



COMMONWEALTH of VIRGINIA  
*Department of Medical Assistance Services*

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DIRECTOR

December 1, 2014

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**MEMORANDUM**

**TO:** The Honorable Terence R. McAuliffe  
Governor of Virginia

The Honorable Walter A. Stosch  
Co-Chairman, Senate Finance Committee

The Honorable Charles J. Colgan  
Co-Chairman, Senate Finance Committee

The Honorable S. Chris Jones  
Chairman, House Appropriations Committee

The Honorable John M. O'Bannon, III  
Chair, Joint Commission on Health Care

**FROM:** Cynthia B. Jones

A handwritten signature in blue ink that reads "Cynthia B. Jones".

**Subject:** Report on the Status of the Family Access to Medical Insurance Security  
(FAMIS) Plan Trust Fund

Section 32.1-352 of the *Code of Virginia* requires with regard to the Virginia Family Access to Medical Insurance Security (FAMIS) Plan Trust Fund:

C. The Director of the Department of Medical Assistance Services shall report annually on December 1 to the Governor, the General Assembly, and the Joint Commission on Health Care on the status of the Fund, the number of children served by this program, the costs of such services, and any issues related to the Virginia Family Access to Medical Insurance Security Plan that may need to be addressed.

Enclosure

pc: The Honorable William A. Hazel, Jr., M.D., Secretary of Health and Human Resources



**Department of Medical Assistance Services  
Annual Report to the Governor, the General Assembly  
and the Joint Commission on Health Care**

*The Virginia Family Access to Medical Insurance Security (FAMIS) Plan Trust Fund*

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**December 2014**

**Report Mandate**

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**Background**

The Virginia Family Access to Medical Insurance Security (FAMIS) Plan Trust Fund was established in the state treasury as a special non-reverting fund in 1997 (originally named the *Virginia Children's Medical Security Insurance Plan Trust Fund*). The State Corporation Commission annually calculates the tax revenue that is deposited into the trust fund. The *Code of Virginia* mandates that any moneys remaining in the Fund at the end of each fiscal year shall not revert to the general fund but shall remain in the Fund. From the beginning of the Fund until the middle of Fiscal Year 2002, the interest earned on the cash balances of the Fund was deposited into the Fund. However, language has been included in the Appropriation Act since 2003 that mandates that interest earned from the trust fund shall remain in the state General Fund.

**Status of the Fund**

Beginning with the 2005 Acts of the Assembly, budget language limits the deposits into the fund to \$14,065,627 in each year of the biennium. If the amount to be deposited into the fund (based on the criteria set forth in the *Code of Virginia*) were to exceed the limit, the amount exceeding the limit is deposited into the General Fund. The moneys in the Trust Fund are used, in lieu of state general funds, to draw down federal funds to cover costs incurred in the Commonwealth's Children's Health Insurance Program under Title XXI of the Social Security Act.

Table 1 provides a history of deposits into and expenditures out of the Trust Fund for FY 1998 through FY 2014. Table 2 provides the appropriated amounts for fiscal years 2013 and 2014.

**Table 1**  
*History of Deposits and Payments from the Trust Fund*

Fiscal Year	Deposits into Fund	Expenditures from Fund	Balance at the end of the Fiscal Year
FY 1998	\$239,503	\$0	\$239,503
FY 1999	\$8,072,030	(\$4,726,038)	\$3,585,496
FY 2000	\$9,449,406	(\$9,326,338)	\$3,708,564
FY 2001	\$12,421,643	(\$9,670,920)	\$6,459,287
FY 2002	\$14,680,907	(\$16,936,664)	\$4,203,530
FY 2003	\$14,065,627	(\$18,211,360)	\$57,797
* FY 2004	\$14,025,229	(\$14,001,661)	\$81,365
* FY 2005	\$13,995,237	(\$14,065,627)	\$11,128
* FY 2006	\$13,984,302	(\$13,995,245)	\$185
FY 2007	\$14,065,812	(\$14,065,563)	\$249
FY 2008	\$14,065,876	(\$14,065,627)	\$249
FY 2009	\$14,065,876	(\$14,065,627)	\$249
* FY 2010	\$14,065,876	(\$14,065,876)	\$0
FY 2011	\$14,065,627	(\$14,065,627)	\$0
FY 2012	\$14,065,627	(\$14,065,627)	\$0
FY 2013	\$14,065,627	(\$14,065,627)	\$0
FY 2014	\$14,065,627	(\$14,065,627)	\$0

\*The deposits in FY 2004, FY 2005, and FY 2006 were reduced due to language in the Appropriation Act which transferred \$40,456, \$70,390, and \$81,325 respectively, in cash from the trust fund to the General Fund to cover expenses incurred by central service agencies. In FY 2010, the appropriation was increased by \$249 to expense the entire fund balance but then decreased in FY 2011 back to the original amount funded for the year.

Source: DMAS Staff Analysis, Commonwealth Accounting and Reporting System (CARS)

**Table 2**  
*FAMIS Trust Fund Appropriation FY 2013 – FY 2014*

State Fiscal Year	Total
FY 2013	\$14,065,627
FY 2014	\$14,065,627

Source: Chapter 806, 2013 Acts of the Assembly

**Enrollment**

The FAMIS program was established in the summer of 2001 as Virginia’s Title XXI Children’s Health Insurance Program (CHIP), replacing the Children’s Medical Security Insurance Plan (CMSIP). Prior to FY 2003, all of the children enrolled in Virginia’s Title XXI plan were enrolled in the FAMIS program (or previously the CMSIP program). Beginning in FY 2003, children age six through age 18 and in families with income between 100% and 133% of the

federal poverty level (FPL) were enrolled in the Medicaid program. This change was made in order to standardize the Medicaid FPL for all children under 19 and to prevent families from having children enrolled in two different programs (i.e., children under the age of six enrolled in Medicaid and children age six and over in the same family enrolled in FAMIS). Although these children were transitioned to Medicaid, Virginia continues to receive enhanced federal funding under the federal CHIP program for this population. This program is referred to as the CHIP Medicaid “Expansion;” however, this program has no relation to the expansion of Medicaid eligibility for adults available through the Patient Protection and Affordable Care Act (PPACA).

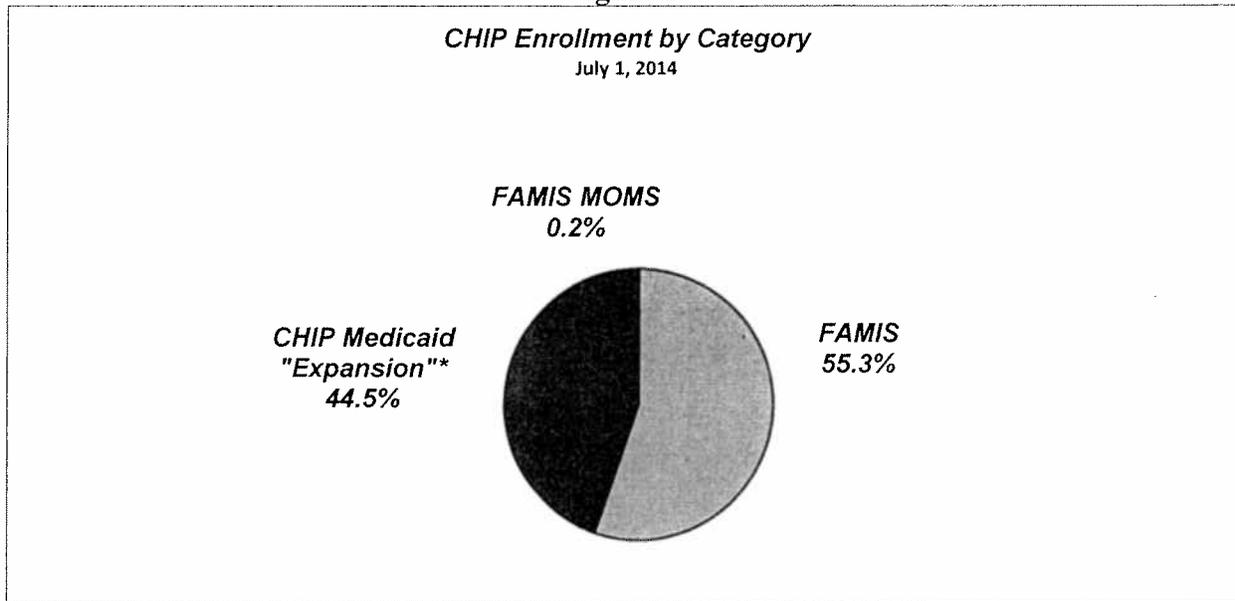
In October 2013, Virginia implemented a new methodology for determining income eligibility for FAMIS, as well as for Medicaid, called Modified Adjusted Gross Income (MAGI). At that time, the upper income eligibility level for the CHIP Medicaid Expansion group, and the lower income eligibility level for FAMIS, was increased to incomes between 109% and 143% FPL.

On August 1, 2005, Virginia’s CHIP program was expanded under a demonstration waiver to include coverage of pregnant women with family income above the Medicaid limit of 133% FPL but less than or equal to 150% FPL. The intent of this program expansion, called FAMIS MOMS, was to provide vital prenatal care to uninsured women living within the CHIP income range and likely to give birth to a child eligible for FAMIS. The income eligibility limit for the FAMIS MOMS program increased incrementally over the years to 200% FPL effective July 1, 2009. With the change to MAGI methods in October 2013, the income eligibility limit for FAMIS MOMS was set at 210% FPL.

Beginning January 1, 2014, pregnant women in the FAMIS MOMS income range were eligible to obtain federally subsidized health insurance coverage through the federal Health Insurance Marketplace (formerly called the Health Benefits Exchange); therefore, steps were taken to phase out the FAMIS MOMS program, per the 2013 Appropriation Act. The Department of Medical Assistance Services (DMAS) stopped accepting applications for FAMIS MOMS after December 31, 2013. For women with a beginning date of coverage prior to January 1, 2014, FAMIS MOMS coverage continued throughout their pregnancy and postpartum periods. As of January 1, 2014, pregnant women with family income above the income limit for Medicaid were referred to the Health Insurance Marketplace for health care coverage. Subsequently, FAMIS MOMS enrollment dropped from 1,613 on July 1, 2013, to 1,363 on January 1, 2014, and to 819 on April 1, 2014. By July 1, 2014, FAMIS MOMS accounted for only 0.2% of the total CHIP enrollment; the program constituted only 7% of the total CHIP expenditures during FY 2014. The FAMIS Trust Fund has not been used to support the FAMIS MOMS program.

At any point in time in the year, Virginia’s Title XXI CHIP program provides health care coverage for approximately 6% of all children in the Commonwealth or approximately 20% of all children covered by the Department through Medicaid and FAMIS. Over half (55.3%) of the individuals covered by Virginia’s Title XXI CHIP program are children enrolled in the FAMIS program. An additional 44.5% are children enrolled in the CHIP Medicaid Expansion. The remaining 0.2% is pregnant and postpartum women enrolled in the FAMIS MOMS program. See Figure 1.

**Figure 1**



*Source: Virginia Medicaid Management Information System 07-01-14.*

\* The CHIP Medicaid "Expansion" program has no relation to the expansion of Medicaid eligibility for adults available through the Patient Protection and Affordable Care Act (PPACA). This enrollment group enables Virginia to receive enhanced federal funding under the federal CHIP program for children ages six – 18.

After 10 years of growth, FAMIS enrollment of children is relatively stable. During FY 2014, enrollment of children in CHIP programs increased slightly (0.4%), from 114,503 children to 114,982 children. A 0.8% decrease in FAMIS enrollment, from 64,201 children to 63,698 children, was largely offset by a 2.0% increase in CHIP Medicaid Expansion enrollment. Information on the number of children and pregnant women enrolled in CHIP on July 1 of 2013 and 2014 is displayed in Table 3 below.

**Table 3**  
**CHIP Enrollment**

PROGRAM	INCOME	# Enrolled As of 07-01-13	# Enrolled As of 07-01-14	Total Change	% Change
FAMIS (Children ≤18 years)	>143% to ≤ 200% FPL*	64,201	63,698	-503	-0.8%
CHIP MEDICAID EXPANSION (Children 6 - 18 years)	>100% to ≤ 143%FPL*	50,302	51,284	982	2.0%
<b>TOTAL CHIP Children</b>		<b>114,503</b>	<b>114,982</b>	<b>479</b>	<b>0.4%</b>
FAMIS MOMS (Pregnant women)	>143% to ≤ 200% FPL**	1,613	287	-1,326	-82.2%
<b>TOTAL CHIP</b>		<b>116,116</b>	<b>115,269</b>	<b>-847</b>	<b>-0.7%</b>

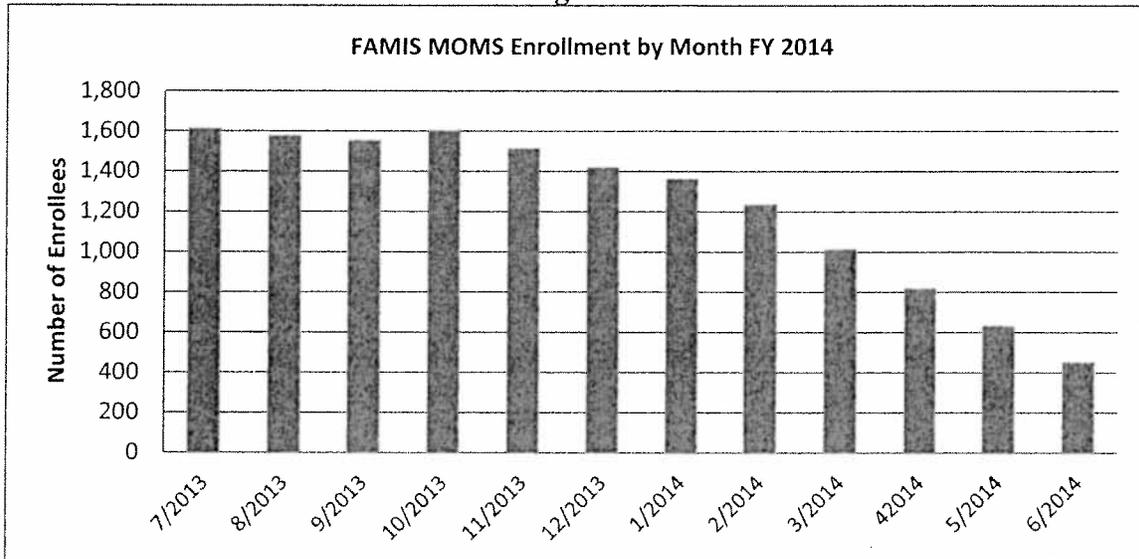
\*Income level changed from 133% FPL to 143% FPL effective 10/1/2013 - present

\*\*Upper income level set at 210% FPL effective 10/1/2013 – 12/31/2013

*Source: Virginia Medicaid Management Information System*

As shown in Figure 2 below, FAMIS MOMS enrollment declined after a period of fairly level participation from July to October 2013. The notable decline is due to both the lack of new enrollment and the disenrollment of women after their 60-day post-partum period ends.

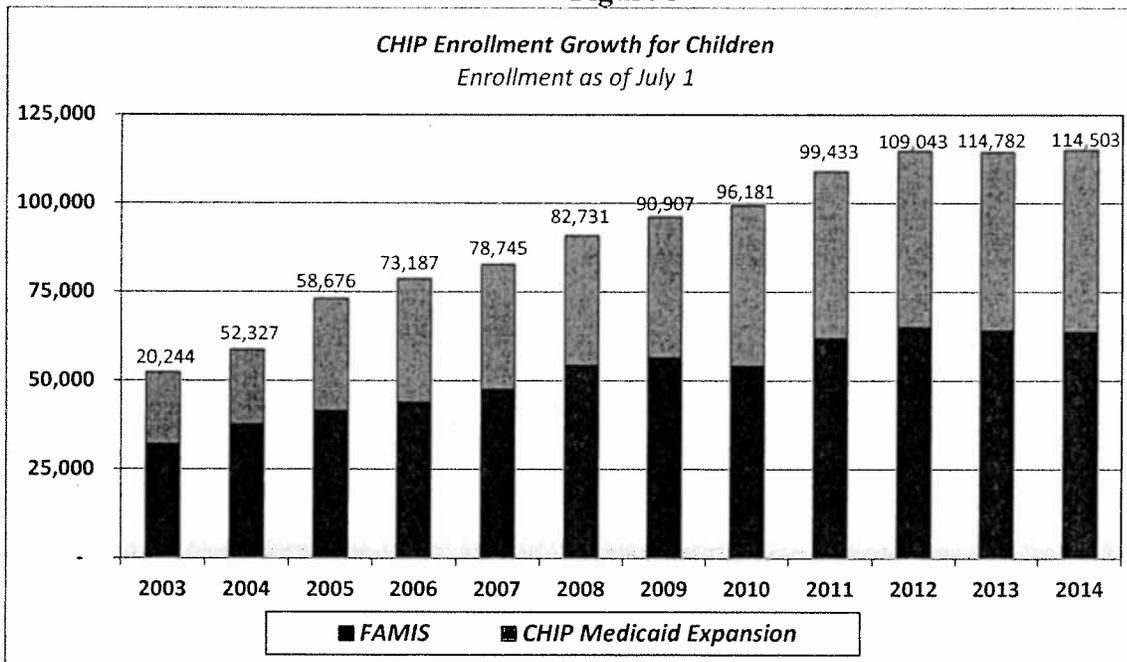
**Figure 2**



Source: Virginia Medicaid Management Information System

Figure 3 displays the CHIP enrollment growth for children from July 1, 2003 (first year of program changes) through July 1, 2014.

**Figure 3**



Source: DMAS staff analysis, Virginia Medicaid Management Information System

**Cost of Services**

The Title XXI CHIP program is supported by a combination of federal and state funds. During FY 2014, the federal share of program funds was 65 percent. The Commonwealth’s share of CHIP program funding came from the FAMIS Trust Fund and the state general fund. The FAMIS Trust Fund provided 10% of the Commonwealth’s share of costs for FAMIS medical services and 4.6% of the total costs for the CHIP program. Table 4 shows the expenditures for the CHIP program by source for FY 2014.

**Table 4**  
***Total CHIP Expenditures in FY 2014***

Expenditure Category	FAMIS Trust Fund	General Fund	Federal Fund	Total
FAMIS Medical	\$14,065,627	\$36,043,834	\$95,156,492	\$145,265,954
FAMIS MOMS	0	\$7,269,325	\$13,500,174	\$20,769,499
FAMIS Administrative*	0	\$5,440,693	\$10,099,880	\$15,540,573
CHIP Medicaid Expansion Medical	0	\$43,717,506	\$83,856,941	\$127,574,447
Total	\$14,065,627	\$92,471,358	\$202,613,488	\$309,150,473

\*FAMIS Administrative expenditures include \$1,953,480 in General Fund expenditures incurred by DSS for eligibility determinations and development costs of Eligibility and Enrollment System.

Source: DMAS Staff Analysis, Commonwealth Accounting and Reporting System (CARS) of expenditures and revenue transfers

**CHIPRA Performance Bonus**

The Children's Health Insurance Program Reauthorization Act of 2009 (CHIPRA) established performance bonuses for states to support the enrollment and retention of eligible children in Medicaid and CHIP. Performance bonuses provide additional federal funding for qualifying states that have taken specific steps to simplify Medicaid and CHIP enrollment and renewal procedures by implementing at least five of eight identified processes. In addition, states must also increase enrollment of children in Medicaid above a state-specific baseline level. Virginia was awarded a third CHIPRA performance bonus for Federal Fiscal Year (FFY) 2013 of \$18,004,201 in December 2013. This is the final year that such bonuses are available to states.

**Program Changes**

As noted above, Virginia implemented changes to income eligibility methods in October 2013, coincident with the opening of the federal Health Insurance Marketplace. Also as of October 1, 2013, the Commonwealth began using a Virginia version of the new, single-streamlined application for insurance affordability programs required by the Centers for Medicare and Medicaid Services (CMS) and implemented a new eligibility and enrollment system, VaCMS, for both the Medicaid and FAMIS programs. A new website, [www.coverva.org](http://www.coverva.org), was also launched to provide information to Medicaid and FAMIS applicants and enrollees about health coverage benefits and how to apply. It includes an eligibility screening calculator and a direct

link to the Virginia Department of Social Services online application, CommonHelp. In addition, a new call center, *Cover Virginia*, was opened on October 1, 2013, to take telephonic applications and provide assistance to Medicaid and FAMIS applicants and enrollees as required by the PPACA.

Effective July 2014, the four-month uninsurance waiting period prior to enrollment in FAMIS was eliminated. Based on historical data, it was estimated that approximately 30 children (or fewer) annually would be denied enrollment subject to a waiting period. DMAS will monitor the impact of this change to determine if policies need to be modified in the future.

In August 2014, additional enhancements to Virginia's eligibility and enrollment system were implemented to support self-directed eligibility determinations. This change will streamline enrollment for clients whose applications include the information necessary to have their eligibility determined based on verification through the federal data hub. Also in August 2014, the Cover Virginia call center began operating as a central processing unit (CPU). The initial focus of the CPU has been processing the remaining applications for individuals who initially applied for coverage through the federal Marketplace. Late in 2014, the CPU will process all applications referred from the federal Marketplace, as well as Medicaid and FAMIS-only applications submitted through CommonHelp, and telephonic applications. Currently, FAMIS enrollees also have the ability to submit informational changes and their renewal online or telephonically through Cover Virginia.

Actions of the 2014 General Assembly resulted in a state budget that included funding to reinstate enrollment in the FAMIS MOMS program for FY 2014, as well as FY 2015 – 2016. An amendment to the demonstration waiver was submitted to CMS to reinstate enrollment at an income eligibility level of 200% FPL, consistent with the income for all FAMIS enrollees as required by federal law. Initiation of new enrollment is pending approval of the amendment by CMS. However, as the FAMIS Trust Fund has not been used to support the FAMIS MOMS program, the changes in FAMIS MOMS enrollment will not impact FAMIS Trust Fund expenditures.

In September 2014, Governor Terry McAuliffe announced his Healthy Virginia plan that includes a focus on increased outreach to families with uninsured children who are currently eligible for Virginia's FAMIS or Medicaid programs. He has set a goal of enrolling 35,000 more children in FAMIS or Medicaid by the end of calendar year (CY) 2016. In addition, he has directed the Department to amend the CHIP state plan to allow dependants of state employees who are otherwise eligible for FAMIS to enroll in the program starting on January 1, 2015. This is expected to increase FAMIS enrollment by an additional 5,000 children.

### **Summary**

The Virginia Family Access to Medical Insurance Security (FAMIS) Plan Trust Fund was established in the state treasury as a special non-reverting fund in 1997. Beginning with the 2005 Acts of the Assembly, budget language limits the deposits into the fund to \$14,065,627 in each year of the biennium. The moneys in the Trust Fund are used in lieu of state general funds

to draw down federal funds to cover a portion of the costs incurred in the Commonwealth's Children's Health Insurance Program under Title XXI of the Social Security Act.

After 10 years of growth, FAMIS enrollment is relatively stable. During FY 2014, enrollment in the FAMIS program decreased slightly, from 64,201 children at the beginning of the fiscal year to 63,698 children at the end of the fiscal year. However, FAMIS enrollment is expected to increase over the next year as a result of the Governor's Healthy Virginia initiatives.

As directed by the 2014 Appropriation Act, DMAS will reinstate enrollment in the FAMIS MOMS program for pregnant women, pending the necessary Federal approvals. This will not impact the FAMIS Trust Fund.