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FISCAL IMPACT STATEMENT

LS 6374
BILL NUMBER: SB 572

NOTE PREPARED: Mar 15, 2005
BILL AMENDED: Feb 17, 2005

SUBJECT: Medicaid Waiver for Family Planning Services.

FIRST AUTHOR: Sen. Simpson
FIRST SPONSOR: Rep. T. Brown

BILL STATUS: CR Adopted - 2nd House

FUNDS AFFECTED: X GENERAL
DEDICATED
X FEDERAL

IMPACT: State

Summary of Legislation: This bill requires the Office of Medicaid Policy and Planning (OMPP) to apply for a demonstration waiver to extend Medicaid coverage of family planning services for certain women.

Effective Date: Upon passage.

Explanation of State Expenditures: This bill requires OMPP to apply for a family planning demonstration waiver to provide an additional 24 months of limited eligibility for women who qualified for Medicaid services because they were pregnant and had incomes less than 150% of the federal poverty level (FPL). Family planning services, as well as other services that will be required by the waiver, would remain available to these individuals without regard to subsequent changes in the family income. The bill provides that the program may not be implemented without the approval and financial participation of the federal government.

By definition, Medicaid demonstration waivers must be budget neutral over the life of the project (generally a five-year period) and are subject to approval of the federal Centers for Medicare and Medicaid Services (CMS). Any fiscal impact will depend upon administrative and legislative actions of the state and federal governments. However, as with all preventive health services, necessary administrative changes must be implemented and services and products provided before potential savings may be realized.

Most states that have implemented family planning waivers have recognized increased costs in the first year of the waiver due to startup costs, ongoing increased administrative expense, and the biological fact that if savings are achieved by avoiding costs of prenatal care, labor and delivery, and care of infants, it takes approximately 9 months before the most expensive events of the process can be avoided. Savings due to the

waiver accumulate to the program within the required five-year time frame of the waiver.

Potential Savings: In order to achieve the federal budget neutrality requirement of a family planning waiver, the anticipated savings may be a combination of improved birth outcomes and fewer Medicaid-eligible births. Other states have estimated incurred costs of family planning in the first year with savings and resulting budget neutrality occurring in the subsequent four years of a five-year demonstration. A federally funded study released in 2004 concluded that all six of the family planning waiver programs included in the study met the federal requirement that they not result in increased spending, finding that they saved money while increasing access to contraceptive care for low-income women. The CMS study also found that programs that cover all low-income women rather than only the Medicaid postpartum population realized even greater savings since 77% of pregnancies to the low-income women are reported to be unintended or unwanted.

Background Information: Should a waiver be approved, Medicaid covered approximately 30,000 deliveries, or about 35% of all Indiana births, in FY 2002. Of the total Medicaid births, about 18,400 were covered on the basis of the mother's pregnancy and income status of less than 150% of the federal poverty level. (These numbers will be updated as soon as more recent statistics are available.) Of these mothers, preliminary analysis indicates that as many as 70% subsequently lost Medicaid eligibility within 180 days of delivery and would potentially be eligible for the proposed waiver services.

Very short intervals between pregnancies are associated with higher risks for adverse birth outcomes. A five-year study of interpregnancy intervals done by the Indiana State Department of Health found that, compared to infants born after an 18 to 23 month interpregnancy interval, infants conceived in less than 3 months were at a 52% higher risk of being low birth weight, 62% higher risk of preterm birth, and 43% higher risk of being small for gestational age. For the five-year period between 1994 and 1998, 1.8% of all live, single-baby births were conceived in less than 3 months following a previous live birth. Of all single-baby live births in the 5-year study period, 18.8% were conceived within 12 months of a previous live birth. (Currently, pregnant women with incomes under 150% of FPL are covered by Medicaid for three months after delivery. Family planning services are included in the coverage.) The ISDH study concluded that: "The adverse effects of short interpregnancy intervals on birth outcomes were most noticeable among births after an interpregnancy interval of less than 3 months. However, the higher risk of adverse outcomes continued to exist for interpregnancy intervals of up to 9 months. Therefore, efforts to improve family planning could continue beyond 3 months postpartum as a measure to reduce short interpregnancy intervals and to improve birth outcomes.

Other states have calculated potential savings on the basis of births prevented and the unrealized cost of the children to the Medicaid program.

Specific Medicaid family planning services are matched by 90% federal funds. The usual federal match rate (FMAP) for medical services in Indiana is approximately 62%. Family planning services are exempt from any required copayments. Any services provided to waiver participants that are not federally defined as a family planning service, such as transportation or treatment for a sexually transmitted disease, would be matched at the lower FMAP rate. Further, CMS now requires states to ensure access to primary care services for those clients enrolled in family planning waivers. One-time and ongoing administrative expenses would be matched at the 50% federal administrative rate.

Explanation of State Revenues: See *Explanation of State Expenditures*, above, regarding federal financial participation in the Medicaid program.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Family and Social Services Administration, Office of Medicaid Policy and Planning.

Local Agencies Affected:

Information Sources: "Short Interpregnancy Intervals and the Risk of Adverse Birth Outcomes, Indiana, 1994-1998," Indiana State Department of Health, Epidemiology Resource Center/Data Analysis Team. At http://www.in.gov/isdh/dataandstats/mch/short_interpregnancy_intervals_94-98.pdf; "1115 Waiver Research and Demonstration Projects, Centers for Medicare and Medicaid Services, at http://cms.hhs.gov/medicaid/1115/default.asp; and "Doing More for Less: Study says State Medicaid Family Planning Expansions are Cost Effective , Rachel Benson Gold, The Alan Guttmacher Report on Public Policy, March 2004.

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