COMMONWEALTH of VIRGINIA

Department of Medical Assistance Services

PATRICK W. FINNERTY
DIRECTOR

SUITE 1300
600 EAST BROAD STREET
RICHMOND, VA 23219
804/786-7933
800/343-0634 (TDD)
www.dmas.virginia.gov

December 1, 2006

MEMORANDUM

TO: The Honorable Timothy M. Kaine
Governor of Virginia

The Honorable John H. Chichester
Chairman, Senate Finance Committee

The Honorable Vincent F. Callahan, Jr.
Chairman, House Appropriations Committee

The Honorable Phillip A. Hamilton
Chairman, Joint Commission on Health Care

FROM: Patrick W. Finnerty

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 DMAS to report annually to the Governor, the General Assembly, and the Joint Commission on Health Care on the status of the Virginia Family Access to Medical Insurance Security (FAMIS) Plan Trust Fund.

I have enclosed for your review a copy of the report for Fiscal Year 2006. Should you have any questions or need additional information, please feel free to contact me at (804) 786-8099.

Enclosure

cc: The Honorable Marilyn B. Tavenner

BACKGROUND ON FAMIS TRUST FUND

The Virginia Family Access to Medical Insurance Security (FAMIS) Plan Trust Fund was established in the state treasury as a special nonreverting fund in 1997 (though it was 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.

Furthermore, in Chapter 951 of the 2005 Acts of the Assembly (§3-1.01 M.1 on Page 612 of Chapter 951) the 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 in 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 Title XXI program. Table 1 provides a history of deposits into and expenditures out of the Trust Fund for FY 1998 through FY 2006. Table 2 provides the appropriated amounts for the 2006-2008 biennium.

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

*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.

Source: DMAS Staff Analysis

Table 2
FY 2007 & 2008 Appropriation for Trust Fund – Chapter 3

	Total
FY 2007	$14,065,627
FY 2008	$14,065,627

Source: Chapter 3, 2006 Acts of the Assembly

FAMIS/SCHIP PROGRAM INFORMATION: FY 2006

The FAMIS program was established in the summer of 2001 as Virginia's Title XXI SCHIP program, replacing the Children Medical Security Insurance Program (CMSIP). Prior to state 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 6 through age 19 and who are in families between 100% and 133% of the federal poverty level are enrolled in the Medicaid program. This is intended to make the eligibility criteria for Medicaid standard for children of all ages and prevent families having children enrolled in two different programs (children under the age of 6 being enrolled in Medicaid and children age six and over in the same family being enrolled in FAMIS). While these children were transitioned to Medicaid, Virginia continues to receive enhanced federal funding under the federal SCHIP program for this population. The Commonwealth's SCHIP program is funded with a combination of state general funds, the FAMIS trust fund (which is used in lieu of state General Funds) and federal funds. During FY 2006, the federal matching rate was 65 percent. Table 3 illustrates the expenditures for the SCHIP program by fund source for FY 2006 incurred by DMAS. (The Department of Social Services incurs some costs for eligibility determinations related to the programs; however, these costs are not included in Table 3.)

Table 3
Total SCHIP Expenditures in FY 2006

	General Fund	Trust Fund	Federal Fund	Total
FAMIS Medical	$13,158,155	$12,478,000	$47,952,311	$73,588,466
FAMIS Administrative	$2,091,306	$0	$3,997,216	$6,088,522
Medicaid SCHIP	$20,378,012	$0	$37,852,324	$58,230,336
Total	$35,627,473	$12,478,000	$89,801,851	$137,907,324

Source: DMAS Staff Analysis

During fiscal year 2006, enrollment in the SCHIP program increased from approximately 73,200 children at the beginning of the fiscal year to approximately 77,900 children at the end of the fiscal year. During FY 2006, medical expenditures for the SCHIP program equated to approximately $145 per enrollment month, or approximately $1,742 for a child enrolled for the entire year. The cost per enrollee increased approximately 8% compared to FY 2005.

PROGRAM ISSUES

Enrollment in both components of Virginia's SCHIP program (FAMIS and Medicaid Expansion) continues to grow. When the FAMIS program replaced the former CMSIP program on August 1, 2001 there were 32,587 children enrolled. One year later, with enrollment at 38,030, Governor Warner with the assistance of the General Assembly, instituted numerous programmatic improvements and policy enhancements. These changes had a dramatic effect on enrollment, which grew by almost 42% to 53,863 by September 1, 2003. Since that time, minor modifications have been made to the program and although the growth rate has slowed, enrollment has continued to grow, currently reaching just under 79,000.

Table 4
Enrollment in SCHIP Program

	FAMIS	SCHIP Medicaid Expansion	Total SCHIP
August 1, 2001	32,587	N/A	32,587
September 1 2002	28,603	9,427	38,030
September 1, 2003	32,684	21,179	53,863
September 1, 2004	38,532	23,362	61,894
September 1, 2005	42,210	32,201	74,411
September 1, 2006	44,004	34,576	78,580

Source: DMAS Staff Analysis

On August 1, 2005, as authorized by the 2005 Appropriations Act, Virginia's SCHIP program was expanded 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 new program expansion was to provide vital prenatal care to uninsured women living within the SCHIP income range and likely to give birth to FAMIS eligible children. The 2006 General Assembly increased the income limit for the FAMIS MOMS program to 166% FPL and this change was implemented September 1, 2006. As of November 1, 2006, 490 women were enrolled in the program.

In addition to implementing the new FAMIS MOMS program, the optional premium assistance program available under FAMIS was also revised. FAMIS Select replaced the former ESHI program on August 1, 2005 and provides an alternative for families with children approved for FAMIS who have access to private or employer-sponsored coverage. If the family elects to participate in FAMIS Select, they receive up to a $100 per month to help pay for the cost of covering the child in a private or employer's health plan instead of through FAMIS. The child then receives the health care services provided by the private/employer-sponsored health plan and the family is responsible for any costs associated with that policy. The premium assistance payment provided by SCHIP funds often helps the family afford coverage for the entire family while remaining a cost-effective way for the Commonwealth to provide coverage for the FAMIS eligible child. As of November 1, 2006 there were 305 children participating in FAMIS Select. These private/employer based policies funded through a combination of employer, family and SCHIP funds also cover an additional 233 adults and non-FAMIS eligible children in these families.