

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

SENATE COMMITTEE SUBSTITUTE FOR **SENATE, No. 2236**

STATE OF NEW JERSEY

DATED: JUNE 23, 2005

The Senate Budget and Appropriations Committee reports favorably a Senate Committee Substitute for Senate Bill No. 2236 .

This committee substitute, the "Family Health Care Coverage Act," reforms the NJ FamilyCare Program and provides for an expansion of NJ FamilyCare and Medicaid eligibility for parents and adults without dependent children, in order to fulfill the original promise of the NJ FamilyCare program to provide health care coverage for low income children and their parents, and adults without dependent children.

The substitute also consolidates the State's NJ KidCare and NJ FamilyCare programs into the NJ FamilyCare Program, and requires the Commissioner of Human Services to adopt various enrollment simplification practices in both the NJ FamilyCare and Medicaid programs, in order to eliminate unnecessary barriers to enrollment for new applicants and renewal of enrollment for persons who are already participating in the program.

Expansion of Eligibility for Health Care Coverage:

- C Children up to age 19 whose family gross income is up to 350% of the federal poverty level (FPL) will continue to be eligible for either Medicaid or NJ FamilyCare, based on their family's income.
- C Effective September 1, 2005, parents of eligible children whose family earned income does not exceed 100% of the FPL will be eligible for Medicaid (under current law, eligibility for parents is limited to persons whose income does not exceed approximately 34% of the FPL).
- C Effective September 1, 2006, parents of eligible children whose family earned income does not exceed 115% of the FPL will be eligible for Medicaid.
- C Effective September 1, 2007, parents of eligible children whose family earned income does not exceed 133% of the FPL will be eligible for Medicaid.
- C Effective 180 days after the date of enactment, the commissioner shall establish a NJ FamilyCare coverage "buy-in" program through which a parent or caretaker whose family gross income exceeds 350% of the poverty level may purchase coverage under NJ

FamilyCare for a child under the age of 19, who is uninsured and was not voluntarily disenrolled from employer-sponsored group insurance coverage within six months prior to application to the program. The premium for coverage shall not exceed the amount the program pays per month to a managed care organization under NJ FamilyCare for a child of comparable age whose family income is between 200% and 350% of the FPL, plus a reasonable processing fee.

- C Pending approval from the federal government, adults without dependent children whose income does not exceed 100% of the FPL will be eligible for Medicaid. The income eligibility limit will be phased in over a three-year period.

NJ FamilyCare Program:

The substitute reestablishes the NJ FamilyCare program in the Department of Human Services to provide subsidized health insurance coverage for children under 19 years of age and their parents and other adults without dependent children who were enrolled in the program on the effective date of this substitute and do not qualify for Medicaid.

Program Requirements:

- C Families would be required to pay copayments and premium contributions, based upon a sliding income scale.
- C Services covered by the program will include: well-child and other preventive services, hospitalization, physician care, laboratory and x-ray services, prescription drugs, mental health services, and other services as determined by the commissioner.
- C A parent or caretaker who is a qualified applicant must purchase coverage, if available, through an employer-sponsored health insurance plan which is determined to be cost-effective and is approved by the commissioner.
- C Subject to federal approval, a child shall be determined ineligible for the program if the child was voluntarily disenrolled from employer-sponsored group insurance coverage within six months prior to application to the program.
- C Presumptive eligibility is authorized for children who present themselves for treatment at a general hospital, federally qualified or community health center, local health department that provides primary care or other State licensed community-based primary care provider if a preliminary determination by hospital, health center, local health department or health care provider staff indicates that the child meets program eligibility standards. The child's parent or caretaker would be required to submit a completed application for the program no later than the end of the month following the month in which presumptive eligibility is determined in order to maintain the child's eligibility for the program.
- C The Commissioner of Human Services may contract with one or more appropriate entities, including managed care organizations, to assist in administering the NJ FamilyCare Program.

C The Commissioner of Human Services, in consultation with the Commissioner of Education, shall administer an ongoing enrollment initiative to provide outreach to children throughout the State who may be eligible for the program.

--The initiative shall include a school lunch "express enrollment" program whereby a parent or guardian who signs the school lunch application form can give consent for information to be shared with the Department of Human Services for the purpose of determining eligibility for the NJ FamilyCare and Medicaid programs. The substitute also requires the commissioners to establish procedures for schools to transmit enrollment information to the Department of Human Services, in order to enable the department to determine eligibility for the programs.

-- The Commissioner of Human Services or the Commissioner of Education, as applicable, also shall make available to each elementary and secondary school, licensed child care center, registered family day care home, unified child care agency, local health department that provides primary care, and community-based primary care provider, informational materials about the program, including instructions for applying online or by mail, as well as copies of the program application form. The entity would be required to make the informational and application materials available, upon request, to persons interested in the program and to distribute a notice at least annually to households of children attending or receiving its services or care, informing them about the program and the availability of informational and application materials.

NJ FamilyCare and Medicaid Enrollment Reforms:

The Commissioner of Human Services will be required to implement certain enrollment simplification practices for the NJ FamilyCare and Medicaid programs. Implementation of these reforms in the NJ FamilyCare Program will begin 180 days after enactment of the substitute, and in the Medicaid program no later than January 1, 2006. The enrollment simplification practices include:

- C A streamlined application form that will be developed by the commissioner, in consultation with the Rutgers Center for State Health Policy;
- C Require new applicants to submit no more than one recent pay stub from the applicant's employer or, if the applicant has more than one employer, no more than one from each of the applicant's employers, to verify income. In the event the applicant cannot provide a recent pay stub, the applicant may submit another form of income verification as deemed appropriate by the commissioner. If an applicant does not submit income verification in a timely manner, before determining the applicant ineligible for the program, the commissioner shall seek to verify the applicant's income by reviewing available Department of the Treasury or

Department of Labor records concerning the applicant, or such other records as the commissioner determines appropriate.

In order to further verify the income of applicants, the commissioner may establish such retrospective auditing or income verification procedures as he deems appropriate, such as sample auditing and matching reported income with records of the Department of the Treasury or the Department of Labor or such other records as the commissioner deems appropriate;

- C Online enrollment and renewal, in addition to enrollment and renewal by mail. The online enrollment and renewal forms shall include electronic links to other State and federal health and social services programs;
- C Continuous enrollment;
- C Simplified renewal by sending an enrollee a preprinted renewal form and requiring the enrollee to sign and return the form, with any applicable changes in the information provided in the form, no later than 30 days after the date the enrollee's annual eligibility expires. In order to verify the income of enrollees, the commissioner may establish such auditing or income verification procedures as he deems appropriate, as specified above; and
- C Provision of program eligibility-identification cards that are issued no more frequently than once a year.

Implementation:

In order to implement the expansion of eligibility and administrative reforms provided in this substitute, and to monitor the implementation, the substitute directs the Commissioner of Human Services to:

- C Apply for such State plan amendments or waivers as may be necessary to implement the provisions of the substitute and to secure federal financial participation for State Medicaid expenditures under the federal Medicaid program and for NJ FamilyCare expenditures under the State Children's Health Insurance Program.
- C Within 60 days of the date of enactment of the substitute, report to the chairmen of the Senate Health, Human Services and Senior Citizens, Assembly Health and Human Services and Assembly Family, Women and Children's Issues committees regarding the department's plans for implementation of the NJ FamilyCare buy-in for children whose income is greater than 350% of the poverty level.
- C Within one year of the effective date of the substitute, establish a plan to develop and implement a universal identification card that can be issued to and used by recipients of Medicaid, Work First New Jersey, NJ FamilyCare, food stamps and other public social service and health programs.
- C Within one year of the effective date of the substitute, prepare a request for proposal to develop an online, interactive database that

can be used by health care facilities for enrolling, or determining the status of an application for, children and their parents or caretakers and adults without dependent children who present themselves at the health care facility for services and who may be eligible for NJ FamilyCare or Medicaid. The database shall enable the health care facility to notify a county welfare agency or the appropriate office in the Department of Human Services about a program applicant so that the agency or office can follow-up on the application and complete the eligibility determination process.

- C Report to the chairmen of the Senate Health, Human Services and Senior Citizens, Assembly Health and Human Services and Assembly Family, Women and Children's Issues committees on the implementation of this substitute. The commissioner shall issue an interim report six months after the effective date and an annual report six months later and once each year thereafter.

Pharmaceutical Rebates for General Public Assistance Program, Program Funding:

- C The Commissioner of Human Services is directed to contract with manufacturers of pharmaceutical products to provide rebates for pharmaceutical products covered under the Work First New Jersey General Public Assistance program (WFNJ-GA), established pursuant to N.J.S.A.44:8-107 et seq. on the same basis as is required under the PAAD, Senior Gold and Medicaid programs. A manufacturer would be required to contract with the State as a condition of continued participation in the WFNJ-GA program. These rebates are not intended to establish a new federal "best price," as that term is used in the federal Medicaid law.
- C The monies from the rebates would be used to fund, in part, the expansion of eligibility in the Medicaid program provided in this substitute.
- C The substitute provides that any unexpended balances for the NJ FamilyCare Program shall be appropriated to carry out the purposes of the substitute. Any transfer of NJ FamilyCare appropriations to other accounts shall be subject to the approval of the Joint Budget Oversight Committee.

Repealer and Effective Date of Substitute:

- C The substitute repeals N.J.S.A.30:4I-1 et seq. and 30:4J-1 et seq., which established the NJ KidCare and NJ FamilyCare programs, since these programs are consolidated and reestablished under the provisions of this substitute.
- C The substitute takes effect 180 days after enactment, except that: the Medicaid expansion for parents and caretaker relatives to 100% of the poverty level takes effect on September 1, 2006; the directive that the commissioner apply for such Medicaid State plan amendments and waivers as are necessary to implement the substitute takes effect immediately; and the WFNJ-GA

pharmaceutical rebates and related funding language takes effect immediately.

- C The commissioner is directed to take such anticipatory administrative action in advance of the effective date as may be necessary to carry out the purposes of the substitute.

FISCAL IMPACT:

The Office of Legislative Services (OLS) is unable to estimate the cost of the legislation because State costs will depend on the number of children and adults who apply for and qualify for the NJ FamilyCare and Medicaid programs, respectively, and whether the federal government approves the various State Medicaid Plan amendments or waivers that may be necessary to implement the legislation.

The OLS, however, notes the following:

- C In the NJ FamilyCare program, the State spends approximately: \$113 per month for each child; \$200 per month for each parent; and \$390 per month on each adult without dependent children enrolled in the program.
- C For every 10,000 additional children determined eligible for NJ FamilyCare, annual gross costs would be about \$13.6 million, or between \$4.8 - \$6.8 million State share, depending on the federal matching rate. The Rutgers Center for State Health Policy (CSHP) provided estimates that indicates, based on data from the 2004 Current Population Survey (CPS) conducted by the US Census Bureau and the 2001-02 New Jersey Family Health Survey, an additional 101,000 children may be eligible for Medicaid or NJ FamilyCare than are currently enrolled in the programs.
- C For every 10,000 additional parents determined eligible for Medicaid, annual gross costs would be around \$24.0 million, or \$12.0 million State share, based on a 50% federal matching rate.
- C If a federal Medicaid waiver to cover adults without dependent children is obtained, the annual gross cost of covering 10,000 such adults who are not on General Assistance would be approximately \$47.0 million, or \$23.5 million State share; however, it is uncertain whether the federal government will approve the waiver, as federal Medicaid law does not recognize this population as being categorically eligible for the program. (NOTE: coverage of these adults will not go into effect unless the waiver is obtained.)

Additionally:

- C The substitute requires pharmaceutical manufacturers to pay rebates for drugs provided under the WFNJ-GA program and appropriates the revenues from the rebates to the Medicaid expansion established in the substitute. The rebates could produce approximately \$12 million annually in revenue.
- C Federal revenue (S-CHIP funds), including the recent award of \$172 million in redistribution funds, should be sufficient to cover

the enrollment of additional children at least for the next year.

- C Costs associated with the legislation should also be offset by reduced State appropriations for Charity Care in future years, as hospitals should experience a reduction in the number of uninsured persons who currently use their facilities to access health care. Other cost offsets may result from administrative simplification procedures in the NJ FamilyCare and Medicaid programs that are established in the bill.