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## FMAP & Income Conversion Methodology Study

**October 26, 2011, 3:00 p.m. EDT**




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## Introductions and Overview



**Stephanie Kaminsky, JD**  
Senior Policy Advisor  
Center for Medicaid and CHIP Services  
CMS



**Christine Eibner, PhD**  
Economist  
RAND Corporation  
Washington Office



**Julie Sonier, MPA**  
Deputy Director  
SHADAC  
University of Minnesota, School of Public Health





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## Stephanie Kaminsky, JD




Senior Policy Advisor  
Center for Medicaid and CHIP Services  
CMS






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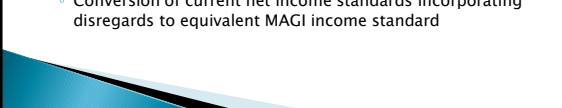
## Introduction to Income Conversion and FMAP Methodology Webinar

Stephanie Kaminsky  
Senior Policy Advisor  
Center for Medicaid and CHIP Services, CMS



## Affordable Care Act

- Section 2001 – Provides for enhanced FMAP for “newly eligibles”
  - Individuals in new adult group who would not have been eligible for full benefits as of December 2009
- Section 2002 – Requires “income conversion” for MAGI groups
  - Conversion of current net income standards incorporating disregards to equivalent MAGI income standard



## August 17, 2011 NPRM

76 FR 51202

- ▶ CMS proposed three methodologies for determining who is “newly eligible”
  - States would be required to select a methodology prior to 2014
- ▶ CMS proposed a prohibition on dual eligibility systems
- ▶ Comments due Monday, October 31, 2011

## MAGI Income Conversion

- ▶ CMS will be issuing a White Paper soliciting public input on four methodologies it has developed to implement MAGI income conversion
- ▶ States will be required to submit MAGI income conversion plans to CMS
- ▶ States will be required to submit SPA's with MAGI-equivalent income standards

## Plans to help States

- ▶ Technical areas for all States, most efficient for CMS to assist
- ▶ RAND contract in collaboration with:
  - University of Minnesota State Health Assistance Data Access Center (SHADAC); and
  - National Conference of State Legislators (NCSL)
- ▶ Feasibility testing, piloting, technical assistance

## Study Design

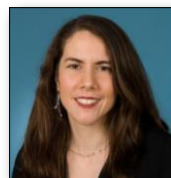
- ▶ Because of the potential impact of the results of the contract, we are seeking public input on the study design
- ▶ Chrissy, Julie and team will give the details on how to give comments during this webinar and afterwards until November 4, 2011

## Questions

[Stephanie.kaminsky@cms.hhs.gov](mailto:Stephanie.kaminsky@cms.hhs.gov)  
(410) 786-4653

[Diane.Gerrits@cms.hhs.gov](mailto:Diane.Gerrits@cms.hhs.gov)  
(410) 786-5776

[Richard.Strauss@cms.hhs.gov](mailto:Richard.Strauss@cms.hhs.gov)  
(410) 786-2019



Christine Eibner, PhD  
Economist

### *RAND's Role*

- To test the algorithms that CMS has proposed for
  - FMAP claiming
  - MAGI income conversion
- To refine algorithms and—if needed—suggest alternative approaches to improve accuracy and administrative feasibility
- To support SHADAC in providing technical assistance to the states

RAND

### *RAND's Approach*

- Case Studies of 10 States
  - What data are collected?
  - What are the plans for 2014 and beyond?
  - What are the technical and administrative challenges that states may face?
- Data Analysis
  - How accurate are the proposed algorithms?
  - What code and other materials are needed to implement algorithms?
- Pilot Testing (led by SHADAC)
  - How well do the methods work “on the ground”

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### *State Selection*

- We will conduct case studies and run pilot tests with 10 states
- Currently, we are requesting volunteers
- If more than 10 volunteer, we will select states to maximize diversity along specific characteristics (described in the next slide)
- CMS will have the final say in determining the 10 states
- All states will be offered technical assistance

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### *Selection Criteria Under Consideration*

- Data availability
- Variety of disregards used
- The number and types of eligibility categories
- Mandatory versus optional eligibility groups
- Were there resource tests for individuals who be in the new adult group?
- How restrictive are current eligibility criteria?
- 209(b) versus 1634 criteria
- Rural versus urban
- Large versus small states
- Regional distribution of States

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### *Case Studies*

- RAND will visit in person to discuss
  - Current eligibility determination process
  - Data availability and quality
  - Data collection plan for 2014 and beyond
  - Technical capabilities
- We will ask participating to states to share current data files

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### *What Will Participation Entail?*

- Identify a state lead or contact for this research project
- Participate in interviews with our team during a site visit to your state
- Provide RAND with documentation, materials, and data that would be helpful in understanding state technical capabilities
- Work with SHADAC to pilot test proposed algorithms, once they have been developed

RAND

### *What Are The Potential Benefits to States?*

- Input from participating states will inform methods and refinements
- Estimates that we develop from our analysis, such as the number of people who will be newly eligible for Medicaid after 2014, may be useful to states
- Participating states will have the ability to pilot test algorithms with the assistance of SHADAC

RAND

### *RAND's Approach*

- State Case Studies
  - What data are collected?
  - What are the plans for 2014 and beyond?
  - What are the technical and administrative challenges that states may face?
- Data Analysis
  - How accurate are the proposed algorithms?
  - What code and other materials are needed to implement algorithms?
- Pilot Testing (led by SHADAC)
  - How well do the methods work “on the ground”

RAND

### *We Will Be Testing Two Types of Algorithms*

- FMAP claiming
  - Goal is to determine who is newly Medicaid eligible and who was previously eligible (for full benefits)
- Income conversion
  - Goal is to convert net incomes standards to a “MAGI-based” equivalent
  - Will address only the impact resulting from the elimination of disregards, based on CMS's interpretation of the statute

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### *FMAP Claiming Algorithms—Threshold Methodology*

- Determine the highest income at which a person could have been eligible as of December, 2009
- Use proxies to assess disability and assets for the purposes of eligibility determination
- Assign newly and previously eligible status based on the income determination, disability proxy, and asset proxy
- Validate based on sampling, if required by CMS
  - For testing purposes, we can validate using outside data

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### *FMAP Claiming Algorithms—Sampling Methodology*

- States would sample a subset of Medicaid enrollees to estimate the share that is newly versus previously eligible
- RAND would develop recommendations about
  - What data would need to be collected for the sample to assess eligibility, and how could this be done to minimize burden for states and enrollees?
    - Could states use data already being collected for eligibility determination?
    - Could states use procedures already in place for PERM audits?
  - How will we get a statistically valid sample size?
  - How frequently would sampling need to be done?

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### *FMAP Claiming Algorithms—Outside Data Source Methodology*

- Would use a nationally representative data set (e.g. the SIPP) to predict eligibility status given characteristics such as:
  - Income
  - Age
  - Assets
  - Family structure
  - Disability proxy variable
- Would use a similar methodology to predict claims amounts
- States would use predictions to estimate FMAP

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### MAGI Income Conversion Methodologies— Average Disregard Method

- Determine the net income standard for the state
- Calculate the average value of disregards in the state
  - Could build from the “ground up”, calculating the value of each disregard and estimating the frequency
  - Could estimate using the difference between gross and net income
- Add the average disregard value to the net income standard to define a gross income standard for determining Medicaid eligibility

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### Example 1: Average Disregard Method, Current Net Income Threshold is \$110

Person	Gross Income	Disregard Amount	Net Income	Eligible Net?	Average Disregard (Among Net Eligibles)	Gross Income Standard =110+35	Eligible Gross?
1	\$100	\$20	\$80	Yes	35	145	Yes
2	\$150	\$50	\$100	Yes	35	145	No
3	\$135	\$15	\$120	No	35	145	Yes
4	\$125	\$0	\$125	No	35	145	Yes
Total Number Eligible					2		3

- Average disregard for currently eligible is  $(\$20+\$50)/2=\$35$ .
- New, gross income standard is  $\$110+\$35=\$145$

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### Some Questions About the Average Disregard Method

- Should disregard calculations be based on all available data, or on a subset?
- Should disregard calculations include all disregards, or just the major disregards?
- Should disregards be imputed using a constant value, or as percentage of net income?
  - Previous example adds a constant value of  $\$35=[(20+50)/2]$
  - Percentage approach would increase net income by 39 percent= $[(20+50)/(80+100)]$

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### MAGI Income Conversion Methodologies— Same Number of Net and Gross

- Determine the number currently eligible
- Calculate gross income by adding back in disregards
- Find the gross income level that results in the same number of people being eligible using gross income as were eligible using current income
- Ensures that new standard does not increase the number eligible
- Requires data on currently eligible people, as well as people who are not eligible but may be eligible if criteria changes

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### Example 2: Same Number of Net and Gross

Under old, net income threshold of \$110, 2 people were eligible

Sort data by gross income, and set new threshold so that 2 people are eligible

New, gross income threshold=\$125

Person	Gross Income	Disregard Amount	Net Income	Eligible Net?	Person	Gross Income	Eligible?
1	\$100	\$20	\$80	Yes	1	\$100	Yes
2	\$150	\$50	\$100	Yes	4	\$125	Yes
3	\$135	\$15	\$120	No	3	\$135	No
4	\$125	\$0	\$125	No	2	\$150	No
Total Number Eligible				2	2		

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### Generic Conversion Factor Method

- RAND would propose a methodology to develop a generic conversion factor that states could add to current net income standards
  - E.g., based on nationally representative data
- Conversion factors could vary by
  - State
  - Eligibility group
  - Other characteristics

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## Data Sources for Algorithm Development

### Survey of Income and Program Participation

- Nationally-representative Census survey
- Can allow us to identify newly eligible people
- May contain income data that states currently do not collect

### Data Provided by Case Study States

- Will attempt to collect to assess
  - Data fields
  - Completeness
  - Formatting
- Can provide a better sense of what is feasible from the state perspective

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## RAND's Approach

- State Case Studies
  - What data are collected?
  - What are the plans for 2014 and beyond?
  - What are the technical and administrative challenges that states may face?
- Data Analysis
  - How accurate are the proposed algorithms?
  - What code and other materials are needed to implement algorithms?
- Pilot Testing (led by SHADAC)
  - How well do the methods work "on the ground"

RAND

## Piloting Testing Algorithms with Case Study States

- Hold webinar where we discuss preliminary algorithms
- Ask the 10 selected states to apply the algorithms using current data, with assistance from SHADAC
- Assess challenges encountered and use this information to:
  - Refine algorithms
  - Prepare materials (e.g. helpful hints, best practices) for the technical assistance phase

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## Timeline

	O	N	D	J	F	M	A	M	J	J	A	S
	c	o	e	a	e	a	p	a	u	u	u	e
	t	v	c	n	b	r	r	y	n	i	g	p
State selection: 10/1-11/15	█	█										
Case study visits: 11/15-2/15			█	█	█	█						
Algorithm development: 11/15-5/15			█	█	█	█	█	█	█			
Pilot testing: 2/15-4/30					█	█	█	█				
Technical Assistance: 5/1-9/28									█	█	█	█

*If funding available, technical assistance may be extended for one more year*

RAND

## Julie Sonier, MPA



Deputy Director  
SHADAC

Division of Health Policy and Management  
University of Minnesota, School of Public Health

## Technical Assistance Goals

- Provide states the tools and assistance they need to:
  - Understand options and methods for FMAP claiming and income conversion
  - Develop strategies for implementing the changes
  - Submit FMAP claiming and MAGI conversion proposals to CMS

## Timeline for Technical Assistance

- Technical assistance will use “lessons learned” from pilot testing phase with case study states
- Technical assistance to states that were not part of the case studies
  - May to September, 2012



## Forms of Technical Assistance

- Technical assistance papers explaining the methods and options available
- Documentation for methods and how to implement them
- Webinars
- One-on-one assistance: telephone, email, and in-person
- Regularly updated materials to address new issues as they emerge



## Question & Answer

Submit questions via the chat feature on the left-hand side of the screen.



Stephanie Kaminsky, JD



Christine Eibner, PhD



Julie Sonier, MPA

### Questions for Discussion

- What data do states currently have, and how useful are these data for testing proposed methods?
- How do we proceed with selected states to enable sharing data to test algorithms?
- How do we work with states to design valid algorithms now that can be useful given data expected to be available in 2014?
- What modifications might be needed to improve feasibility of proposed methods?
- What criteria should be prioritized for state selection?



## Opportunity to Provide Input

- We are soliciting input to inform the methodologies and study design. For example:
  - What modifications might be needed to make the methodologies more feasible for states to implement?
  - What special considerations should be taken into account in the analysis or algorithms?
- Please send your comments to [jsonier@umn.edu](mailto:jsonier@umn.edu) by November 4



## FMAP & Income Conversion Methodology Study

Thank you for attending today's webinar event.

- Recording and transcript will be posted tomorrow at <http://www.shadac.org/FMAPMethodologyWebinar>
- Direct webinar-specific inquiries to Carrie Au-Yeung at [butle180@umn.edu](mailto:butle180@umn.edu)

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