



STATE OF INDIANA
OFFICE OF THE GOVERNOR
State House, Second Floor
Indianapolis, Indiana 46204

Mitchell E. Daniels, Jr.
Governor

January 14, 2011

The Honorable Secretary Kathleen Sebelius
Department of Health and Human Services
200 Independence Ave., SW
Washington, DC 20201

Dear Secretary Sebelius:

I wanted to make one last attempt to persuade you not to force the termination of the Healthy Indiana Plan (HIP), Indiana's program for low-income uninsured citizens. While there are many other aspects of the Patient Protection and Affordable Care Act (ACA) with which I disagree, I am especially disappointed that the bill may succeed in thwarting State-led innovation and consumer-directed healthcare programs that show strong promise to engage consumers in making cost and quality conscious decisions.

HIP, a home grown Indiana program, covers our uninsured population under a Center for Medicare and Medicaid Services (CMS) 1115 waiver. HIP is the nation's first consumer-driven alternative to traditional Medicaid. It features an RSA-like account, the Personal Wellness and Responsibility or POWER account, to which participants are required to make monthly contributions on a sliding scale basis. The program structure is designed to promote prevention, personal responsibility and cost-conscious consumption of healthcare services.

Attached are letters we have sent CMS with data demonstrating the program's significant accomplishments and popularity among its participants. After several phone calls with CMS staff, I am troubled by the feedback we have received regarding the future of the HIP program.

Your staff has advised us that our State Plan Amendment (SPA) to extend HIP into the future will be rejected, in part because of HIP's required participant contributions. The required contribution is central to the HIP structure, and eliminating the program's POWER account would effectively be the demise of this program. The over 98% of participants making contributions on time have proven that the Medicaid population is capable of making this very modest payment, which is critical to appropriate utilization and cost-containment. CMS's position favors dependency over personal responsibility, and disregards the ability of low income people to make choices for themselves.

HIP was implemented with bi-partisan support in the Indiana General Assembly and reflects the values of our state. Indiana prefers to promote this program that contains consumer-focused incentives for personal responsibility instead of a traditional Medicaid entitlement program. This month our legislature will consider a bill that calls for the

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HIP plan to be the coverage vehicle for the newly-expanded population under ACA, and in 2011 we plan to submit the aforementioned SPA to accomplish this.

The HIP 1115 demonstration waiver is set to expire on December 31, 2012. Our goal is to extend HIP not only for 2013, but through 2014 and beyond. Please review HIP's advantages carefully and allow this program not only to survive, but also to serve all of Indiana's newly-eligible Medicaid population.

Under the new proposed rules, an application for a waiver extension is a significant effort. With the implementation of ACA looming over us, we have neither the money nor time to expend if a one year extension of our current waiver is the most you will permit. If HIP is not going to be the coverage vehicle in 2014, we have no choice but to dismantle the program for the current 45,000 current beneficiaries, and devote our finite resources to transitioning these individuals to the traditional Medicaid program. I ask that you give HIP careful review and give us official guidance no later than February 28th, 2011.

Ninety-four percent of HIP enrollees surveyed indicated they were satisfied with their coverage and 99% indicated that they would re-enroll in the program. In the passing of the ACA legislation, it was often promised that if people liked the insurance they had, they would be able to keep it; for HIP enrollees, this promise is now in question.

I hope that your forthcoming guidance will provide Indiana with the flexibility needed to continue flourishing and creative programs like HIP. Now more than ever, States need the tools to be able to improve a struggling Medicaid program, and Indiana is ready to try. Thank you for your consideration.

Sincerely,

Attachments