total	$0	- $600,000

6. Provide some other amount of funding to DCF for medical support incentive payments to county child support agencies and specify an incentive amount in the statutes. Delete funding for the incentive program in DHS. The fiscal effect would depend on the amount of state funding provided and the amount of the incentive payment.

7. Delete provision.

ALT 7	Change to Bill	
	DCF Funding	DHS Funding
GPR	$0	$910,800
FED	- 1,164,800	1,549,200
PR	- 600,000	0
Total	- $1,764,800	$2,460,000

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