

## **Template CS20 –Non-Financial Requirements – Substitution of Coverage**

**Statute:** Sections 2102(b)(3)(C) and 2110(b)(1)(C) of the SSA

**Regulation:** 42 CFR 457.310(b)(2) and (b)(3), 457.320(a)(9) and 457.805

**Additional References:** SHO dated February 13, 1998

### **INTRODUCTION**

To be completed by States with separate child health assistance programs.

In this template, States provide information about their policies and procedures to prevent the substitution of group health coverage or other commercial health insurance with public funded coverage.

### **BACKGROUND**

Children who are eligible or potentially eligible for Medicaid or covered under a group health plan or under health insurance coverage, as defined in section 2791 of the Public Health Service Act, are not included in the definition of targeted low-income children and therefore are not eligible for CHIP.

Section 2102(b)(3)(C) of the Social Security Act requires States to include, in their State plan, a description of procedures the State uses to ensure that CHIP coverage does not substitute for coverage under group health plans.

Regulations address two scenarios with respect to the potential for substitution: individuals dropping private coverage to enroll in coverage provided directly through CHIP or for States with premium assistance programs, the potential of CHIP funds substituting for employer contributions towards employer-sponsored insurance (ESI).

Due to its implications with respect to eligibility, this section addresses only substitution related to enrollment in coverage provided directly through CHIP. Substitution of coverage for States offering premium assistance or family coverage is addressed in those respective sections.

The primary mechanism States use to discourage substitution is the imposition of a minimum period of uninsurance (waiting period) for individuals who drop private coverage. Some States have also implemented mechanisms to encourage affordable employer-sponsored health insurance as a way of discouraging substitution.

For States with waiting periods, it is generally understood that there are legitimate reasons for individuals dropping employer-sponsored insurance for which exceptions may be made to the waiting period, including, but not limited to: a parent's involuntary loss of access to ESI, a job change to an employer not offering dependent coverage, or lack of access to affordable employer-sponsored insurance.

Note: waiting period does not apply to children losing Medicaid eligibility.

## **TECHNICAL GUIDANCE**

This template is broken down into the following sections:

- Substitution of Coverage Assurance
- Waiting Period
- Other Substitution of Coverage Prevention Strategy

### Substitution of Coverage Assurance

Template CS20 begins with the CHIP Agency being asked to provide assurance that it has methods and policies in place to prevent the substitution of coverage

The State provides this affirmative assurance by checking the box next to the assurance statement. If the State does not check this box, the system will not accept this template for review and approval.

### Waiting Period

This section begins with a Y/N question as to whether the State has a waiting period during which an individual is ineligible due to having dropped group health coverage.

If the answer is yes, States are asked for the length of the waiting period, which they select from the displayed list. If the length of the waiting period is not listed, the State selects other and enters the time period in the box provided.

Note: States selecting 'other', should enter a number and the time period to which that number applies, e.g. 100 days, 6 months.

In the next Y/N question, States are asked if there are exceptions to the waiting period.

If the answer is yes, States are asked to select all that apply from a list of exceptions

If the State selects financial hardship, the State must also enter a description in the text box provided. States should include the methodology used to determine financial hardship, ( i.e. percentage of family income spent on medical costs, including premiums and other cost-sharing and unexpected necessary expenditures or other considerations.

### **Review Criteria**

***The description should be sufficiently clear, detailed and complete to permit the reviewer to determine that the State's election meets applicable federal statutory, regulatory and policy requirements.***

If the State selects other, the State must provide a description in the text box provided. If the State has more than one other exception, it may reselect other until all exceptions have been entered.

**Review Criteria**

***The description should be sufficiently clear, detailed and complete to permit the reviewer to determine that the State's election meets applicable federal statutory, regulatory and policy requirements.***

**Other Substitution of Coverage Prevention Strategy**

The State selects this option if the State has a substitution of coverage prevention strategy or policy other than or in addition to a waiting period.

States selecting this option must enter a name and description of the strategy/policy in the text boxes provided. If there is more than one other substitution policy, the State may reselect this other option until all the policies have been entered.

**Review Criteria**

***The description should be sufficiently clear, detailed and complete to permit the reviewer to determine that the State's election meets applicable federal statutory, regulatory and policy requirements.***

**Pregnant Women Assurance**

If the State responded yes above to having a waiting period and provides coverage to targeted low-income pregnant women, the State must provide assurance that the waiting period does not apply to pregnant women.

The State provides this affirmative assurance by checking the box next to the assurance statement. If the State does not check this box, the system will not accept this template for review and approval.

**Dental Only Supplemental Coverage**

States that provide Dental only supplemental coverage must provide two assurances:

- That the other coverage exclusion (i.e. substitution of coverage) does not apply to children who are otherwise eligible for Dental only supplemental coverage as provided in section 2110(b)(5) of the SSA, and
- That the waiting period does not apply to children eligible for dental only supplemental coverage.

The State provides these affirmative assurances by checking the boxes next to the assurance statements. If the State does not check this box, the system will not accept this template for review and approval.