

**ILLINOIS FAMILY PLANNING DEMONSTRATION
JANUARY 1, 2010**

VIII. MONITORING BUDGET NEUTRALITY

1. The following is the method by which budget neutrality will be monitored for the Illinois section 1115 Family Planning Demonstration.
 - a) Illinois will be subject to a limit on the amount of Federal title XIX funding it will receive for extending Medicaid eligibility for family planning services during the demonstration renewal period. This limit will be determined using a pre/post comparison of fertility rates for demonstration participants. Thus, Illinois will be at risk for the cost of family planning services (including traditional family planning services at the enhanced match rate and ancillary services at the Federal Medical Assistance Percentage (FMAP) rate described in the Special Terms and Conditions) that are not offset by the demonstration intervention.
 - b) The demonstration will provide family planning services to uninsured women of child bearing age who have a gross family income at or below 200 percent of the FPL, who are not otherwise eligible for Medicaid, CHIP. The demonstration will not change the current division of Federal and State responsibility for costs of the current Medicaid program. CMS will confirm that the demonstration expenditures do not exceed the levels that would have been in the absence of the demonstration.
 - c) Budget Limit: To calculate the overall expenditure limit for the demonstration, separate budget limits will be calculated for each year, and will be on a demonstration year (DY) basis. These annual estimates will then be added to obtain an expenditure estimate over the entire demonstration period. The Federal share of the estimate will represent the maximum amount of FFP that the State can receive during the expanded family planning services demonstration. For each DY, the Federal share will be calculated using the FMAP rate(s) for that 12-month period.
 - d) Annual Budget Limit (ABL) The annual budget limit will be the estimated cost-savings of the births averted (BA) calculated as follows:
 - $ABL = BA \text{ (births averted)} \times MCB \text{ (Medicaid cost of a birth)}$
 - e) Births averted (BA) will be estimated by the following equation:
 - $BA = (\text{base year fertility rate} - \text{fertility rate of demonstration participants during DY}) \times (\text{number of female demonstration participants during DY})$. The base year fertility rate will be adjusted for age groupings, using the age distribution of the actual demonstration participants and predetermined age-specific fertility rates. Participants are all women who obtain one or more covered medical family planning service(s) through the demonstration. At its option, the State may also adjust the fertility rates for ethnicity.

- f) Medicaid Cost of Birth (MCB) is calculated as follows:
- $MCB = \text{cost of prenatal services} + \text{delivery and pregnancy related costs} + \text{costs for infants up to one year of life} / \text{number of deliveries}$, where the costs and number of deliveries pertain to the Illinois' Medicaid program.
- g) Base-Year Fertility Rate The State will submit to CMS base-year fertility rates and a methodology for calculating the fertility rates. The base-year fertility rate must reflect fertility rates during 2001 for individuals in families with income at or below 200 percent of the FPL and ineligible for Medicaid except for pregnancy. The fertility rates *are* limited to births paid for by Medicaid. Preliminary base-year fertility rates must be submitted for approval within the first operational year of the demonstration and conform to the following requirements:
- They must reflect fertility rates during the Base Year, for women in families with income at or below 200 percent of the FPL, and ineligible for Medicaid except for pregnancy.
 - They must be adjusted for the age of all potential demonstration participants.
 - The fertility rates will include but not be limited to births paid by Medicaid.
 - The State will be allowed up to 6 months after the end of the first demonstration year to finalize these preliminary rates. Following the conclusion of each year of the demonstration, a demonstration year fertility rate will be determined by computing an age-weighted average fertility rate during the DY, unless the State demonstrates that the age distribution is consistent with the prior demonstration year(s). The annual age distribution categories will correspond with the base-year age-specific fertility rates. At its option, the State may also adjust the fertility rates for ethnicity.
- h) Application of the Budget Limit. The budget limit calculated above will apply to demonstration expenditures, as reported by the State on the CMS-64 forms. If at the end of the Demonstration period, the costs of the Demonstration services exceed the budget limit, the excess Federal funds will be returned to CMS.
- i) Expenditure Review. CMS will enforce budget neutrality over the life of the demonstration, rather than annually. However, no later than 6 months after the end of each DY or as soon thereafter as the data are available, the State will calculate annual expenditure targets for the completed year. This amount will be compared with the actual claimed FFP for Medicaid. Using the schedule below as a guide, if the State exceeds these targets, it will submit a corrective action plan to CMS for approval. The State will subsequently implement the approved program.

Year	Cumulative Target Expenditures	Percentage
2009	DY 6 budget limit amount	+4 percent
2010	DY 6 and 7 combined budget limit amount	+2 percent
2011	DYs 6 through 8 combined budget limit amount	+0 percent

- j) Failure to meet budget Neutrality Goals. The State, whenever it determines that the demonstration is not budget neutral or is informed by CMS that the demonstration is not budget neutral, must immediately collaborate with CMS on corrective actions, which must include submitting a corrective action plan to CMS within 21 days of the date the State is informed of the problem. While CMS will pursue corrective actions with the State, CMS will work with the State to set reasonable goals that will ensure that the State is in compliance.
- k) Definition of With and Without Waiver Demonstration Costs. The “with” and “without” demonstration costs (Federal share) follow. The “without” demonstration costs are estimates of the costs of births that would occur in the absence of the demonstration. The “with” demonstration costs are estimates of family planning services provided with the demonstration in effect.

State Plan Costs			
YEAR	WOW	WW	Estimated Annual Budget Limit
April 2009 - March 2010	\$582,034,634	\$567,323,396	\$14,711,238
April 2010 - March 2011	\$633,550,085	\$617,336,379	\$16,213,706
April 2011 - March 2012	\$689,788,373	\$671,906,612	\$17,881,761
Demo Costs			
	WOW	WW	Estimated Annual Budget Limit - WW
April 2009 - March 2010		\$9,376,944	\$5,334,294
April 2010 - March 2011		\$10,334,617	\$5,879,089
April 2011 - March 2012		\$11,397,836	\$6,483,925
Total			
	WOW	WW	Projected Margin
April 2009 - March 2010	\$582,034,634	\$576,700,340	\$5,334,294
April 2010 - March 2011	\$633,550,085	\$627,670,996	\$5,879,089
April 2011 - March 2012	\$689,788,373	\$683,304,448	\$6,483,925
3 Year Total	\$1,905,373,092	\$1,887,675,784	\$17,697,308