



Center for Medicaid and State Operations

SHO # 10-002
CHIPRA # 13

February 2, 2010

RE: CHIPRA Premium Assistance Option

Dear State Health Official:

The Children's Health Insurance Program Reauthorization Act of 2009 (CHIPRA), Public Law 111-3, offers new opportunities for States to provide premium assistance to children under age 19, who are eligible for the Children's Health Insurance Program (CHIP) or Medicaid, and who have access to qualified employer-sponsored coverage. In some circumstances, family members who are not otherwise eligible for CHIP or Medicaid may also receive premium assistance when enrolled in qualified employer-sponsored coverage.

Premium assistance programs use federal and State CHIP and Medicaid funds to help subsidize the purchase of group health coverage for children (and in some circumstances, family members) who have access to employer-sponsored coverage, but may need assistance in paying for their premiums. Premium assistance is designed to make health care coverage more affordable for families. The CHIPRA premium assistance provisions build on lessons learned from State experiences with premium assistance programs, and are designed to reduce implementation barriers, such as providing a guaranteed right for CHIP and Medicaid individuals to enroll in a group health plan without having to wait for an open enrollment period if certain conditions are met.

States now have four state plan options for implementing premium assistance either under title XXI (CHIP) or title XIX (Medicaid) of the Social Security Act (the Act):

- The CHIP premium assistance option that was available prior to CHIPRA continues to be an option for States. Section 301(a)(2) of CHIPRA changes the cost-effectiveness test under this option, established in Section 2105(c)(3) of the Act. This option is referred to as "Purchase of Family Coverage."
- Section 301(a)(1) of CHIPRA provides States with an additional premium assistance option under CHIP by adding paragraph 2105(c)(10) to the Act;
- Section 1906 of the Act is a Medicaid premium assistance option that was available to States for children and adults prior to CHIPRA and continues to be an option for States; and

- Section 301(b) of CHIPRA provides States with an additional premium assistance option for children under age 19 in Medicaid by adding section 1906A to the Act.

This letter provides general information on these four premium assistance options and discusses the differences among these options. This letter also describes related provisions of CHIPRA, such as section 302, Outreach, Education, and Enrollment Assistance, and section 311, Special Enrollment Period under Group Health Plans.

CHIP Premium Assistance Options

1) Purchase of Family Coverage

Section 2105(c)(3) of the Act and implementing Federal regulations at 42 CFR 457.1010 allow States to provide title XXI premium assistance to children and their families through the CHIP State plan “Purchase of Family Coverage” option. Under this option, States can provide coverage to children and families eligible for CHIP by subsidizing group health plan premiums under the following conditions:

- **Eligibility:** States may offer premium assistance to targeted low-income children and to families that include at least one targeted low-income child (as defined in section 2110(b)).
- **Insurance Status:** Children must have access to, but not be enrolled in, group health coverage.
- **Coverage for Non-Eligible CHIP Family Members:** States can provide premium assistance to non-eligible CHIP family members. Coverage, however, must be cost effective as described below.
- **Mandatory/Voluntary Enrollment:** Enrollment can be voluntary or mandatory at the State’s option.
- **Benefits:** Benefits provided to eligible children in premium assistance must meet the same requirements as for children in CHIP direct coverage. To satisfy the requirements of 2103(a) of the Act, benefits must meet benchmark coverage, benchmark-equivalent coverage, or Secretary-approved coverage. These benefits can either be provided fully through the employer-based plan or through the private plan, with the State providing wraparound benefits. Non-eligible family members do not receive wraparound benefits.
- **Cost Sharing:** Cost sharing for eligible children in premium assistance must meet the same requirements as those for children receiving benefits directly, consistent with the requirements at section 2103(e). Cost sharing for families at or below 150 percent of the Federal poverty level (FPL), must be “nominal” in accordance with 42 CFR 457.540 - 457.555, and total charges may not exceed 5 percent of the family’s income for children of all income levels, in accordance with 42 CFR 457.560.
- **Substitution Strategy:** States must have a 6-month waiting period in place for premium assistance to prevent CHIP from substituting for private coverage, as required at 42 CFR 457.810(a)(1). Exceptions are permitted and the Centers for

Medicare & Medicaid Services (CMS) will work with States on devising acceptable strategies to prevent substitution.

- **Employer Contribution:** States must identify a minimum contribution level; there is no Federal minimum contribution requirement.
- **Cost-Effectiveness:** Prior to CHIPRA, States were required to demonstrate cost effectiveness on an individual/family, or on an aggregate basis, compared to the cost of providing direct CHIP coverage to a targeted low-income child. Section 301(a)(2) of CHIPRA amends the cost-effectiveness test under section 2105(c)(3) of the Act to permit States to compare the costs of covering the entire family relative to direct CHIP coverage of the entire family, rather than just the targeted low-income child. States can continue to calculate these costs on the individual or aggregate basis, and must now also include administrative costs in the cost-effectiveness test.

2) Additional Premium Assistance Option in CHIPRA

Section 301(a)(1) of CHIPRA adds a new section 2105(c)(10) of the Act to provide States with an additional premium assistance option under title XXI. States electing this premium assistance option must adhere to the following conditions:

- **Eligibility:** The State may offer premium assistance to targeted low-income children who have access to qualified employer-sponsored coverage. Under certain circumstances, States may also offer premium assistance to families as described below under “Coverage for Non-Eligible CHIP Family Members.”
- **Insurance Status:** Individuals must have access to, but not be enrolled in, qualified employer-sponsored coverage as defined in section 2105(c)(10)(B).
- **Coverage for Non-Eligible CHIP Family Members:** All States can cover parents through incidental coverage, which occurs when the per-child subsidy for covering children under a premium subsidy results in coverage for the parents at no additional cost to the State or the federal government when compared to direct CHIP coverage for the child or children only. States with section 1115 demonstration authority to cover families prior to the passage of CHIPRA can directly cover families, including parents, under this new State plan option (subject to the limitations of section 2111 of the Act).
- **Voluntary Enrollment Only:** Section 2105(c)(10)(A) prohibits States from requiring children and/or families to mandatorily enroll in this premium assistance option. In addition, States must establish a process for permitting parents to disenroll a child from employer-sponsored coverage, and to enroll the child in direct coverage effective on the first day of any month for which the child is eligible for such assistance and in a manner that ensures continuity of coverage for the child.
- **Benefits:** Coverage provided to eligible children in premium assistance must meet the same requirements as those for children in CHIP direct coverage. If the group health plan or health insurance coverage offered through an employer is certified by an actuary as health benefits coverage that is a benchmark benefit package described in section 2103(b) or benchmark-equivalent coverage that

- meets the requirements of section 2103(a)(2), then enrollment in the employer plan meets the CHIP benefit standards. For qualified employer-sponsored coverage that does not meet benchmark or benchmark-equivalent standards, benefits must be provided through a combination of the employer-based plan and the State through wraparound benefits.
- **Cost Sharing:** Cost sharing for eligible children receiving premium assistance must meet the same requirements as those for children receiving CHIP benefits directly under the State plan, consistent with section 2103(e), as described above. If the group health plan or health insurance coverage offered through an employer is certified by an actuary as health benefits coverage that is a benchmark benefit package or benchmark-equivalent coverage, then enrollment in the employer plan meets the cost sharing CHIP standard. For qualified employer-sponsored coverage that does not meet benchmark or benchmark-equivalent standards, States must ensure all cost sharing protections apply under section 2103(e).
 - **Substitution Strategy:** States are not required to have a waiting period, except, if they have a waiting period for direct coverage under their CHIP State plan, they must apply the same waiting period to premium assistance, as specified by section 2105(c)(10)(F).
 - **Employer Contribution:** Section 2105(c)(10)(B) requires that an employer must contribute at least 40 percent toward the cost of the premium.
 - **Cost-Effectiveness:** The employer contribution requirement serves as the proxy for cost effectiveness; this option does not require a cost-effectiveness test.
 - **Notice of Availability:** If States provide premium subsidies, section 2105(c)(10) requires that they must include information about premium assistance on the CHIP application and establish other procedures to ensure that parents are fully informed of the choices for child health assistance or through the receipt of premium assistance subsidies.

Related Provisions

Section 301 of CHIPRA also provides an option for States to establish an employer-family premium assistance purchasing pool. Employers who are eligible to participate must: 1) have less than 250 employees; 2) have at least one employee who is a pregnant woman eligible for CHIP, or a member of a family that has at least one child eligible under the State's CHIP plan. The State may provide a premium assistance subsidy for enrollment in coverage made available through this pool. (See new section 2105(c)(10)(I) for additional conditions and limitations applicable to States and employers regarding health benefits coverage for purchasing pools.)

Section 302 of CHIPRA amends section 2102(c) of the Act and, effective April 1, 2009, requires States to include a description of outreach, education, and enrollment efforts related to premium assistance subsidies in their CHIP State plan. This provision also clarifies that outreach expenditures related to premium assistance programs under either the CHIP State plan option, or under a demonstration, are exempt from the 10 percent title XXI administrative cap. However, the total outreach expenditures claimed for premium assistance cannot exceed 1.25 percent of the administrative costs.

Medicaid Options

3) *Section 1906 Medicaid Premium Assistance.*

(This option applies to Medicaid and Title XXI-funded Medicaid Expansions.)

CHIPRA does not amend existing section 1906 of the Act relating to Medicaid premium assistance programs; and States may continue to use section 1906 authority to enroll Medicaid-eligible individuals (children and adults) in group health plans as long as the conditions outlined below are met:

- **Eligibility:** This provision is available to all Medicaid-eligible individuals, assuming the State has elected this option in its Medicaid State plan.
- **Insurance Status:** The individual must be eligible to be enrolled in a group health plan. Individuals may already be enrolled in the group plan or be eligible and enrolled only once the premium assistance is provided.
- **Coverage for Non-Medicaid-Eligible Family Members:** States may enroll family members who are not eligible for Medicaid in employer coverage when that enrollment is necessary to achieve coverage of Medicaid-eligible family members. For example, Medicaid can pay premiums for a non-Medicaid-eligible parent to enroll in an employer health plan so that a Medicaid-eligible child can be enrolled in that plan. However, non-Medicaid-eligible family members do not receive any wraparound benefits.
- **Mandatory Enrollment:** Enrollment in the group health plan can be mandatory, at the State's option, but a child's eligibility for benefits under title XIX is not affected by a parent's decision to not enroll the child in a group health plan.
- **Benefits and Cost Sharing:** Medicaid-eligible individuals enrolled in a group health plan under section 1906 of the Act: 1) must receive the same benefits (whether or not provided by the group health plan) and the same cost-sharing protections as any other Medicaid beneficiary; and, 2) must have all premiums, deductibles, coinsurance, and other cost-sharing for items and services otherwise covered under the State plan, paid on their behalf. Non-Medicaid-eligible family members are eligible only to have group health plan premiums paid on their behalf if necessary to obtain access for the Medicaid enrollee. The non-Medicaid-eligible enrollees are liable for any additional cost sharing on their behalf.
- **Third Party Liability:** The group health plan is treated as a third party resource to pay all or part of the cost of care for the individual with respect to items or services covered under the State plan.
- **Substitution Strategy:** Not required.
- **Employer Contribution:** No minimum employer contribution.
- **Cost-Effectiveness:** Enrollment in a group health plan must be cost-effective (i.e., the expenditures for an individual enrolled in a group health plan, including wraparound benefits and cost sharing, are likely to be less than if the individual participated in Medicaid fee-for-service). Costs for premiums for non-Medicaid-eligible family members are included when testing for cost-effectiveness.

4) New Medicaid Premium Assistance Option for Children.

(This option applies to Medicaid and Title XXI-funded Medicaid Expansions.)

Section 301(b) of CHIPRA provides States with an additional Medicaid State plan premium assistance option for children by adding a new section 1906A of the Act. This option is intended to give States the opportunity to build on existing 1906 programs to augment coverage options for children. The federal requirements under this option are as follows:

- **Eligibility:** Premium assistance under section 1906A is available at State option to individuals under age 19 who are eligible for medical assistance under title XIX of the Act (and, when appropriate, the parent of such individuals). As noted above, this option also applies to title XXI-funded Medicaid expansions.
- **Insurance Status:** The individual must have access to qualified employer-sponsored coverage, as defined in section 1906A(b) of the Act.
- **Coverage for Non-Medicaid-Eligible Family Members:** States may enroll parents who are not eligible for Medicaid in qualified employer-sponsored coverage when that enrollment is necessary to achieve coverage of Medicaid-eligible family members.
- **Voluntary Enrollment:** States may not make application for enrollment in qualified employer-sponsored coverage a condition of becoming or remaining eligible for Medicaid, for either the individual under age 19, or for the parent who is Medicaid-eligible. In addition, States must establish a process for permitting parents to disenroll their child from employer-sponsored coverage in any month.
- **Benefits and Cost Sharing:** Children who are Medicaid-eligible (and their parent(s), if applicable) will be covered for all items and services covered under the Medicaid State plan, and the State must pay all premiums, deductibles, coinsurance, and other cost-sharing obligations for items and services otherwise covered under the State plan either through the employer-sponsored coverage or in combination with State-provided wrap around benefits (exceeding the amount otherwise allowed under section 1916 or 1916(A) of the Act). States must pay for all cost sharing required by the qualified employer-sponsored insurance, even if this cost sharing is greater than what individuals would pay under the Medicaid State plan.
- **Third Party Resource:** The qualified employer-sponsored coverage is treated as a third party resource to pay all or part of the cost of care for the individual (and the Medicaid-eligible parent(s)).
- **Substitution Strategy:** Not required.
- **Employer Contribution:** Employer must contribute at least 40 percent toward the cost of the premium.
- **Cost-Effectiveness:** The employer contribution is a proxy for cost-effectiveness; this provision is not subject to a cost-effectiveness test.

Special Enrollment Periods under Group Health Plans

CHIPRA also includes new rules designed to ease transitions between public and private coverage, and to allow States to enroll individuals into premium assistance regardless of open enrollment periods. Effective April 1, 2009, section 311 of CHIPRA provides a guaranteed right to enroll in a group health plan without having to wait for an open enrollment period if either of the following conditions is met:

- 1) The employee/dependent's coverage is terminated as a result of losing eligibility under CHIP or Medicaid for individuals who otherwise meet the eligibility requirements of a group health plan, or
- 2) The employee/child becomes eligible for premium assistance from the State under its CHIP or Medicaid program, if he or she is otherwise eligible for a group health plan. Enrollment must be requested within 60 days after the loss of eligibility or after the date the employee or dependent is determined to be eligible for Medicaid or CHIP premium assistance.

Continuation of Coverage for Children and Families Currently Covered under Title XXI or Title XIX Section 1115 Premium Assistance Related Demonstrations.

CHIPRA does not prevent States with section 1115 demonstrations in effect prior to the date of CHIPRA enactment, February 4, 2009, from continuing to provide premium assistance to the title XIX and title XXI populations served under section 1115 authority. CMS will also consider new premium assistance demonstration proposals on a State-by-State basis in the future, but encourages States interested in creating new premium assistance programs to consider the new CHIPRA title XIX and title XXI State plan options. However, new section 2111 of the Act prohibits CMS from approving any new demonstrations to cover parents with title XXI funds, regardless of whether or not these demonstrations involve premium assistance. Under section 2111(b)(2) of the Act, States have the option in fiscal years 2012 and 2013 to continue covering parents with title XXI funds, if they achieve outreach and benchmarks related to performance in providing coverage to children.

States wishing to adopt either the CHIP or Medicaid State plan options described above must submit a State plan amendment, which must be approved by the Secretary. States electing this option will be able to amend their CHIP or Medicaid State plan by submitting the enclosed addendum to the CHIP or Medicaid State plan.

Enclosures

Enclosed you will find questions and answers related to both title XXI and title XIX premium assistance programs, a draft CHIP State Plan template, a draft Medicaid State plan preprint, and a summary chart of all four of the premium assistance options available to States.

CMS looks forward to its continued work with States on considering these new options for providing premium assistance to families with access to cost-effective employer-sponsored coverage. Draft State plan amendment (SPA) template pages to implement the

new CHIPRA options for both CHIP and Medicaid are enclosed. These pages would be an Addendum to the CHIP State child health plan, describing premium assistance coverage under the plan. CMS is in the process of obtaining the required Office of Management and Budget (OMB) clearance for the SPA templates. Given that States may need considerable time to complete these templates, CMS is sharing, in draft, the SPA template under the guidelines of the Paperwork Reduction Act (PRA) currently under OMB review. Until the PRA process is completed, States are not obligated to use the recommended template. After CMS obtains the necessary PRA clearance number from OMB, States will be required to complete the SPA template.

Contact Information

If you have additional questions, you may send an email to CMSOCHIPRAquestions@cms.hhs.gov or contact Ms. Victoria Wachino, Director, Family and Children’s Health Programs Group, Center for Medicaid and State Operations, at (410) 786-5647.

Sincerely,

/s/

Cindy Mann
Director
Center for Medicaid and State Operations

Enclosures

- Enclosure 1 – Questions and Answers
- Enclosure 2 – Side-by-Side Analysis of Title XXI and XIX Premium Assistance Options
- Enclosure 3 – Draft CHIP State Plan Preprint
- Enclosure 4 – Draft Medicaid State Plan Preprint

cc:

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Enclosure 1

**Questions and Answers Related to title XXI CHIPRA
Premium Assistance Provisions**

The questions and responses below only pertain to premium assistance under 2105(c)(10) of the Act as added by section 301(a)(1) of CHIPRA. This is referenced as the “Additional State Option for Providing Premium Assistance,” in CHIPRA.

PREMIUM ASSISTANCE SUBSIDIES

Question 1: What is the definition of premium assistance subsidy for a child and how does the State calculate the costs of the subsidy?

Answer: As specified in Section 2105(c)(10)(C), a premium assistance subsidy is the amount equal to the difference between the employee contribution required for enrollment only of the employee under qualified employer-sponsored coverage and the employee contribution required for enrollment of the employee and the child in such coverage, less any cost sharing applied under the State child health plan. The formula can be illustrated as follows:

| | | |
|----------|---|-------------|
| Example: | Contribution for Employee + Child | \$200 |
| | Contribution for Employee Only | -100 |
| | Premium Cost Sharing under CHIP for Child | <u>-50</u> |
| | Premium Assistance Subsidy | \$50 |

Using this example, the State’s premium assistance subsidy is \$50 (i.e., (\$200 – \$100) - \$50 = \$50).

Question 2: Does the State have the option to reimburse the premium assistance payment to either the employee or the employer?

Answer: Yes. The State may provide a premium assistance subsidy either as reimbursement to an employee for out-of-pocket expenditures or directly to the employer.

ELIGIBILITY

Question 3: Can any State elect this new option to cover targeted low-income children under premium assistance?

Answer: Yes. Any State can elect to cover targeted low-income children under this new option.

Question 4: Can any State provide coverage to the families of a CHIP child under this new option?

Answer: All States can cover parents through incidental coverage, which occurs when the per-child subsidy for covering children under a premium subsidy results in coverage for the parents at no additional cost to the State or the federal government when compared to direct CHIP coverage for the child or children only. States with section 1115 demonstration authority to cover families prior to the passage of CHIPRA can directly cover families, including parents, under this new State plan option (subject to the limitations of section 2111 of the Act).

Question 5: Are CHIP-eligible children or eligible family members required to participate in premium assistance if the State opts for premium assistance and the child has access to such coverage?

Answer: No, participation by families is voluntary and CHIP-eligible children are not required to participate in premium assistance. In fact, a State must establish a process for permitting the parent of a targeted low-income child receiving a premium assistance subsidy to disenroll the child from the qualified employer-sponsored coverage and enroll the child in the CHIP State plan, effective on the first day of any month for which the child is eligible.

Question 6: Can a State provide premium assistance coverage to pregnant women?

Answer: States can provide premium assistance to pregnant women only if the pregnant woman meets the definition of a targeted low-income child, including being 19 years old or younger.

Question 7: Can a State require beneficiaries to practice continuous enrollment in a premium assistance program?

Answer: No. A State cannot require continuous enrollment in a premium assistance program because States must permit children to opt out of premium assistance effective on the first day of any month for which the child is eligible.

EMPLOYER PARTICIPATION

Question 8: What is the definition of qualified employer-sponsored coverage?

Answer: Qualified employer-sponsored coverage is defined as a group health plan or health insurance coverage offered through an employer that qualifies as creditable coverage as a group health plan under section 2701(c)(1) of the Public Health Service Act, for which the employer contribution toward any premium for such coverage is at least 40 percent, and that is offered to a classification of employees that is considered to be a nondiscriminatory eligibility classification under section 105(h)(3)(A)(ii) of the

Internal Revenue Code of 1986 (without regard to clause (i) of subparagraph (B) of such paragraph).

Question 9: Are health flexible spending arrangements or high deductible health plans considered qualified employer-sponsored coverage?

Answer: No. Benefits provided under a health flexible spending arrangement, or any high deductible health plan, as defined in section 223(c)(2) of the Internal Revenue Code, are not considered qualified employer-sponsored coverage.

Question 10: Can an employer opt out of being directly paid a premium assistance subsidy by the State on behalf of an employee?

Answer: Yes. The employer participation in a premium assistance subsidy shall be voluntary and the employer can elect to opt out of receiving the subsidy.

Question 11: If qualified employer-sponsored coverage does not meet the 40 percent premium contribution requirement, but the State could demonstrate that the coverage was cost effective, could the coverage be deemed to be qualified?

Answer: No. The qualified employer-sponsored coverage must meet the 40 percent requirement under title XXI as specified under 2105(c)(10)(B).

Question 12: Can States claim for outreach expenditures related to a premium assistance program?

Answer: Yes. States may claim Federal financial participation for outreach activities related to premium assistance programs operated under 2105(c)(10) of the Act, under the Purchase of Family Coverage option, 2105(c)(3), of the Act, or under section 1115 demonstration program authority. The outreach expenditures are exempt from having to be claimed under the 10 percent administration cap in CHIP. However, CMS will only provide federal financial participation for expenditures up to 1.25 percent of the maximum amount permitted to be expended under the 10 percent administration cap. For example, if a State has a 10 percent limit on administrative costs of \$5,000,000 in CHIP, the State can claim Federal financial participation for \$62,500 ($\$5,000,000 \times 1.25\%$) in premium assistance outreach costs.

Section 311: Special Enrollment Period under Group Health Plans in Case of Termination of Medicaid or CHIP Coverage or Eligibility for Assistance in Purchase of Employment Based Coverage; Coordination of Coverage.

Question 13: Are there new requirements under CHIPRA for employers to provide notices to employees regarding premium assistance?

Answer: Yes. Employers who maintain group health plans in States that provide CHIP (or Medicaid) premium assistance subsidies are required to provide written notices to

their employees informing them of the potential opportunities for premium assistance in their State. In addition, the Department of Health and Human Services (HHS) and the Department of Labor (DOL) are required to develop national and State-specific model notices by February 4, 2010, to enable employers to comply with the notice requirement. The national and State-specific model notices are required under Section 701(f)(3)(B)(i)(II) of ERISA, as added by section 3111(b)(1) of CHIPRA.

Question 14: Can States request information from group health plans regarding benefit information?

Answer: Yes. CHIPRA requires group health plan administrators to disclose information about plan benefits to States upon request when a family's child is covered under Medicaid or CHIP, to allow States to determine the cost-effectiveness of providing premium assistance for the purchase of coverage for that child under the plan and to provide supplemental benefits. In addition, HHS and DOL are directed to establish a working group to develop a model coverage coordination disclosure form for plan administrators to complete that would require certain information for this purpose.

Question 15: What is the purpose of the CHIP, Medicaid, and Employer-Sponsored Coverage Working Group to be established under CHIPRA?

Answer: Section 311 of CHIPRA directs the Secretary of Health and Human Services and the Secretary of Labor to jointly establish a CHIP, Medicaid, and Employer-Sponsored Coverage Coordination Working Group. The purpose of the CHIP Working Group is to: (1) develop a model coverage coordination disclosure form for plan administrators of group health plans to permit a State to determine the availability and cost-effectiveness of coverage available under group health plans to employees who have family members who are eligible for premium assistance offered under a title XIX or title XXI State plan and to allow for coordination of coverage for enrollees of such plans, and (2) identify the impediments to the effective coordination of coverage available to families that include employees of employers who maintain group health plans and members who are eligible for medical assistance under title XIX or title XXI. For more information on the CHIP Working Group, please go to the *Federal Register* notice published on May 1, 2009, at 74 Fed. Reg. 20323 and/or <http://edocket.access.gpo.gov/2009/pdf/E9-10083.pdf>

**Questions and Answers Related to title XIX CHIPRA
Premium Assistance Provisions**

The questions and responses below only pertain to premium assistance under section 1906A of the Act as added by section 301(b) of CHIPRA. This is referenced as the “Premium Assistance Option for Children” in CHIPRA.

GENERAL

Question 16: What is the effective date of the provision?

Answer: The effective date is April 1, 2009.

Question 17: Which States can provide premium assistance under section 1906A?

Answer: All States and the District of Columbia may elect to provide premium assistance under section 1906A to children under age 19 who are entitled to medical assistance under title XIX of the Act, and to the child’s parent(s) who have access to qualified employer-sponsored coverage.

Question 18: How does section 1906A differ from section 1906?

Answer: Section 1906A differs from section 1906 as follows:

- Eligible population: 1906 is available to any Medicaid-eligible individual; 1906A covers children under age 19 and their parent(s) only.
- Definition of health coverage: Section 1906 defines a group health plan in which a Medicaid participant may be enrolled by cross-reference to section 5000(b)(1) of the Internal Revenue Code of 1986. By contrast, section 1906A permits premium assistance for employer-sponsored group health plan or health insurance -- 1) that qualifies as creditable coverage under section 2701(c)(1) of the Public Health Service Act; 2) for which the employer contribution is at least 40 percent; and 3) is nondiscriminatory, pursuant to section 105(h)(3)(A)(ii) of the Internal Revenue Code.
- Benefits for adults: Section 1906 covers all items and services covered under the Medicaid State plan for Medicaid-eligible individuals regardless of age, and covers group health plan premiums for such individuals; 1906A only covers items and services covered under the Medicaid State plan for Medicaid-eligible individuals under age 19 (and the parents of such individuals), and covers premiums, deductibles, co-insurance, and other cost sharing, as specified by the group health plan, for Medicaid State plan-covered services for such individuals and their parents.
- Cost-effectiveness requirements: 1906 requires that enrollment in group health insurance be cost-effective; 1906A does not require a cost-effectiveness test.
- Employer premium contribution requirements: 1906 does not specify a minimum level of employer contribution; 1906A requires the employer to contribute an

amount equal to at least 40 percent of the total amount of the premium for the type of coverage being purchased.

- Enrollment limitations: 1906 allows the State to make application for enrollment in a group health plan a condition of becoming or remaining eligible for Medicaid for eligible individuals; 1906A does not allow the State to make application for enrollment in employer-sponsored coverage a condition of becoming or remaining eligible for Medicaid.

SUBSIDY

Question 19: Is payment of a premium assistance subsidy considered a payment for medical assistance for purposes of section 1903(d)?

Answer: Yes. Section 1903 of the Act authorizes payment of the Federal share of medical assistance expenditures to the States. Sections 1903(a) – (c) specify the Federal medical assistance percentage (FMAP) to be used in calculating payments to the States for various types of expenditures and the limitations on allowable expenditures. Section 1903(d) authorizes the Secretary to estimate the amount to which a State will be entitled under sections 1903(a) and (b) for a calendar quarter, prior to the beginning of the quarter, and to pay the estimated amount to the State. Payment of a premium assistance subsidy is considered payment for medical assistance for purposes of section 1903(a) of the Act, and State expenditures for the subsidy are included in the calculation of the Federal estimated payment to the State.

Question 20: What is the definition of premium assistance subsidy?

Answer: For section 1906A, premium assistance subsidy means the amount of the employee contribution for enrollment in the qualified employer-sponsored coverage by the individual under age 19 or by the individual's family. The premium assistance subsidy is (1) the amount the employee, who is an individual under age 19, pays to enroll himself in qualified employer-sponsored coverage, when he has access to qualified employer-sponsored coverage through his own employment, or (2) the amount the employee pays to enroll himself and his child under age 19 in qualified employer-sponsored coverage for either the employee plus dependent coverage option or the family coverage option, as the employee chooses.

Question 21: May the State subsidize family coverage even if the employer offers “employee + dependent/child” as a less expensive enrollment option than full family coverage?

Answer: Yes. The selection of employee + dependent coverage or family coverage is the choice of the parent(s). Section 1906A requires that the coverage selected by the individual under age 19, and, if applicable, the parent(s) who have access to such coverage, meets the definition of qualified employer-sponsored coverage.

Question 22: If a parent is already enrolled in his employer’s insurance plan, is his premium subsidized when he elects premium subsidy and enrolls his child?

Answer: Yes.

ELIGIBILITY

Question 23: Are Medicaid-eligible children or their parent(s) required to participate in premium assistance if the State opts for premium assistance and the child has access to such coverage?

Answer: No. Under section 1906A, an individual under age 19, or the individual’s parent(s), must voluntarily elect to participate. A State cannot require application for enrollment in qualified employer-sponsored coverage or election to receive the premium assistance subsidy as a condition of becoming or remaining eligible for medical assistance under title XIX.

This differs from section 1906, under which a State may require application for enrollment in a group health plan, and enrollment when it is likely to be cost-effective, as a condition of becoming or remaining eligible for medical assistance under title XIX, but only if the individual can enroll on his own behalf.

Question 24: May a Medicaid-eligible child be enrolled in fee-for-service coverage or a Medicaid managed care organization while waiting for enrollment in qualified employer-sponsored coverage?

Answer: Yes. The child who is eligible to participate in the premium assistance subsidy under section 1906A has already been determined eligible for Medicaid and is entitled to receive all necessary Medicaid State plan-covered services from any participating Medicaid provider, through whatever delivery system the State uses.

Question 25: Section 1906A(a) says that the State may elect to offer a premium assistance subsidy to individuals under age 19 and the parent (singular) of such individual. Is “parent” inclusive of the parent’s spouse when (1) both parents are living with the child, or (2) the child lives with a parent and step-parent?

Answer: Yes, to both situations.

Question 26: Can a pregnant woman receive premium assistance under section 1906A?

Answer: A pregnant woman may receive premium assistance subsidy if she (1) is under age 19, otherwise eligible for Medicaid, and voluntarily elects to receive a premium assistance subsidy for qualified employer-sponsored coverage, or (2) has a Medicaid-eligible child under age 19 living with her and the child voluntarily elects (or the

pregnant woman elects on behalf of the child) to receive a premium assistance subsidy for qualified employer-sponsored coverage.

Question 27: Can a State require continuous enrollment in a qualified employer-sponsored coverage?

Answer: No. The parent of an individual under age 19 who is receiving a premium assistance subsidy may disenroll the individual from the qualified employer-sponsored coverage at any time.

Question 28: May a child “opt out” of qualified employer-sponsored coverage? Is there a minimum or maximum interval between last participation in the employer-sponsored coverage and subsequent re-enrollment?

Answer: The State must establish a process that allows the parent(s) of an individual under age 19 receiving a premium assistance subsidy to disenroll the individual from qualified employer-sponsored coverage (“opt-out”). The individual remains eligible for full Medicaid coverage until Medicaid eligibility is redetermined. After the disenrollment is effective, the parent may reenroll the individual under age 19 in qualified employer-sponsored coverage (1) at the next open enrollment period offered by the employer, (2) when Medicaid eligibility is terminated, or (3) after Medicaid eligibility termination, when the individual becomes eligible for Medicaid again. For enrollment after Medicaid eligibility termination or determination of Medicaid eligibility, the request for enrollment in the qualified employer-sponsored coverage must be made not later than 60 days after the date of Medicaid termination or the date of Medicaid eligibility determination.

Question 29: Who notifies the State of “opt-out,” so that subsidy payments can be stopped?

Answer: States may accept notification from the individual under age 19, or the individual’s parent(s), or the employer who was receiving the premium assistance subsidy payment, at their discretion.

BENEFITS

Question 30: What services would the State be responsible for providing to children enrolled in qualified employer-sponsored coverage?

Answer: The State is responsible for all items and services provided to Medicaid recipients under the State plan for the individual under age 19 who is entitled to medical assistance under title XIX. The qualified employer-sponsored coverage in which the individual is enrolled is treated as a third-party resource.

In accordance with Medicaid third-party liability requirements, providers must include in their claims for reimbursement the amount of payment received, or a denial of liability,

from the employer-sponsored coverage, unless the claim is for preventive pediatric services covered under the State plan or the service was provided to a child on whose behalf child support enforcement is being carried out by the State title IV-D agency. For those exceptions, Medicaid will pay the provider and seek reimbursement directly from the employer-sponsored coverage.

Question 31: Section 1906A(e) requires State subsidy of the parent(s)' premiums, deductibles, coinsurance, and other cost-sharing obligations for items and services otherwise covered under the State plan. If the parent is not eligible for medical assistance under the State plan, is he entitled to payment of deductibles, coinsurance, and other cost-sharing obligations?

Answer: Yes. The eligibility of an individual under age 19 for medical assistance makes the parent(s) eligible for premium assistance, including payment of premiums, deductibles, coinsurance, and other cost-sharing obligations, as specified in section 1906A(e). Payments for cost-sharing (deductibles, coinsurance, and other cost-sharing obligations) are limited to Medicaid State plan-covered services.

Question 32: Is employer-sponsored coverage through section 1906A considered a third-party liability under section 1902(a)(25)?

Answer: Yes, qualified employer-sponsored coverage for which the State pays a premium assistance subsidy through section 1906A is considered a third-party resource under section 1902(a)(25). Providers' claims presented to the State Medicaid agency on behalf of an individual under age 19 who is entitled to medical assistance under title XIX must be processed in accordance with Medicaid third-party liability requirements.

COST SHARING

Question 33: Do the cost-sharing limitations of sections 1916 and 1916A apply to employer-sponsored coverage under section 1906A?

Answer: No. Section 1906A specifies that the State must pay all enrollee premiums for qualified employer-sponsored coverage, and all deductibles, coinsurance, and other cost-sharing obligations for items and services otherwise covered under the State plan, even if these amounts exceed the amount otherwise permitted under section 1916 or 1916A of the Act.

Question 34: Who pays the premiums, deductibles, coinsurance, and other cost-sharing obligations for items and services otherwise covered under the Medicaid State plan for participants in employer-sponsored coverage under section 1906A?

Answer: The State is responsible for payment of these costs, for the individual under age 19 and the individual's parent(s). The amount of the employee contribution for enrollment (the premium assistance subsidy) is considered payment for medical assistance for purposes of section 1903(a) of the Act.

Question 35: How will States be expected to track cost-sharing expenditures associated with children enrolled in qualified employer-sponsored coverage?

Answer: Premium assistance subsidies (the amount of the employee's contribution for enrollment in qualified employer-sponsored coverage) are considered payments for medical assistance. States will need to identify recipients of premium assistance subsidies in their Medicaid Management Information Systems to track these payments.

EMPLOYER PARTICIPATION

Question 36: Are employers required to participate in premium assistance subsidy?

Answer: No. Employer participation is voluntary. An employer who has agreed to participate may opt-out of participation at any time by notifying the State that it will no longer accept direct payment of the premium assistance subsidy. In such a situation, the employee will be expected to pay the premium and the State will reimburse the employee.

Question 37: What is the definition of qualified employer-sponsored coverage?

Answer: Qualified employer-sponsored coverage is a group health plan or health insurance coverage offered through an employer that (1) qualifies as creditable coverage as a group health plan under section 2701(c)(1) of the Public Health Service Act, (2) the employer contribution toward any premium for such coverage is at least 40 percent, and (3) is offered to all individuals in a manner that would be considered a nondiscriminatory eligibility classification for purposes of paragraph (3)(A)(ii) of section 105(h) of the Internal Revenue Code of 1986 (but determined without regard to clause (i) of subparagraph (B) of such paragraph).

The employer can provide verification that health coverage offered to employees meets the technical requirements for creditable coverage and nondiscriminatory offering. The State can determine if the employer's contribution meets the minimum contribution requirement, based on employer verification of its cost to provide coverage and the employee's cost for premiums.

Question 38: Is there a minimum employer contribution toward the cost of coverage for the child?

Answer: Yes. The employer contribution for qualified employer-sponsored coverage must equal at least 40 percent of the total amount of the premium for the type of coverage being purchased.

Question 39: Does the employer contribution of 40 percent apply to a family premium or to the employee's portion of a premium if the employer only subsidizes the employee's portion and does not subsidize any other family members?

Answer: The employer’s total contribution must equal at least 40 percent of the total amount of the premium for the type of coverage being purchased.

Question 40: Regarding non-discriminatory eligibility classification, does the Internal Revenue Code allow distinctions among employees based on (1) part-time vs. full-time employment, (2) mandatory waiting period before enrollment (new employees or open enrollment period for current employees), and (3) pre-existing condition exclusions or waiting periods?

Answer: The Internal Revenue Service has jurisdiction over these requirements. States should ensure that all health plans for which they provide a premium assistance subsidy are compliant with the requirements set out in section 1906A(b)(1)(C). Employers can provide verification of compliance with the Internal Revenue Code requirements to the State.

Question 41: How are plans certified as providing creditable coverage?

Answer: Creditable coverage is determined by a complex set of rules involving the Internal Revenue Service, the U.S. Department of Labor, and CMS. Health plans will know if they are so certified. States may require individuals who wish to receive a premium assistance subsidy to obtain verification of creditable coverage from the employer.

COST EFFECTIVENESS

Question 42: If employer-sponsored coverage doesn’t meet the required employer contribution level (40 percent of premium), can the State substitute a cost-effectiveness test to qualify the coverage? If so, what are the required components of the cost-effectiveness test?

Answer: No, the State may not substitute a cost-effectiveness test. The 40 percent of premium contribution requirement is part of the definition of qualified employer-sponsored coverage and may not be adjusted or have another test substituted for it.

WAITING PERIOD

Question 43: Is a State allowed to impose a waiting period on children selecting enrollment in premium assistance? If so, what is the specified time period?

Answer: No, the State may not impose a waiting period.

Enclosure 2: Side-by-Side Analysis of Title XXI and Title XIX Premium Assistance Options

| Conditions | <i>Purchase of Family Coverage (Section 2105(c)(3) of the Act)</i> | <i>Additional Premium Assistance Option (Section 2105(c)(10) of the Act)</i> | <i>Medicaid Premium Assistance(Section 1906 of the Act and applies to Medicaid and Title XXI funded Medicaid Expansions)</i> | <i>Premium Assistance Option for Children (Section 1906A of the Act and applies to Medicaid and Title XXI funded Medicaid Expansions)</i> |
|--|---|---|---|---|
| Eligibility | Targeted low income children, and families that include at least one targeted low income child. | Targeted low-income children who have access to qualified employer sponsored coverage. | All Medicaid eligibles if State has elected this option in its Medicaid State plan. | At State option, individuals under age 19, who are eligible for title XIX (and the parent of such individuals). |
| Insurance Status | Children must have access to, but not be enrolled in, group health coverage. | Children must have access to, but not be enrolled in, qualified employer sponsored coverage. | The individual must be eligible to be enrolled in a group health plan. | The individual must have access to qualified employer sponsored coverage. |
| Coverage for Non-Eligible Family Members | May provide premium assistance to non-eligible CHIP family members. | Only States with section 1115 demonstration authority to cover families prior to the passage of CHIPRA can continue to cover families. All States, however, can continue to cover parents on an incidental basis under the CHIP State plan. | States may enroll family members who are not eligible for Medicaid in employer coverage when that enrollment is necessary to achieve coverage of Medicaid-eligible family members. However, noneligible family members do not receive any wrap-around benefits. | States may enroll family members who are not eligible for Medicaid when that enrollment is necessary to achieve coverage of Medicaid-eligible family members. |
| Mandatory/Volunt | Voluntary or | Must be voluntary. | May be mandatory, at | Must be voluntary and States |

| Conditions | <i>Purchase of Family Coverage (Section 2105(c)(3) of the Act)</i> | <i>Additional Premium Assistance Option (Section 2105(c)(10) of the Act)</i> | <i>Medicaid Premium Assistance(Section 1906 of the Act and applies to Medicaid and Title XXI funded Medicaid Expansions)</i> | <i>Premium Assistance Option for Children (Section 1906A of the Act and applies to Medicaid and Title XXI funded Medicaid Expansions)</i> |
|--------------------------------------|--|---|--|--|
| ary Enrollment in Premium Assistance | mandatory at State option. | | State option, but a child’s eligibility for title XIX is not affected by a parent’s decision not to enroll the child in a group health plan. | may not make enrollment in qualified employer sponsored coverage a condition of becoming or remaining eligible for Medicaid. |
| Benefits | Coverage must meet the same requirements as those for CHIP direct coverage. These benefits can either be provided fully through the employer-based plan or through the private plan plus the State providing wrap around benefits. | Coverage must meet the same requirements as those for CHIP direct coverage. If coverage offered through an employer is certified by an actuary as benchmark or benchmark-equivalent then enrollment in the employer plan meets the CHIP benefit standards. For coverage that does not meet benchmark or benchmark-equivalent standards, benefits must be provided through a combination | Medicaid-eligible individuals are covered for all items and services covered under the Medicaid State plan. | Children who are Medicaid eligible (and their parents) are covered for all items and services covered under the Medicaid State plan. |

| Conditions | <i>Purchase of Family Coverage (Section 2105(c)(3) of the Act)</i> | <i>Additional Premium Assistance Option (Section 2105(c)(10) of the Act)</i> | <i>Medicaid Premium Assistance(Section 1906 of the Act and applies to Medicaid and Title XXI funded Medicaid Expansions)</i> | <i>Premium Assistance Option for Children (Section 1906A of the Act and applies to Medicaid and Title XXI funded Medicaid Expansions)</i> |
|-------------------|---|---|---|---|
| | | of the employer-based plan and the State providing wrap around benefits. | | |
| Cost Sharing | Cost sharing in premium assistance must meet the same requirements as CHIP direct coverage. | Cost sharing for premium assistance must meet the same requirements as CHIP direct coverage. If coverage offered through an employer is certified by an actuary as coverage that is benchmark or benchmark-equivalent, the plan shall be determined to meet CHIP cost sharing standard. For coverage that does not meet benchmark or benchmark-equivalent standards, States must ensure all CHIP cost sharing protections | Cost-sharing protections as any other Medicaid beneficiary and must have all premiums, deductibles, coinsurance, and other cost sharing for items and services otherwise covered under the State plan, as specified by the group health plan, paid on their behalf. Non-Medicaid eligible family members are eligible only to have group health plan premiums paid on their behalf (if necessary to obtain access for the Medicaid enrollee). | The State must pay all premiums, deductibles, coinsurance, and other cost sharing for the individual under age 19 and the parent. |

| Conditions | <i>Purchase of Family Coverage (Section 2105(c)(3) of the Act)</i> | <i>Additional Premium Assistance Option (Section 2105(c)(10) of the Act)</i> | <i>Medicaid Premium Assistance(Section 1906 of the Act and applies to Medicaid and Title XXI funded Medicaid Expansions)</i> | <i>Premium Assistance Option for Children (Section 1906A of the Act and applies to Medicaid and Title XXI funded Medicaid Expansions)</i> |
|--------------------------------|--|---|---|--|
| | | apply. | | |
| Third Party Liability/Resource | N/A | N/A | Group health plan is treated as a third party resource to pay all or part of the cost of care for the individual with respect to items or services covered under the Medicaid State plan. | Qualified employer-sponsored coverage is treated as a third party resource to pay all or part of the cost of care for the individual (and the Medicaid-eligible parent). |
| Substitution Strategy | States must have a six-month waiting period. | States must apply same waiting period (if applicable) to premium assistance as is applied to direct coverage. | No requirement. | No requirement. |
| Employer Contribution | States must identify a minimum contribution level; there is no Federal minimum. | Employer must contribute at least 40 percent toward the cost of the premium. | No minimum employer contribution. | Employer must contribute at least 40 percent toward the cost of the premium. |
| Cost Effectiveness | CHIPRA changes the cost effectiveness test to permit States to compare the costs | This program does not require a cost-effectiveness test. | Expenditures for an individual enrolled in a group health plan, including wraparound benefits and cost-sharing, | The provision is not subject to a cost effectiveness test. |

| Conditions | <i>Purchase of Family Coverage (Section 2105(c)(3) of the Act)</i> | <i>Additional Premium Assistance Option (Section 2105(c)(10) of the Act)</i> | <i>Medicaid Premium Assistance(Section 1906 of the Act and applies to Medicaid and Title XXI funded Medicaid Expansions)</i> | <i>Premium Assistance Option for Children (Section 1906A of the Act and applies to Medicaid and Title XXI funded Medicaid Expansions)</i> |
|------------------------|--|--|--|--|
| | of covering the entire family relative to direct CHIP coverage of the entire family, rather than just the targeted low-income child. | | are likely to be less than expenditures required by the plan. Costs for premiums for non-title XIX eligible family members are included when testing for cost-effectiveness. | |
| Notice of Availability | N/A | States must include information about premium assistance on CHIP application and establish other procedures to ensure parents are fully informed of choices. | N/A | N/A |
| Purchasing Pool | N/A | States may establish a premium assistance purchasing pool. | N/A | N/A |

Enclosure 3

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**Additional State Plan Option for Providing Premium Assistance
CHIP SPA Template**

Section 1: General Description and Purpose of the State Child Health Plans and State Child Health Plan Requirements. (section 2101)

1.4.-APA Please provide the effective (date costs begin to be incurred) and implementation (date services begin to be provided) dates for this plan or plan amendment (42 CFR 457.65):

Effective date:

Implementation date:

Section 6: Coverage Requirements for Children’s Health Insurance (section 2103)

Section 6.4.3: Additional State Options for Providing Premium Assistance

A State may elect to offer a premium assistance subsidy for qualified employer-sponsored coverage, as defined in section 2105(c)(10)(B), to all targeted low-income children who are eligible for child health assistance under the plan and have access to such coverage. No subsidy shall be provided to a targeted low-income child (or the child’s parent) unless the child voluntarily elects to receive such a subsidy. **(section 2105(c)(10)(A)).** Does the State provide this option to targeted low-income children?

Yes

No

6.4.3.1: Qualified Employer-Sponsored Coverage and Premium Assistance Subsidy

6.4.3.1.1. Please provide an assurance that the qualified employer-sponsored insurance meets the definition of qualified employer-sponsored coverage as defined in section 2105(c)(10)(B), and that the premium assistance subsidy meets the definition of premium assistance subsidy as defined in 2105(c)(10)(C).

- 6.4.3.1.2. Please describe whether the State is providing the premium assistance subsidy as reimbursement to an employee or for out-of-pocket expenditures or directly to the employee’s employer.

6.4.3.2: Supplemental Coverage for Benefits and Cost Sharing Protections Provided under the State Child Health Plan.

- 6.4.3.2.1 If the State is providing premium assistance for qualified employer-sponsored coverage, as defined in section 2105(c)(10)(E)(i), please provide an assurance that the State is providing for each targeted low-income child enrolled in such coverage, supplemental coverage consisting of all items or services that are not covered or are only partially covered, under the qualified employer-sponsored coverage consistent with 2103(a) and cost sharing protections consistent with section 2103(e).

- 6.4.2.2.2. Please describe whether these benefits are being provided through the employer or by the State providing wraparound benefits.

- 6.4.3.2.3 If the State is providing premium assistance for benchmark or benchmark-equivalent coverage, check here to indicate that the State will ensure that such group health plans or health insurance coverage offered through an employer will be certified by an actuary as coverage that is equivalent to a benchmark benefit package described in section 2103(b) or benchmark equivalent coverage that meets the requirements of section 2103(a)(2).

6.4.3.3: Application of Waiting Period Imposed Under State Plan: States are required to apply the same waiting period to premium assistance as is applied to direct coverage for children under their CHIP State plan, as specified in section 2105(c)(10)(F).

- 6.4.3.3.1 Please provide an assurance that the waiting period for children in premium assistance is the same as for those children in direct coverage (if State has a waiting period in place for children in direct CHIP coverage).

6.4.3.4: Opt-Out and Outreach, Education, and Enrollment Assistance

- 6.4.3.4.1. Please describe the State’s process for ensuring parents are permitted to disenroll their child from qualified employer-sponsored coverage and to enroll in CHIP effective on the first day of any month for which the child is eligible for such assistance and in a manner that ensures continuity of coverage for the child (section 2105(c)(10)(G)).

6.4.3.4.2. Please describe the State’s outreach, education, and enrollment efforts related to premium assistance programs, as required under section 2102(c)(3). How does the State inform families of the availability of premium assistance, and assist them in obtaining such subsidies? What are the specific significant resources the State intends to apply to educate employers about the availability of premium assistance subsidies under the State child health plan? (section 2102(c))

6.4.3.5: **Purchasing Pool:** A State may establish an employer-family premium assistance purchasing pool and may provide a premium assistance subsidy for enrollment in coverage made available through this pool (section 2105(c)(10)(I)). Does the State provide this option?

- Yes
- No

6.4.3.5.1. Please describe the plan to establish an employer-family premium assistance purchasing pool.

6.4.3.5.2 Please provide an assurance that employers who are eligible to participate: 1) have less than 250 employees; 2) have at least one employee who is a pregnant woman eligible for CHIP or a member of a family that has at least one child eligible under the State’s CHIP plan.

6.4.3.5.3 Please provide an assurance that the State will not claim for any administrative expenditures attributable to the establishment or operation of such a pool except to the extent such payment would otherwise be permitted under this title.

6.4.3.6.: **Notice of Availability of Premium Assistance:** Please describe the procedures that assure that if a State provides premium assistance subsidies under this section, it must: 1) provide as part of the application and enrollment process, information describing the availability of premium assistance and how to elect to obtain a subsidy; and 2) establish other procedures to ensure that parents are fully informed of the choices for child health assistance or through the receipt of premium assistance subsidies (section 2105(c)(10)(K)).

6.4.3.6.1. Please provide an assurance that the State includes information about premium assistance on the CHIP application or enrollment form.

Section 9: Strategic Objectives and Performance Goals and Plan Administration (section 2107)

9.9.-APA Describe the process used by the State to accomplish involvement of the public in the design and implementation of the plan and the method for ensuring ongoing public involvement. (section 2107(c) and 42 CFR 457.120(a) and (b))

9.9.1 Describe the process used by the State to ensure interaction with Indian Tribes and organizations in the State on the development and implementation of the procedures required at 42 CFR section 457.125. (Section 2107(c) and 42 CFR 457.120(c))

9.10. Provide a 1-year projected budget. (section 2107(d) and 42 CFR 457.140)

The budget must describe:

- Planned use of funds, including:
 - Projected amount to be spent on health services;
 - Projected amount to be spent on administrative costs, such as outreach, child health initiatives, and evaluation; and
 - Assumptions on which the budget is based, including cost per child and expected enrollment.
- Projected sources of non-Federal plan expenditures, including any requirements for cost sharing by enrollees.

States must include a separate budget line item to indicate the cost of providing coverage to premium assistance children.

Enclosure 4

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**Additional State Plan Option for Providing Premium Assistance
CHIP Medicaid Template**

29d

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT
State: _____ **Medical Assistance Program**

Citation

Condition or Requirement

1906 of the Act

(c) Premiums, Deductibles, Coinsurance and Other Cost Sharing Obligations

The Medicaid agency pays all premiums, deductibles, coinsurance and other cost sharing obligations for items and services covered under the State plan (subject to any nominal Medicaid copayment) for eligible individuals in employer-based cost-effective group health plans.

When coverage for eligible family members is not possible unless ineligible family members enroll, the Medicaid agency pays premiums for enrollment of other family members when cost effective. In addition, the eligible individual is entitled to services covered by the State plan which are not included in the group health plan. Guidelines for determining cost effectiveness are described in section 4.22(h).

1906A of the Act

(c)-1 Premiums, Deductibles, Coinsurance and Other Cost Sharing Obligations

The Medicaid agency pays all premiums, deductibles, coinsurance and other cost sharing obligations for items and services covered under the State plan, as specified in the qualified employer-sponsored coverage, without regard to limitations specified in section 1916 or section 1916A of the Act, for eligible individuals under age 19 who have access to and elect to enroll in such coverage. The eligible individual is entitled to services covered by the State plan which are not included in the employer-sponsored coverage. For qualified employer-sponsored coverage, the employer must contribute at least 40 percent of the premium cost.

Please note: This form has not been approved by OMB pursuant to the PRA and States are not obligated to use it.

When coverage for eligible family members under age 19 is not possible unless an ineligible parent enrolls, the Medicaid agency pays premiums for enrollment of the ineligible parent, and, at the parent's option, other ineligible family members. The agency also pays deductibles, coinsurance and other cost sharing obligations for items and services covered under the State plan for the ineligible parent.

1902(a)(10)(F) of
the Act

(d) The Medicaid agency pays premiums for individuals described in item 19 of Attachment 2.2-A.

TN No.: _____

Approval Date _____

Effective Date

Supersedes TN No. _____