

SB

266

SFIN

FILE

BILL NO. CSSB 266 (HES)
 Title: "An act relating to Medicaid coverage for certain eligible children"
 Sponsor: Senate Rules by Request of the Governor
 Requestor: Senate (HES)

CSSB 266 (HES) FISCAL SUMMARY

The Governor's original fiscal note on this bill totaled \$7.2 million general fund need for FY99. This number has been revised to \$2.1 million general fund need as a result of the following considerations:

- > program implementation delayed to October 1, 1998,
- > deletion of coverage for pregnant women
- > reduction in the rate at which children are enrolled in the Title XXI program,
- > removal of the children who are currently eligible for Medicaid but not currently enrolled, who will enroll as a result of the outreach efforts, and
- > revision for administrative expenditures to recognize one time startup costs.

The following table provides a combined summary of expenditures from all fiscal notes related to this bill based on these revised assumptions.

BRU	Component	FY99	FY00	FY01	FY02	FY03	FY04
Medical Assistance	Medicaid Non-Facilities	4,199.8	5,309.8	5,681.5	6,079.2	6,504.8	6,960.2
	Fed	3,017.9	3,815.6	4,082.7	4,368.5	4,674.3	5,001.6
	GFM	1,181.8	1,494.2	1,598.8	1,710.7	1,830.5	1,958.6
	Medicaid Facilities	2,031.9	2,568.8	2,748.6	2,941.0	3,146.8	3,367.1
	Fed	1,460.2	1,846.0	1,975.2	2,113.4	2,261.3	2,419.6
	GFM	571.8	722.9	773.4	827.6	885.5	947.5
	Indian Health Service	1,575.6	1,992.0	2,131.4	2,280.6	2,440.3	2,611.1
	Fed	1,575.6	1,992.0	2,131.4	2,280.6	2,440.3	2,611.1
	Children's Health Eligibility	960.7	987.1	1,057.1	1,132.2	1,212.6	1,298.7
Admin	Fed	651.0	709.3	759.7	813.6	871.4	933.2
	GFM	309.7	277.8	297.5	318.6	341.2	365.4
	Combined Fiscal Notes Summary	8,768.0	10,857.7	11,618.7	12,433.1	13,304.5	14,237.0
	Fed	6,704.7	8,362.9	8,949.0	9,576.2	10,247.3	10,965.5
	GFM	2,063.3	2,494.8	2,669.7	2,856.9	3,057.2	3,271.5
Year to Year Growth Rate			23.8%	7.0%	7.0%	7.0%	7.0%

FISCAL NOTE

STATE OF ALASKA
1998 LEGISLATIVE SESSION

No. 7
 Bill Version: CS SB 266 (HES)
 (S) Publish Date: 4/27/98

Revision Date: _____
 Title: An Act relating to Medicaid coverage for certain eligible children;
 Sponsor: Senate Rules by Request of the Governor
 Requestor: Senate (HES)

Dept. Affected: Health and Social Services
 BRU: Medical Assistance
 Component: Medicaid Non-Facility
 COMPONENT SERIAL NO. 229
 See also (SN#): 2260, 960,230

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY99	FY00	FY01	FY02	FY03	FY04
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS	4,199.8	5,309.8	5,681.5	6,079.2	6,504.8	6,960.2
MISCELLANEOUS						
TOTAL OPERATING	4,199.8	5,309.8	5,681.5	6,079.2	6,504.8	6,960.2

CAPITAL EXPENDITURES						
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CHANGES IN REVENUES ()						
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts	3,717.9	3,815.6	4,082.7	4,368.5	4,674.3	5,001.6
1003 GF Match	1,181.8	1,494.2	1,598.8	1,710.7	1,830.5	1,958.6
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (please specify)						
TOTAL	4,199.8	5,309.8	5,681.5	6,079.2	6,504.8	6,960.2

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of any current year (FY98) cost: \$0.0

ANALYSIS: (Attach a separate page if necessary)

The Balanced Budget Act of 1997 recently passed by Congress creates a new Title XXI of the Social Security Act which allows States to use the new funds appropriated to either expand Medicaid eligibility for children, with an enhanced federal match for the expansion population, or to purchase health coverage, or both. The allocation of funds is made in the same proportion of the ratio of the number of low-income children without insurance and the geographic variations in health costs. Alaska's allocation is \$5.6 million with a federal match rate of 71.86%. No more than 10% of the funding can be applied to administrative support and outreach. Incremental funding expanding the Medicaid program for children up to 200% of the federal poverty level is requested.

The direct services costs related to the "Smart Start" Initiative were estimated using a model that estimates the funding needed to provide Medicaid coverage to all uninsured Children up to 200% of the Federal Poverty Level. The model is based on a number of assumptions pertaining to the size and composition of the uninsured

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 Date: 04/24/98

Approved by Commissioner: Karen Perdue, Commissioner
 Agency: Department of Health & Social Services

Date: 4/27/98

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ANALYSIS (cont):

population in Alaska, the rates of anticipated participation in a medical insurance program by this population, and the costs associated with providing coverage for Medicaid services to these program participants. Specific assumptions used are:

	<u>Variables</u>	<u>Assumed Value</u>
Costs per Participant Estimates:		
	Cost per Child Age 0-18 \$	1,908
	Cost per Pregnant Woman	N/A
Childrens' Health Insurance Program & Medicaid Matching Rates:		
	Childrens Health Insurance - FMAP Rate	71.9%
	Childrens Health Insurance - State GF Match Rate	28.1%
	Medicaid FMAP	59.8%
	Medicaid State GF Match Rate	40.2%
Children Health Insurance Program Funding:		
	Childrens Health Insurance - Alaska Allotment (est) \$	5,664,899
	State Childrens Health Insurance Match \$	2,218,345
	Total Childrens Health Insurance Funds \$	7,883,244
Native Children Participation and IHS Utilization:		
	% of Eligible Children Below 200% of FPL Who are Native	35.6%
	% of Native Children Who Use IHS Services	60.0%
Estimated Program Participation Rates:		
	Participation Rate - All Children Year 1	67.8%
	Participation Rate - All Children Year 2	80.1%
	Participation Rate - Pregnant Women	N/A
	Estimated Number of Uninsured Children <200% of FPL	6,036
	Estimated Number of Uninsured Pregnant Women >133% and <200% of FPL	N/A
Percent of Uninsured Pregnant Women Who are Native:		
	% Native Uninsured Pregnant Women	N/A

In addition to the specific assumptions, the model relies on the results of an analysis by Employee Benefits Research Institute (EBRI) which provided an estimate of the distribution of the uninsured Alaska population by Federal Poverty Level (FPL) and number of insured who fall into each FPL category. The results of that analysis are summarized below.

**Employee Benefit Research Institute - 0 thru 18
Uninsured Children Estimate**

<u>Poverty Rate</u>	<u>Total</u>
0-99%	5,553
100-149%	3,679
150-199%	2,357
200-249%	3,020
250-299%	2,597
300-349%	1,185
350-399%	1,529
400% & Up	3,571
Total Uninsured Alaskan Children	23,491

The funding model calculates the cumulative number of "Smart Start" participants based on the estimated number of children who fall into FPL categories between 0% and 199%. The total estimated number of uninsured children who fall below 200% of FPL is 11,589. An estimated 5,553 of the uninsured children are would be enrolled in the Medicaid

ANALYSIS (cont.):

program if they applied. The 6,036 balance of uninsured children are targeted under this proposal. This number is subsequently multiplied by the Participation Rate for All Children to yield an adjusted estimate of the children who would likely participate in the program in Year 1. This result is then multiplied by two factors, the "% of Eligible Children who are Native" and the "% of Native Children Using IHS" to estimate the total number of uninsured Native children who are anticipated to use the services of IHS providers under the program. A final calculation subtracts that number (uninsured Native children using IHS services) from the estimated total number of participating children to yield the number of children who would get services from non-IHS providers.

The costs per eligible child are based on an analysis of recent spending data from the Medicaid Management Information System for services provided AFDC children adjusted to reflect estimated costs for these same services in FY99. The estimated numbers of participating Native and non-Native children are multiplied by the projected cost per eligible child to provide a total cost of coverage for each of these groups. The model estimates that all services provided to eligible Native children who use IHS providers will qualify for reimbursement that is 100% federally funded. Funding for the services to the remaining population of children is under the Children's Health Insurance Program (Title XXI). For services to the remaining non-IHS children between 100% and 200% FPL, the State's allocation under Title XXI is used as the funding source at an enhanced match rate of 28.14% GF and 71.86% FFP.

In preparing this fiscal note an implementation date beginning October 1, 1998 was assumed for the enrollment of the first child. Enrollment is projected to increase at a monthly rate of 8.7% during the first year, ending the year with a total enrollment of a projected 4,092 children.

Using the above assumptions, the funding model estimates that Title XXI Medicaid coverage for 4,092 participating children will require \$8,768.0 in total expenditures (\$2,063.3 SGFM / \$6,704.7 Fed Funds) for services and administration.

Distribution of "Smart Start" related funding is based on analyses of Medicaid spending for medical services provided to AFDC Children. The historical expenditure data used came from the Medicaid Management Information System monthly MR-O-91T report which is a summary of Medicaid spending by Medicaid Category of Assistance and colocation code. The expenditures used were cumulative dates of payment for the period July, 1996 through October, 1997. Distributions between the colocation codes were calculated separately for each of the Medicaid Program components (Medicaid Non-Facilities, Medicaid Facilities, and Medicaid Indian Health Services). No distributions were made for either AFDC Children to Medicaid Waivered Services as no spending occurred during the observed period in that component for these groups.

The total projected FY99 expenditures for direct services to uninsured children (\$7,807.3 Total Funds, \$1,753.6 GFM) was multiplied by the percentage distribution between the components, and that result was multiplied by the percentage distribution across each relevant colocation code to determine the amount of direct services to be allocated to each colocation code.

Medicaid Impacts

There are increased Medicaid program costs anticipated to result from outreach efforts required as part of a Title XXI program. As previously identified, there are an estimated 5,553 uninsured children who fall below 100% of poverty who would be eligible for Medicaid if they applied. Through the outreach effort required under Title XXI, the Division anticipates that about 40% of these uninsured children will enroll as new eligibles under Title XIX Medicaid. This 40% participation rate differs from the 80% participation rate assumed in the original Smart Start fiscal analysis. The 40% estimate is based on new information from recent outreach studies and also reflects delayed implementation of the Title XXI program. The model assumes that direct services to children who fall under 100% of FPL will be financed under the Medicaid program and the total costs for these services will be financed through the current Medicaid program at the Medicaid match rate of 40.2% GF and 59.8% FMAP. These costs are not depicted in this bill's fiscal notes as the costs do not directly relate to the proposed Title XXI-based program for uninsured children.

ANALYSIS (cont.):**Note:**

Costs per Child are based on FY97 date-of payment data. Costs exclude Indian Health Services, State Programs, API Disproportionate Share Facilities payments, and Medical Assistance Administration. The denominator is the number of eligible non-disabled children (52,154) as of June 1, 1997. The cost was then adjusted to reflect anticipated FYS9 cost by multiplying times 1.06.

FORMULAS

"Uninsured" = "Estimated Uninsured by Federal Poverty Level" (Employee Benefits Research Institute) X Participation Rate (Children)

"State GF" Native Children

The model shows no State General Fund expenditures for Native Children who access IHS-funded services. All funding for services to this estimated population are 100% federally reimbursed

Other Children

This part of the uninsured children population accesses medicaid services.

Uninsured Children below 100% of the Federal Poverty Level

The estimated General Fund costs of covering non-native children up to 100% of the federal poverty level is calculated by assuming the State will participate at the current State Medicaid Match Rate of 40.2%.

Uninsured Children between 100% & 200% of the Federal Poverty Level

For the population of children between 100% and 200% of FPL, the model uses a formula that first calculates the total marginal cost of covering the additional children in each FPL category, calculates the federal portion this amount by multiplying by the CHI FMAP rate [71.2%], and compares this result with the total Alaska CHI Allotment (\$5,821,510). If the federal portion of the marginal need is less than the Allotment amount, then the CHI GF Match rate is used to calculate the State general fund needed to fund the marginal costs above above 99% FPL. If the federal portion of the marginal need is greater than the State's CHI Allotment, then the difference between Total amount and the sum of the Total amount for below 100% FPL and total CHI Funds. This difference is then multiplied by the Medicaid State GF match rate to determine the remaining GF needed.

"Federal" Native Children

IHS-funded services are 100% federally reimbursed.

Other Children**Uninsured Children below 100% of the Federal Poverty Level**

The estimated Federal portion of covering non-native children up to 100% FPL is calculated using the Alaska Medicaid FMAP rate of 59.2%.

Uninsured Children between 100% & 200% of the Federal Poverty Level

Federal funds are calculated by subtracting the State GF amount for each FPL category from the Total amount.

"Total" = "Uninsured" X "Cost per Child - 0-18" X 1.1 Administrative Cost Factor"

ANALYSIS (cont.):

The following distributes the Child Health Program Expenditures by source of funds by administration and program services. The administration and program services are further allocated between Title XIX Medicaid, Title XXI Child Health Initiative and Indian Health Service.

Fiscal Year 1999: Projected Child Health and Pregnant Women Expenditures - 200% FPL

Family Income Above Current Medicaid Standards	Children 0-8	Pregnant Women	TOTAL
Uninsured	4,092	-	4,092
State GF	\$ 2,063,301	\$ -	\$ 2,063,301
Federal	\$ 6,704,732	\$ -	\$ 6,704,732
Total	\$ 8,768,033	\$ -	\$ 8,768,033 *1

Source of Funds Analysis

	GFM	FMAP	IHS	TOTALS
Title XIX - Medicaid	\$ 90,000	\$ 90,000	\$ -	\$ 180,000
Title XXI - Child Health Ins.	\$ 1,973,301	\$ 5,039,141	\$ -	\$ 7,012,443
Title XIX - IHS	\$ -	\$ -	\$ 1,575,591	\$ 1,575,591
Totals	\$ 2,063,301	\$ 5,129,141	\$ 1,575,591	\$ 8,768,033 *1

Administration

Title XIX - Medicaid	\$ 90,000	\$ 90,000	\$ -	\$ 180,000
Title XXI - Child Health Ins.	\$ 219,698	\$ 561,033	\$ -	\$ 780,730
Title XIX - IHS	\$ -	\$ -	\$ -	\$ -
Admin Totals	\$ 309,698	\$ 651,033	\$ -	\$ 960,730 *2

Program

Title XIX - Medicaid	\$ -	\$ -	\$ -	\$ -
Title XXI - Child Health Ins.	\$ 1,753,604	\$ 4,478,108	\$ -	\$ 6,231,712
Title XIX - IHS	\$ -	\$ -	\$ 1,575,591	\$ 1,575,591
Program Totals	\$ 1,753,604	\$ 4,478,108	\$ 1,575,591	\$ 7,807,303

Notes: *1 10% Administration is included in estimated total costs for children

*2. IHS fund is only available for direct program services.

The Division has assumed the following for calculation of the period FY00-04:

Alaska's Federal Medical Assistance Percentage (FMAP) will continue after FY2000 at the enhanced rate of 59.8% because Alaska's Congressional delegation will be effective at securing reauthorization due to enactment of this legislation. It is also assumed that the enhanced federal participation for the Title XXI funding will remain at the same 71.86% through FY04. The fiscal note also assumes an average of a 7% expenditure growth from fiscal year to fiscal year. This growth takes into account changes in the cost of medical services as well as changes in the utilization of medical services by both the clients and providers for the Child Health Initiative.

The details of the SMART START for Alaska's Families program are contained in the document "A Blueprint for Assuring Adequate Access to Health Care for Alaska's Uninsured Children and Pregnant Women." Copies are available at the Commissioner's Offices by calling in Juneau (907-465-3030) and Anchorage (907-269-7800).

FISCAL NOTE

STATE OF ALASKA
1998 LEGISLATIVE SESSION

No. 8
 Bill Version: SSB2610(HES)
 (S) Publish Date: 4/27/98

Revision Date: _____
 Title: An Act relating to Medicaid coverage for certain eligible children;
 Sponsor: Senate Rules by Request of the Governor
 Requestor: Senate (HES)

Dept. Affected: Health and Social Services
 BRU: Medical Assistance
 Component: Medicaid Facilities
 COMPONENT SERIAL NO. 230
 See also (SN#): 2260,960,229

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY99	FY00	FY01	FY02	FY03	FY04
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS	2,031.9	2,568.8	2,748.6	2,941.0	3,146.8	3,367.1
MISCELLANEOUS						
TOTAL OPERATING	2,031.9	2,568.8	2,748.6	2,941.0	3,146.8	3,367.1

CAPITAL EXPENDITURES						
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CHANGES IN REVENUES ()						
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts	1,460.2	1,846.0	1,975.2	2,113.4	2,261.3	2,419.6
1003 GF Match	571.8	722.9	773.4	827.6	885.5	947.5
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (please specify)						
TOTAL	2,031.9	2,568.8	2,748.6	2,941.0	3,146.8	3,367.1

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of any current year (FY98) cost: \$0.0

ANALYSIS: (Attach a separate page if necessary)

The Balanced Budget Act of 1997 recently passed by Congress creates a new Title XXI of the Social Security Act which allows States to use the new funds appropriated to either expand Medicaid eligibility for children, with an enhanced federal match for the expansion population, or to purchase health coverage, or both. The allocation of funds is made in the same proportion of the ratio of the number of low-income children without insurance and the geographic variations in health costs. Alaska's allocation is \$5.6 million with a federal match rate of 71.86%. No more than 10% of the funding can be applied to administrative support and outreach. Incremental funding expanding the Medicaid program for children up to 200% of the federal poverty level and pregnant women is requested.

The direct services costs related to the "Smart Start" Initiative were estimated using a model that estimates the funding needed to provide Medicaid coverage to all uninsured Children up to 200% of the Federal Poverty Level. The model is based on a number of assumptions pertaining to the size and composition of the uninsured

Prepared by: Randy Super
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ANALYSIS (cont):

population in Alaska, the rates of anticipated participation in a medical insurance program by this population, and the costs associated with providing coverage for Medicaid services to these program participants. Specific assumptions used are:

	<u>Variables</u>	<u>Assumed Value</u>
Costs per Participant Estimates:		
	Cost per Child Age 0-18	\$ 1,908
	Cost per Pregnant Woman	N/A
Childrens' Health Insurance Program & Medicaid Matching Rates:		
	Childrens Health Insurance - FMAP Rate	71.9%
	Childrens Health Insurance - State GF Match Rate	28.1%
	Medicaid FMAP	59.8%
	Medicaid State GF Match Rate	40.2%
Children Health Insurance Program Funding:		
	Childrens Health Insurance - Alaska Allotment (est)	\$ 5,664,899
	State Childrens Health Insurance Match	\$ 2,218,345
	Total Childrens Health Insurance Funds	\$ 7,883,244
Native Children Participation and IHS Utilization:		
	% of Eligible Children Below 200% of FPL Who are Native	35.6%
	% of Native Children Who Use IHS Services	60.0%
Estimated Program Participation Rates:		
	Participation Rate - All Children Year 1	67.8%
	Participation Rate - All Children Year 2	80.1%
	Participation Rate - Pregnant Women	N/A
	Estimated Number of Uninsured Children <200% of FPL	6,036
	Estimated Number of Uninsured Pregnant Women >133% and <200% of FPL	N/A
Percent of Uninsured Pregnant Women Who are Native:		
	% Native Uninsured Pregnant Women	N/A

In addition to the specific assumptions, the model relies on the results of an analysis by Employee Benefits Research Institute (EBRI) which provided an estimate of the distribution of the uninsured Alaska population by Federal Poverty Level (FPL) and number of insured who fall into each FPL category. The results of that analysis are summarized below.

Employee Benefit Research Institute - 0 thru 18
Uninsured Children Estimate

<u>Poverty Rate</u>	<u>Total</u>
0-99%	5,553
100-149%	3,679
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200-249%	3,020
250-299%	2,597
300-349%	1,185
350-399%	1,529
400% & Up	3,571
<u>Total Uninsured Alaskan Children</u>	<u>23,491</u>

The funding model calculates the cumulative number of "Smart Start" participants based on the estimated number of children who fall into FPL categories between 0% and 199%. The total estimated number of uninsured children who fall below 200% of FPL is 11,589. An estimated 5,553 of the uninsured children are would be enrolled in the Medicaid

ANALYSIS (cont.):

program if they applied. The 6,036 balance of uninsured children are targeted under this proposal. This number is subsequently multiplied by the Participation Rate for All Children to yield an adjusted estimate of the children who would likely participate in the program in Year 1. This result is then multiplied by two factors, the "% of Eligible Children who are Native" and the "% of Native Children Using IHS" to estimate the total number of uninsured Native children who are anticipated to use the services of IHS providers under the program. A final calculation subtracts that number (uninsured Native children using IHS services) from the estimated total number of participating children to yield the number of children who would get services from non-IHS providers.

The costs per eligible child are based on an analysis of recent spending data from the Medicaid Management Information System for services provided AFDC children adjusted to reflect estimated costs for these same services in FY99. The estimated numbers of participating Native and non-Native children are multiplied by the projected cost per eligible child to provide a total cost of coverage for each of these groups. The model estimates that all services provided to eligible Native children who use IHS providers will qualify for reimbursement that is 100% federally funded. Funding for the services to the remaining population of children is under the Children's Health Insurance Program (Title XXI). For services to the remaining non-IHS children between 100% and 200% FPL, the State's allocation under Title XXI is used as the funding source at an enhanced match rate of 28.14% GF and 71.86% FFP.

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Using the above assumptions, the funding model estimates that Title XXI Medicaid coverage for 4,092 participating children will require \$8,768.0 in total expenditures (\$2,063.3 SGFM / \$6,704.7 Fed Funds) for services and administration.

Distribution of "Smart Start" related funding is based on analyses of Medicaid spending for medical services provided to AFDC Children. The historical expenditure data used came from the Medicaid Management Information System monthly MR-O-91T report which is a summary of Medicaid spending by Medicaid Category of Assistance and colocation code. The expenditures used were cumulative dates of payment for the period July, 1996 through October, 1997. Distributions between the colocation codes were calculated separately for each of the Medicaid Program components (Medicaid Non-Facilities, Medicaid Facilities, and Medicaid Indian Health Services). No distributions were made for either AFDC Children to Medicaid Waivered Services as no spending occurred during the observed period in that component for these groups.

The total projected FY99 expenditures for direct services to uninsured children (\$7,807.3 Total Funds, \$1,753.6 GFM) was multiplied by the percentage distribution between the components, and that result was multiplied by the percentage distribution across each relevant colocation code to determine the amount of direct services to be allocated to each colocation code.

Medicaid Impacts

There are increased Medicaid program costs anticipated to result from outreach efforts required as part of a Title XXI program. As previously identified, there are an estimated 5,553 uninsured children who fall below 100% of poverty who would be eligible for Medicaid if they applied. Through the outreach effort required under Title XXI, the Division anticipates that about 40% of these uninsured children will enroll as new eligibles under Title XIX Medicaid. This 40% participation rate differs from the 80% participation rate assumed in the original Smart Start fiscal analysis. The 40% estimate is based on new information from recent outreach studies and also reflects delayed implementation of the Title XXI program. The model assumes that direct services to children who fall under 100% of FPL will be financed under the Medicaid program and the total costs for these services will be financed through the current Medicaid program at the Medicaid match rate of 40.2% GF and 59.8% FMAP. These costs are not depicted in this bill's fiscal notes as the costs do not directly relate to the proposed Title XXI-based program for uninsured children.

ANALYSIS (cont.):**Note:**

Costs per Child are based on FY97 date-of payment data. Costs exclude Indian Health Services, State Programs, AI-1 Disproportionate Share Facilities payments, and Medical Assistance Administration. The denominator is the number of eligible non-disabled children (52,154) as of June 1, 1997. The cost was then adjusted to reflect anticipated FY99 cost by multiplying times 1.03.

FORMULAS

"Uninsured" = "Estimated Uninsured by Federal Poverty Level" (Employee Benefits Research Institute) X Participation Rate (Children)

"State GF" Native Children

The model shows no State General Fund expenditures for Native Children who access IHS-funded services. All funding for services to this estimated population are 100% federally reimbursed

Other Children

This part of the uninsured children population accesses medicaid services.

Uninsured Children below 100% of the Federal Poverty Level

The estimated General Fund costs of covering non-native children up to 100% of the federal poverty level is calculated by assuming the State will participate at the current State Medicaid Match Rate of 40.2%.

Uninsured Children between 100% & 200% of the Federal Poverty Level

For the population of children between 100% and 200% of FPL, the model uses a formula that first calculates the total marginal cost of covering the additional children in each FPL category, calculates the federal portion this amount by multiplying by the CHI FMAP rate (71.2%), and compares this result with the total Alaska CHI Allotment (\$5,621,510). If the federal portion of the marginal need is less than the Allotment amount, then the CHI GF Match rate is used to calculate the State general fund needed to fund the marginal costs above 99% FPL. If the federal portion of the marginal need is greater than the State's CHI Allotment, then the difference between Total amount and the sum of the Total amount for below 100% FPL and total CHI Funds. This difference is then multiplied by the Medicaid State GF match rate to determine the remaining GF needed.

"Federal" Native Children

IHS-funded services are 100% federally reimbursed.

Other Children**Uninsured Children below 100% of the Federal Poverty Level**

The estimated Federal portion of covering non-native children up to 100% FPL is calculated using the Alaska Medicaid FMAP rate of 59.2%.

Uninsured Children between 100% & 200% of the Federal Poverty Level

Federal funds are calculated by subtracting the State GF amount for each FPL category from the Total amount.

"Total" = "Uninsured" X "Cost per Child - 0-18" X 1.1 Administrative Cost Factor

ANALYSIS (cont.):

The following distributes the Child Health Program Expenditures by source of funds by administration and program services. The administration and program services are further allocated between Title XIX Medicaid, Title XXI Child Health Initiative and Indian Health Service.

Fiscal Year 1999: Projected Child Health and Pregnant Women Expenditures - 200% FPL

Family Income Above Current Medicaid Standards	Children 0-18	Pregnant Women	TOTAL
Uninsured	4,092	-	4,092
State GF	\$ 2,063,301	\$ -	\$ 2,063,301
Federal	\$ 6,704,732	\$ -	\$ 6,704,732
Total	\$ 8,768,033	\$ -	\$ 8,768,033 *1

Source of Funds Analysis

	GFM	FMAP	IHS	TOTALS
Title XIX - Medicaid	\$ 90,000	\$ 90,000	\$ -	\$ 180,000
Title XXI - Child Health Ins.	\$ 1,973,301	\$ 5,039,141	\$ -	\$ 7,012,443
Title XIX - IHS	\$ -	\$ -	\$ 1,575,591	\$ 1,575,591
Totals	\$ 2,063,301	\$ 5,129,141	\$ 1,575,591	\$ 8,768,033 *1

Administration

Title XIX - Medicaid	\$ 90,000	\$ 90,000	\$ -	\$ 180,000
Title XXI - Child Health Ins.	\$ 219,698	\$ 561,033	\$ -	\$ 780,730
Title XIX - IHS	\$ -	\$ -	\$ -	\$ -
Admin Totals	\$ 309,698	\$ 651,033	\$ -	\$ 960,730 *2

Program

Title XIX - Medicaid	\$ -	\$ -	\$ -	\$ -
Title XXI - Child Health Ins.	\$ 1,753,604	\$ 4,478,108	\$ -	\$ 6,231,712
Title XIX - IHS	\$ -	\$ -	\$ 1,575,591	\$ 1,575,591
Program Totals	\$ 1,753,604	\$ 4,478,108	\$ 1,575,591	\$ 7,807,303

Notes: *1 10% Administration is included in estimated total costs for children

*2. IHS fund is only available for direct program services.

The Division has assumed the following for calculation of the period FY00-04:

Alaska's Federal Medical Assistance Percentage (FMAP) will continue after FY2000 at the enhanced rate of 59.8% because Alaska's Congressional delegation will be effective at securing reauthorization due to enactment of this legislation. It is also assumed that the enhanced federal participation for the Title XXI funding will remain at the same 71.86% through FY04. The fiscal note also assumes an average of a 7% expenditure growth from fiscal year to fiscal year. This growth takes into account changes in the cost of medical services as well as changes in the utilization of medical services by both the clients and providers for the Child Health Initiative.

The details of the SMART START for Alaska's Families program are contained in the document "A Blueprint for Assuring Adequate Access to Health Care for Alaska's Uninsured Children and Pregnant Women." Copies are available at the Commissioner's Offices by calling in Juneau (907-465-3030) and Anchorage (907-269-7800).

FISCAL NOTE

**STATE OF ALASKA
1998 LEGISLATIVE SESSION**

No. 9
Bill Version: CS SB 216(d) (HES)
(S) Publish Date: 4/27/98

Revision Date: _____ Dept. Affected: Health and Social Services
Title: An Act relating to Medicaid coverage for certain BRU: Medical Assistance
eligible children: _____ Component: Indian Health Service
Sponsor: Senate Rules by Request of the Governor COMPONENT SERIAL NO. 960
Requestor: Senate (HES) See also (SN#): 2260,230,229

Expenditures/Revenues: (Thousands of Dollars)

	FY99	FY00	FY01	FY02	FY03	FY04
OPERATING						
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS	1,575.6	1,992.0	2,131.4	2,280.6	2,440.3	2,611.1
MISCELLANEOUS						
TOTAL OPERATING	1,575.6	1,992.0	2,131.4	2,280.6	2,440.3	2,611.1

CAPITAL EXPENDITURES						
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CHANGES IN REVENUES ()						
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FUND SOURCE (Thousands of Dollars)

	FY99	FY00	FY01	FY02	FY03	FY04
1002 Federal Receipts	1,575.6	1,992.0	2,131.4	2,280.6	2,440.3	2,611.1
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (please specify)						
TOTAL	1,575.6	1,992.0	2,131.4	2,280.6	2,440.3	2,611.1

POSITIONS:

	FY99	FY00	FY01	FY02	FY03	FY04
FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of any current year (FY98) cost: \$0.0

ANALYSIS: (Attach a separate page if necessary)

The Balanced Budget Act of 1997 recently passed by Congress creates a new Title XXI of the Social Security Act which allows States to use the new funds appropriated to either expand Medicaid eligibility for children, with an enhanced federal match for the expansion population, or to purchase health coverage, or both. The allocation of funds is made in the same proportion of the ratio of the number of low-income children without insurance and the geographic variations in health costs. Alaska's allocation is \$5.6 million with a federal match rate of 71.86%. No more than 10% of the funding can be applied to administrative support and outreach. Incremental funding expanding the Medicaid program for children up to 200% of the federal poverty level and pregnant women is requested.

The direct services costs related to the "Smart Start" initiative were estimated using a model that estimates the funding needed to provide Medicaid coverage to all uninsured Children up to 200% of the Federal Poverty Level. The model is based on a number of assumptions pertaining to the size and composition of the uninsured

JWS
4/24/98

Prepared by: Randy Super Phone: 456-5833
Division: Medical Assistance Date: 04/24/98

Approved by Commissioner: Karen Perdue, Commissioner Date: 4/27/98
Agency: Department of Health & Social Services

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ANALYSIS (cont.):

population in Alaska, the rates of anticipated participation in a medical insurance program by this population, and the costs associated with providing coverage for Medicaid services to these program participants. Specific assumptions used are:

	<u>Variables</u>	<u>Assumed Value</u>
Costs per Participant Estimates:		
	Cost per Child Age 0-18	\$ 1,908
	Cost per Pregnant Woman	N/A
Childrens' Health Insurance Program & Medicaid Matching Rates:		
	Childrens Health Insurance - FMAP Rate	71.9%
	Childrens Health Insurance - State GF Match Rate	28.1%
	Medicaid FMAP	59.8%
	Medicaid State GF Match Rate	40.2%
Children Health Insurance Program Funding:		
	Childrens Health Insurance - Alaska Allotment (est)	\$ 5,664,899
	State Childrens Health Insurance Match	\$ 2,218,345
	Total Childrens Health Insurance Funds	\$ 7,883,244
Native Children Participation and IHS Utilization:		
	% of Eligible Children Below 200% of FPL Who are Native	35.6%
	% of Native Children Who Use IHS Services	60.0%
Estimated Program Participation Rates:		
	Participation Rate - All Children Year 1	67.8%
	Participation Rate - All Children Year 2	80.1%
	Participation Rate - Pregnant Women	N/A
	Estimated Number of Uninsured Children <200% of FPL	6,036
	Estimated Number of Uninsured Pregnant Women >133% and <200% of FPL	N/A
Percent of Uninsured Pregnant Women Who are Native:		
	% Native Uninsured Pregnant Women	N/A

In addition to the specific assumptions, the model relies on the results of an analysis by Employee Benefits Research Institute (EBRI) which provided an estimate of the distribution of the uninsured Alaska population by Federal Poverty Level (FPL) and number of insured who fall into each FPL category. The results of that analysis are summarized below.

Employee Benefit Research Institute - 0 thru 18
Uninsured Children Estimate

<u>Poverty Rate</u>	<u>Total</u>
0-99%	5,553
100-149%	3,679
150-199%	2,357
200-249%	3,020
250-299%	2,597
300-349%	1,185
350-399%	1,529
400% & Up	3,571
Total Uninsured Alaskan Children	23,491

The funding model calculates the cumulative number of "Smart Start" participants based on the estimated number of children who fall into FPL categories between 0% and 199%. The total estimated number of uninsured children who fall below 200% of FPL is 11,589. An estimated 5,553 of the uninsured children are would be enrolled in the Medicaid

ANALYSIS (cont.):

program if they applied. The 6.0% balance of uninsured children are targeted under this proposal. This number is subsequently multiplied by the Participation Rate for All Children to yield an adjusted estimate of the children who would likely participate in the program in Year 1. This result is then multiplied by two factors, the "% of Eligible Children who are Native" and the "% of Native Children Using IHS" to estimate the total number of uninsured Native children who are anticipated to use the services of IHS providers under the program. A final calculation subtracts that number (uninsured Native children using IHS services) from the estimated total number of participating children to yield the number of children who would get services from non-IHS providers.

The costs per eligible child are based on an analysis of recent spending data from the Medicaid Management Information System for services provided AFDC children adjusted to reflect estimated costs for these same services in FY99. The estimated numbers of participating Native and non-Native children are multiplied by the projected cost per eligible child to provide a total cost of coverage for each of these groups. The model estimates that all services provided to eligible Native children who use IHS providers will qualify for reimbursement that is 100% federally funded. Funding for the services to the remaining population of children is under the Children's Health Insurance Program (Title XXI). For services to the remaining non-IHS children between 100% and 200% FPL, the State's allocation under Title XXI is used as the funding source at an enhanced match rate of 28.14% GF and 71.86% FFP.

In preparing this fiscal note an implementation date beginning October 1, 1998 was assumed for the enrollment of the first child. Enrollment is projected to increase at a monthly rate of 8.7% during the first year, ending the year with a total enrollment of a projected 4,092 children.

Using the above assumptions, the funding model estimates that Title XXI Medicaid coverage for 4,092 participating children will require \$8,768.0 in total expenditures (\$2,063.3 SGFM / \$6,704.7 Fed Funds) for services and administration.

Distribution of "Smart Start" related funding is based on analyses of Medicaid spending for medical services provided to AFDC Children. The historical expenditure data used came from the Medicaid Management Information System monthly MR-O-91T report which is a summary of Medicaid spending by Medicaid Category of Assistance and colocation code. The expenditures used were cumulative dates of payment for the period July, 1996 through October, 1997. Distributions between the colocation codes were calculated separately for each of the Medicaid Program components (Medicaid Non-Facilities, Medicaid Facilities, and Medicaid Indian Health Services). No distributions were made for either AFDC Children to Medicaid Waivered Services as no spending occurred during the observed period in that component for these groups.

The total projected FY99 expenditures for direct services to uninsured children (\$7,807.3 Total Funds, \$1,753.6 GFM) was multiplied by the percentage distribution between the components, and that result was multiplied by the percentage distribution across each relevant colocation code to determine the amount of direct services to be allocated to each colocation code.

Medicaid Impacts

There are increased Medicaid program costs anticipated to result from outreach efforts required as part of a Title XXI program. As previously identified, there are an estimated 5,553 uninsured children who fall below 100% of poverty who would be eligible for Medicaid if they applied. Through the outreach effort required under Title XXI, the Division anticipates that about 40% of these uninsured children will enroll as new eligibles under Title XIX Medicaid. This 40% participation rate differs from the 80% participation rate assumed in the original Smart Start fiscal analysis. The 40% estimate is based on new information from recent outreach studies and also reflects delayed implementation of the Title XXI program. The model assumes that direct services to children who fall under 100% of FPL will be financed under the Medicaid program and the total costs for these services will be financed through the current Medicaid program at the Medicaid match rate of 40.2% GF and 59.8% FMAP. These costs are not depicted in this bill's fiscal notes as the costs do not directly relate to the proposed Title XXI-based program for uninsured children.

ANALYSIS (cont.):**Note:**

Costs per Child are based on FY97 date-of payment data. Costs exclude Indian Health Services, State Programs, API Disproportionate Share Facilities payments, and Medical Assistance Administration. The denominator is the number of eligible non-disabled children (52,154) as of June 1, 1997. The cost was then adjusted to reflect anticipated FY99 cost by multiplying times 1.06.

FORMULAS

"Uninsured" = "Estimated Uninsured by Federal Poverty Level" (Employee Benefits Research Institute) X Participation Rate (Children)

"State GF" Native Children

The model shows no State General Fund expenditures for Native Children who access IHS-funded services. All funding for services to this estimated population are 100% federally reimbursed.

Other Children

This part of the uninsured children population accesses medicaid services.

Uninsured Children below 100% of the Federal Poverty Level

The estimated General Fund costs of covering non-native children up to 100% of the federal poverty level is calculated by assuming the State will participate at the current State Medicaid Match Rate of 40.2%.

Uninsured Children between 100% & 200% of the Federal Poverty Level

For the population of children between 100% and 200% of FPL, the model uses a formula that first calculates the total marginal cost of covering the additional children in each FPL category, calculates the federal portion this amount by multiplying by the CHI FMAP rate (71.2%), and compares this result with the total Alaska CHI Allotment (\$5,621,510). If the federal portion of the marginal need is less than the Allotment amount, then the CHI GF Match rate is used to calculate the State general fund needed to fund the marginal costs above above 99% FPL. If the federal portion of the marginal need is greater than the State's CHI Allotment, then the difference between Total amount and the sum of the Total amount for below 100% FPL and total CHI Funds. This difference is then multiplied by the Medicaid State GF match rate to determine the remaining GF needed.

"Federal" Native Children

IHS-funded services are 100% federally reimbursed.

Other Children**Uninsured Children below 100% of the Federal Poverty Level**

The estimated Federal portion of covering non-native children up to 100% FPL is calculated using the Alaska Medicaid FMAP rate of 59.2%.

Uninsured Children between 100% & 200% of the Federal Poverty Level

Federal funds are calculated by subtracting the State GF amount for each FPL category from the Total amount.

"Total" = "Uninsured" X "Cost per Child - 0-18" X 1.1 Administrative Cost Factor"

ANALYSIS (cont):

The following distributes the Child Health Program Expenditures by source of funds by administration and program services. The administration and program services are further allocated between Title XIX Medicaid, Title XXI Child Health Initiative and Indian Health Service.

Fiscal Year 1999: Projected Child Health and Pregnant Women Expenditures - 200% FPL

Family Income Above Current Medicaid Standards	Children 0-18	Pregnant Women	TOTAL
Uninsured	4,092	-	4,092
State GF	\$ 2,063,301	\$ -	\$ 2,063,301
Federal	\$ 6,704,732	\$ -	\$ 6,704,732
Total	\$ 8,768,033	\$ -	\$ 8,768,033 *1

Source of Funds Analysis

	GFM	FMAP	IHS	TOTALS
Title XIX - Medicaid	\$ 90,000	\$ 90,000	\$ -	\$ 180,000
Title XXI - Child Health Ins.	\$ 1,973,301	\$ 5,039,141	\$ -	\$ 7,012,443
Title XIX - IHS	\$ -	\$ -	\$ 1,575,591	\$ 1,575,591
Totals	\$ 2,063,301	\$ 5,129,141	\$ 1,575,591	\$ 8,768,033 *1

Administration

Title XIX - Medicaid	\$ 90,000	\$ 90,000	\$ -	\$ 180,000
Title XXI - Child Health Ins.	\$ 219,698	\$ 561,033	\$ -	\$ 780,730
Title XIX - IHS	\$ -	\$ -	\$ -	\$ -
Admin Totals	\$ 309,698	\$ 651,033	\$ -	\$ 960,730 *2

Program

Title XIX - Medicaid	\$ -	\$ -	\$ -	\$ -
Title XXI - Child Health Ins.	\$ 1,753,604	\$ 4,478,108	\$ -	\$ 6,231,712
Title XIX - IHS	\$ -	\$ -	\$ 1,575,591	\$ 1,575,591
Program Totals	\$ 1,753,604	\$ 4,478,108	\$ 1,575,591	\$ 7,807,303

- Notes:
- *1 10% Administration is included in estimated total costs for children
 - *2. IHS fund is only available for direct program services.

The Division has assumed the following for calculation of the period FY00-04:
 Alaska's Federal Medical Assistance Percentage (FMAP) will continue after FY2000 at the enhanced rate of 59.8% because Alaska's Congressional delegation will be effective at securing reauthorization due to enactment of this legislation. It is also assumed that the enhanced federal participation for the Title XXI funding will remain at the same 71.86% through FY04. The fiscal note also assumes an average of a 7% expenditure growth from fiscal year to fiscal year. This growth takes into account changes in the cost of medical services as well as changes in the utilization of medical services by both the clients and providers for the Child Health Initiative.

The details of the SMART START for Alaska's Families program are contained in the document "A Blueprint for Assuring Adequate Access to Health Care for Alaska's Uninsured Children and Pregnant Women." Copies are available at the Commissioner's Offices by calling in Juneau (907-465-3030) and Anchorage (907-269-7800).

FISCAL NOTE

STATE OF ALASKA
1998 LEGISLATIVE SESSION

Bill Version: 10 CSSB266(HES)
(S) Publish Date: 4/27/98

Revision Date: _____ Dept. Affected: Health and Social Services
 Title: An Act relating to Medicaid coverage for certain BRU: Medical Assistance Administration
eligible children; Component: Children's Health Eligibility
 Sponsor: Senate Rules by Request of the Governor COMPONENT SERIAL NO. 2260
 Requestor: Senate (HES) See also (SN#): 960,230,229

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY99	FY00	FY01	FY02	FY03	FY04
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL	960.7	987.1	1,057.1	1,132.2	1,212.6	1,298.7
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	960.7	987.1	1,057.1	1,132.2	1,212.6	1,298.7

CAPITAL EXPENDITURES						
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CHANGES IN REVENUES ()						
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FUND SOURCE (Thousands of Dollars)

	FY99	FY00	FY01	FY02	FY03	FY04
1002 Federal Receipts	651.0	709.3	759.7	813.6	871.4	933.2
1003 GF Match	309.7	277.8	297.5	318.6	341.2	365.4
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (please specify)						
TOTAL	960.7	987.1	1,057.1	1,132.2	1,212.6	1,298.7

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of any current year (FY98) cost: \$0.0

ANALYSIS: (Attach a separate page if necessary)

The Balanced Budget Act of 1997 recently passed by Congress creates a new Title XXI of the Social Security Act, which allows states to use the new funds appropriated to either expand Medicaid eligibility for children, with an enhanced federal match for the expansion population, or to purchase health coverage, or both. The allocation of funds is made in the same proportion of the ratio of the number of low income children without insurance and the geographic variations in health costs. Alaska's allocation is 5.6 million with a federal match rate of 71.86%. No more than 10% of expenditures under the Title XXI block grant can be applied to administrative support and outreach.

Program implementation requires an eligibility determination and outreach process. The Division will evaluate the options available to determine the most cost effective method to implement this function. Extension of this health care coverage will result in one time programming changes to the state's eligibility and claims payment systems. Other one time costs will include furniture and equipment costs to support the staff processing the applications for decision.

Prepared by: Randy Super *BS* Phone: 465-5833
 Division: Medical Assistance Date: 04/24/98
 Approved by Commissioner: Karen Perdue *[Signature]* Date: 4/22/98
 Agency: Department of Health & Social Services

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ANALYSIS (cont.):

Under Federal law, initial applications processing may be performed outside of Public Assistance offices and by other State agency staff. The balance of the contractual costs are divided between contracting for this outstationed application intake and processing, and programming enhancements to the State's EIS and Claims payment systems.

The details of the SMART START for Alaska's Families program are contained in the document "A Blueprint for Assuring Adequate Access to Health Care for Alaska's Uninsured Children and Pregnant Women." Copies are available at the Commissioner's Offices by calling in Juneau (907-465-3030) and Anchorage (907-269-7800).

The Division has assumed the following for calculation of the period FY00-04: Alaska's Federal Medical Assistance Percentage (FMAP) for administration is 50%. It is also assumed that the enhanced federal participation for the Title XXI funding for the 10% administrative activities will remain at the same 71.86% through FY04. The fiscal note also assumes an average of a 7% expenditure growth from fiscal year to fiscal year which takes into account changes in the cost of medical assistance program administration.

The following distributes the Child Health Program Expenditures by source of funds by administration and program services. The administration and program services are further allocated between Title XIX Medicaid, Title XXI Child Health Initiative and Indian Health Service.

Fiscal Year 1999: Projected Child Health and Pregnant Women Expenditures - 200% FPL

Family Income Above Current Medicaid Standards	Children to 200% FPL	Pregnant Women to 200% FPL	Totals to 200% FPL
Uninsured	4,092	-	4,092
State GF	\$ 2,063,301	\$ -	2,063,301
Federal	\$ 6,704,732	\$ -	6,704,732
Total	\$ 8,768,033	\$ -	\$ 8,768,033 *1

Source of Funds Analysis

	GFM	FMAP	IHS	TOTALS
Title XIX - Medicaid	\$ 90,000	\$ 90,000	\$ -	\$ 180,000
Title XXI - Child Health Ins.	\$ 1,973,301	\$ 5,039,141	\$ -	\$ 7,012,443
Title XIX - IHS	\$ -	\$ -	\$ 1,575,591	\$ 1,575,591
Totals	\$ 2,063,301	\$ 5,129,141	\$ 1,575,591	\$ 8,768,033 *1

Administration

Title XIX - Medicaid	\$ 90,000	\$ 90,000	\$ -	\$ 180,000
Title XXI - Child Health Ins.	\$ 219,698	\$ 561,033	\$ -	\$ 780,730
Title XIX - IHS	\$ -	\$ -	\$ -	\$ -
Admin Totals	\$ 309,698	\$ 651,033	\$ -	\$ 960,730 *2

Program

Title XIX - Medicaid	\$ -	\$ -	\$ -	\$ -
Title XXI - Child Health Ins.	\$ 1,753,604	\$ 4,478,108	\$ -	\$ 6,231,712
Title XIX - IHS	\$ -	\$ -	\$ 1,575,591	\$ 1,575,591
Program Totals	\$ 1,753,604	\$ 4,478,108	\$ 1,575,591	\$ 7,807,303

Notes: *1 10% Administration is included in estimated total costs for children

*2. IHS fund is only available for direct program services.