

FISCAL POLICY CENTER

AT VOICES FOR ILLINOIS CHILDREN

Preserving the Medicaid Waiver for Medically Fragile, Technology-Dependent Children

Comments Prepared for the Children with Complex Medical Needs Workgroup
Illinois Department of Healthcare and Family Services

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July 11, 2012

Prior to the General Assembly's passage of a "Medicaid stabilization" plan — Senate Bill 2840 and related legislation — the Fiscal Policy Center at Voices for Illinois Children expressed serious concerns about the impact of the legislation on the state's vulnerable populations. We focused on three provisions affecting children and families: restricted eligibility in the FamilyCare program for low-income parents, monthly limits on prescription drugs for both children and adults, and changes in the Medicaid home and community-based services waiver for medically fragile and technology-dependent (MFTD) children.¹

My comments today are confined to the MFTD waiver, which currently serves about 500 Illinois residents under age 21. Most of these children and young adults have tracheostomies, are ventilator-dependent, or need central intravenous lines. Without home and community-based services, they would require institutional care in a hospital or nursing facility.

Under the current MFTD waiver, the state does not count parental income when determining children's eligibility. (This policy is known as the "Katie Beckett" option.) The Governor's initial Medicaid stabilization plan, released in April, proposed unspecified cost-sharing based on parental income. SB 2840 went much further, however, by establishing a family income eligibility limit of 500 percent of the federal poverty level (FPL), as well as requiring family cost-sharing "to the fullest extent possible under federal law." This legislation was introduced on May 21 and passed by both the House of Representatives and the Senate only three days later.

Assuming federal approval, changes in the MFTD waiver will take effect on September 1, 2012. The income eligibility cap will be \$95,450 for a family of three and \$115,250 for a family of four. Families no longer eligible for the MFTD waiver will face huge out-of-pocket costs. In FY 2010, the

¹ "Legislature Poised to Vote on Medicaid Plan: Implications for Children and Families" (Fiscal Policy Center at Voices for Illinois Children, May 2012)

average cost per participant in the MFTD program was more than \$160,000.² Private health insurance typically provides little or no coverage for home care.

According to the Department of Healthcare and Family Services (HFS), families with incomes at or above 150 percent of FPL will be required to make co-payments up to the maximum allowed by federal law. For a family of four at 250 percent of FPL, the federal maximum (5% of income) would be close to \$2,900. This would be substantially more than the cost-sharing required for the All Kids program, which has an income eligibility limit of 300 percent of FPL. For families with incomes between 200 and 300 percent of FPL, monthly premiums are \$40 per child and maximum co-payments for hospital services are \$500 per child.

HFS has said that the General Assembly imposed an income eligibility cap for the MFTD program because of the state budget crisis.³ But this rationale is not convincing. The estimated cost savings from all changes in the MFTD waiver would be \$15 million. This figure represents less than 1 percent of the total cost savings associated with SB 2840 (\$1.6 billion) and an even smaller share of HFS medical assistance appropriations from the General Revenue Fund and related funds (about \$10 billion).

The Fiscal Policy Center recognizes that the state was faced with a wide gap between projected medical assistance liabilities and anticipated resources for FY 2013. We are also pleased that the enacted plan included revenue enhancements that mitigated the need for program cuts. However, the reality of the Medicaid funding challenge does not mean that every element in the plan involved an inevitable or sound policy choice. Given the availability of federal matching funds, the MFTD program could be fully funded with an additional \$7.5 million in state revenue. It should not be difficult to find the resources to preserve this critical program for children with complex medical needs.

The Fiscal Policy Center at Voices for Illinois Children provides timely, credible, and accessible information and analysis on fiscal issues that affect children, families, and communities in Illinois. The FPC is a member of the State Fiscal Analysis Initiative (SFAI), a network of nonprofit organizations in more than 40 states. SFAI is coordinated by the Center on Budget and Policy Priorities, a Washington, D.C.-based research organization and strategic policy institute that works on a range of federal and state issues.

For additional information about the Fiscal Policy Center, contact Larry Joseph at ljoseph@voices4kids.org or 312-516-5556.

² “Report of Medicaid Services for Persons Who Are Medically Fragile, Technology Dependent” (Illinois Department of Healthcare and Family Services, January 2012).

³ “Questions and Answers on the Medicaid Program for Medically Fragile and Technology Dependent Children” (Illinois Department of Healthcare and Family Services, July 2012).