



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #387

Family Planning Demonstration Project -- Eligibility Expansion (DHFS -- MA -- General)

Bill Section

[LFB 2007-09 Budget Summary: Page 273, #12]

CURRENT LAW

The medical assistance (MA) family planning demonstration project provides family planning services to women, ages 15 through 44, who have countable income at or below 185% of the federal poverty level (FPL) who are not eligible for full MA or BadgerCare benefits. The program operates under a waiver of federal MA law, and began funding services to women in 2002-03.

Services funded under the project include office visits, limited laboratory services, sterilization and contraceptive devices, pharmaceutical supplies, transportation services and certain medical services, such as minor gynecologic procedures and treatment of sexually transmitted diseases. These services are available to women only in conjunction with contraceptive management services. These services are funded from a combination of GPR and federal MA matching funds (FED). Some services qualify for funding based on the state's federal financial participation rate (approximately 58% FED/42% GPR), while other family planning services are funded on a 90% FED/10% GPR basis.

In calendar year 2006, the state's MA program paid health care providers approximately \$15.8 million (all funds) for services to individuals enrolled in the family planning waiver project. As of April, 2007, there were approximately 51,800 women enrolled in the waiver project.

GOVERNOR

Provide \$241,000 (\$120,500 GPR and \$120,500 FED) in 2007-08 and reduce funding by \$329,200 (-\$184,400 GPR and -\$144,800 FED) in 2008-09 to reflect the projected net fiscal effect of amending the family planning demonstration project to: (a) provide family planning services to men between the ages of 15 and 44, in addition to women in that age range; and (b) increase, from 185% to 200% of the FPL, the maximum family income a man or woman may have as a condition of participating in the program. Direct DHFS to request an amended waiver, and to implement any amended waiver it receives no later than January 1, 2008, or on the date of the federally approved effective date of the amended waiver, whichever is later.

Benefits Savings. Reduce MA benefits by \$711,200 (-\$375,400 GPR and -\$335,800 FED) in 2008-09 to reflect the administration's estimates of the net projected savings of this proposal. This estimate includes: (a) additional funding to provide family planning services (\$24,300 GPR and \$219,900 FED in 2008-09); and (b) reduced funding due to averted births (-\$399,700 GPR and -\$555,700 FED in 2008-09).

Income Maintenance and DHFS Implementation Costs. Provide \$191,000 (\$95,500 GPR and \$95,500 FED) in 2007-08 and \$382,000 (\$191,000 GPR and \$191,000 FED) in 2008-09 to increase funding for county income maintenance contracts to support additional costs counties would incur to conduct eligibility determinations and manage additional cases. In addition, provide \$50,000 (\$25,000 GPR and \$25,000 FED) in 2007-08 to fund one-time implementation costs.

DISCUSSION POINTS

1. There is considerable uncertainty over the number of males that would enroll in the program, the costs of providing services to male enrollees, and costs that would be avoided by reducing the number of MA-funded pregnancies. The administration relied on several sources to develop estimates, including state and national studies and surveys, information from states that have offered family planning services to males through similar demonstration programs, and estimates of conception and birth probabilities used by the World Health Organization and the U.S. Department of Health and Human Services, Centers for Disease Control and Prevention. However, estimates of program costs and savings must be based on a number of behavioral assumptions that cannot be reliably predicted.

2. In developing its estimate of the net savings in MA benefits costs, the administration assumed that the state's request to expand the current waiver program to include males would be approved by the U.S. Department of Health and Human Services, Centers for Medicare and Medicaid Services (CMS) at the time DHFS requests a renewal of the current waiver, which is scheduled to expire on December 31, 2007. Consequently, enrollment would begin in January, 2008, the costs of enrolling additional individuals into the program and providing services would begin to be incurred in 2007-08, while projected savings due to a reduction in MA-funded births would be realized beginning in 2008-09. While the Governor's bill does not assume that any

service costs would be incurred in 2007-08, the costs of these services would likely be minimal.

3. The administration's estimate assumes that family planning services would be provided to approximately 1,400 males at an average cost of \$175 per male per year for a total annualized cost of \$245,000 (all funds). The enrollment estimate is based on the experience that the State of California had when that state initially enrolled both men and women in its family planning waiver program. Approximately 4% of initial California enrollees were men.

The \$175 estimated annual average cost was derived by: (a) applying an estimate of the percentage of recipients who would use each of several types of covered services during the year; (b) multiplying the percentage by estimates of average service costs; (c) adding all of the total service costs; and (d) dividing the total costs by the estimated number of enrollees. This methodology of estimating average costs appears reasonable.

All of the family planning services that would be provided to male enrollees are assumed to be reimbursable at the 90% federal matching rate for family planning services.

4. The estimate assumes that all eligible men would be sexually active with at least one female partner and that 134 MA births would be averted in 2008-09 as a result of providing family planning services to eligible men. Based on the average MA costs per birth (\$7,100) the administration estimates that these averted births would reduce MA costs by \$955,500 (\$399,800 GPR and \$555,700 FED) in 2008-09. Because the expansion population of men does not begin to receive services until January, 2008, the administration's estimate of potential averted births and the projected savings from those averted births may be overstated in 2008-09. However, as previously indicated, all of the costs and savings relating to this proposal are speculative.

5. The administration does not assume any additional women would be served with the change in the eligibility ceiling from 185% FPL to 200% FPL under this item because new eligibility criteria regarding disregarded income would be enacted as part of the BadgerCare Plus proposal in the bill. Based on these proposed changes, the administration assumes that the current 185% income standard, combined with the current income disregards, would be equivalent to the proposed 200% income standard, with less income disregarded.

If the Governor's BadgerCare Plus proposal is not enacted, additional MA service costs would likely result because some women who are currently ineligible for the family planning demonstration project would become eligible due to the higher maximum income standard. However, it is also likely that some additional savings would be realized due to possible averted MA births for those women.

6. Currently, 27 states operate programs under waivers of federal MA law, which permit these states to offer family planning services to individuals who would not otherwise be eligible for MA. CMS approves these waivers because these states are able to demonstrate to CMS that they are "budget neutral" -- the costs of providing family planning services do not exceed the savings that will be realized due to averted MA births. The federal financial contribution to the cost of family planning services does not exceed the federal financial contribution in the absence of

the wavier program.

All states must submit reports to CMS to show that they are complying with budget neutrality provisions. DHFS has only submitted one report to CMS since the program began in 2003. Since the report only identifies program activity for the first year of the project, it is not possible to draw conclusions from the report on the cost effectiveness of the current program.

7. States that provide family planning services under demonstration project waivers fall into three categories regarding eligibility for their programs. Some states provide family planning services to women whose MA eligibility terminates following the birth of a child. In these states, a woman may receive family planning services from one to five years following the birth of her child. Some states provide family planning services to women whose MA eligibility terminates for any reason, with eligibility lasting two to five years. All other states that offer family planning services under demonstration waivers provide these services to women based on their income, with ceilings ranging from 133% to 200% of the FPL. Most states with family planning waivers provide services to eligible adult and adolescent women, while five states currently include coverage for men, in addition to women.

8. Independent studies indicate that MA births can be averted through the provision of family planning services. CMS has permitted other states to make men eligible for these family planning services with the expectation that providing these services to men will also lead to averted MA-funded-births. For example, a study that analyzed the effectiveness of the California family planning waiver program, which serves both men and women, drew this conclusion. The study, titled "Estimates of Pregnancies Averted through California's Family Planning Waiver Program in 2002," was presented in the September, 2006, issue of *Perspectives on Sexual and Reproductive Health*. CMS has continued to grant waivers to states wishing to conduct family planning waivers under the premise that these programs reduce MA costs by reducing MA-funded births.

9. In addition to the evidence that suggests that expanding family planning services can be cost-effective, an argument could be made that the state should offer low-income men publicly-supported family planning services, since low-income women already have access to similar services. An argument could also be made that it is appropriate for men to be equally involved in taking responsibility for family planning decisions. For these reasons, the Committee may wish to adopt the Governor's recommendations to expand the program.

10. Alternatively, the Committee could delete this item from the bill. First, at this time, DHFS has no information on the cost effectiveness of the current program, other than a report DHFS submitted to CMS in 2003. In the absence of current information on the program's cost effectiveness, the Committee may wish to delete the proposed program expansion from the bill. Once an independent analysis of the program's cost effectiveness is available, the Legislature may wish to consider expanding the program under separate legislation.

Second, some individuals object to the use of state funds for family planning programs on moral grounds, because they believe that these programs encourage sexual activity and do not have a primary goal of encouraging abstinence between unmarried partners.

Income Maintenance and DHFS Implementation Costs

12. The bill includes \$50,000 (\$25,000 GPR and \$25,000 FED) in 2007-08 to pay for one-time changes to the computerized eligibility system. The bill would also provide \$191,000 (\$95,500 GPR and \$95,500 FED) in 2007-08 and \$382,000 (\$191,000 GPR and \$191,000 FED) in 2008-09 to support ongoing income maintenance (IM) support for the eligibility determinations and redeterminations for the new group of recipients.

13. Because the administration estimates that approximately 1,400 males would initially enroll in the program (compared with a current MA and BadgerCare caseload of over 730,000 recipients), the Committee may determine that this change will not significantly increase IM agency costs. Some other expansion proposals, including the proposed BadgerCare Plus expansion, do not include funding to increase funding for IM agencies. For these reasons, the Committee could delete funding that would be provided to support these additional administrative costs.

ALTERNATIVES TO BILL

A. Statutory Changes Regarding Program Eligibility -- Funding for MA Benefits

1. Adopt the Governor's recommendations to: (a) extend program eligibility to males; and (b) increase the income eligibility limit for the program from 185% to 200% of the federal poverty level, effective January 1, 2008, if the state obtains a waiver from DHHS to make these changes in program eligibility. Reduce MA benefits funding by \$711,200 (-\$375,400 GPR and -\$335,800 FED in 2008-09 to reflect the net effect of this proposal on MA benefits funding.

ALT A1	Change to Bill Funding	Change to Base Funding
GPR	\$0	-\$375,400
FED	<u>0</u>	<u>- 335,800</u>
Total	\$0	-\$711,200

2. Modify the Governor's recommendation by deleting the provision that would increase the income eligibility limit for the program from 185% to 200% of the FPL, but approve the Governor's recommendation to extend the program to males.

ALT A2	Change to Bill Funding	Change to Base Funding
GPR	\$0	-\$375,400
FED	<u>0</u>	<u>- 335,800</u>
Total	\$0	-\$711,200

3. Delete provision.

ALT A3	Change to Bill Funding	Change to Base Funding
GPR	\$375,400	\$0
FED	<u>335,800</u>	<u>0</u>
Total	\$711,200	\$0

B. Funding for Income Maintenance Staff and One-Time Implementation Costs

1. Approve the Governor's recommendations to provide: (a) \$191,000 (\$95,500 GPR and \$95,500 FED) in 2007-08 and \$382,000 (\$191,000 GPR and \$191,000 FED) in 2008-09 to increase funding for income maintenance agencies to support additional workload associated with the Governor's proposal; and (b) \$50,000 (\$25,000 GPR and \$25,000 FED) in 2007-08 to fund one-time implementation costs.

ALT B1	Change to Bill Funding	Change to Base Funding
GPR	\$0	\$311,500
FED	<u>0</u>	<u>311,500</u>
Total	\$0	\$623,000

2. Delete the additional funding in the bill that would be provided to support income maintenance agencies and one-time implementation costs.

ALT B2	Change to Bill Funding	Change to Base Funding
GPR	-\$311,500	\$0
FED	<u>-311,500</u>	<u>0</u>
Total	-\$623,000	\$0

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