# MEMO

TO Interested Parties

FROM Rachel Benson Gold and Adam Sonfield

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SUBJECT New budget neutrality methodology for Medicaid family planning waivers

With the recent approval of a Medicaid family planning waiver in Georgia and the renewal of a waiver in Delaware, the Center for Medicare and Medicaid Services (CMS) has instituted a new process for states seeking to expand Medicaid eligibility for family planning. This new process should make it significantly simpler for states to demonstrate budget neutrality for a family planning expansion and to "live" within that ceiling.

Under this new procedure:

- A state does not have to compare the cost of the Medicaid family planning expansion to the savings from averted births. (Because states could choose to cover these individuals under a state plan amendment under sec. 2303 of the health care reform legislation, CMS is regarding this population as a pass-through population that could be covered in the absence of a waiver.) Therefore, the state does not have to project births averted as a result of a family planning expansion.

- CMS will not hold a state responsible for enrollment trends.

- CMS will only hold a state to ensuring that per-client costs escalate at a reasonable rate.

A state seeking to extend or amend an existing family planning waiver, will need to:

- Use historical data on the per-participant cost of delivering family planning services (plus any changes to the package of covered services sought as part of a waiver renewal or amendment) to calculate a per member per month (PMPM) cost for program participants; and
- Utilize a trend rate to escalate the PMPM cost over each year of the demonstration.

In general, the PMPM would be constructed based on the actual expenditure data for the last Demonstration year in which the claiming period is closed, and would be increased by the rate of growth in the medical care component of the Consumer Price Index (MCPI). The state would then be at risk for that per capita cost, which means that the state would have to pay for PMPM cost increases above the annual escalator approved by CMS. (The state would still need to "close out" budget neutrality terms from a past waiver period; the new process will apply going forward.)

A state applying for a new waiver will need to develop a package of services that can be translated into a PMPM cost. From there, the state would need to establish and apply an annual escalator, as above for a state with an existing waiver. The state would be at risk for any increases in PMPM costs above the annual escalator.



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