



JAN 27 2015

Administrator
Washington, DC 20201

Joseph Moser
Medicaid Director
Indiana Family and Social Services Administration
402 W. Washington St., Room W461
Indianapolis, IN 46204

Dear Mr. Moser:

The Centers for Medicare & Medicaid Services (CMS) is approving Indiana's application for a three-year Medicaid demonstration entitled, "Healthy Indiana Plan 2.0" (Project Number 11-W-00296/5). The demonstration is approved in accordance with section 1115(a) of the Social Security Act (the Act) and is effective on the date of this signed approval. Through this demonstration and associated state plan amendments, the state will provide coverage to adults in Indiana with incomes through 133 percent of the Federal poverty level (FPL) beginning February 1, 2015.

The terms of the demonstration have been incorporated into the accompanying waiver and expenditure authorities, which can be exercised only as described and as set forth in the Special Terms and Conditions (STCs). The unique design of HIP 2.0 builds on the existing HIP demonstration with modifications to address new features proposed by the state and provisions and objectives established by the Affordable Care Act.

Two primary routes to coverage are established under the demonstration: HIP Plus for those who contribute to the Personal Wellness and Responsibility (POWER) account, and HIP Basic for those who do not make such contributions. The state shall make contributions to POWER accounts for individuals enrolled in HIP Plus and HIP Basic. The POWER Account will be used to pay for some of beneficiaries' health care expenses covered under the demonstration. Through the use of such accounts the state intends to promote the efficient use of healthcare, including encouraging preventive care and discouraging unnecessary care.

The demonstration authorizes the state to collect monthly premiums (contributions to the POWER account) from individuals up to 133 percent of the FPL in an amount not to exceed 2 percent of household income, except that the POWER account contributions from individuals with income below 5 percent of the FPL will be no more than \$1 per month. POWER account contributions are required as a condition of eligibility for individuals with incomes above 100 percent of the FPL but not for individuals with lower incomes, who will enroll in HIP Basic if they do not make POWER account contributions.

Individuals covered under the demonstration, regardless of income, who make POWER account contributions shall be enrolled in HIP Plus. Those enrolled in HIP Plus will not be subject to cost sharing, with the exception of a copayment for non-emergency use of emergency department services, as discussed below. Adults with incomes at or below 100 percent of the

department services, as discussed below. Adults with incomes at or below 100 percent of the FPL who do not choose to make contributions will be enrolled in HIP Basic and will be subject to copayments at levels permitted under federal Medicaid rules.

Individuals with incomes above 100 percent of the FPL, who begin but subsequently cease making POWER account contributions will, after a 60 day grace period, be disenrolled from HIP 2.0 coverage and disqualified from such coverage for six months. Exceptions to this “lock out,” which applied to all beneficiaries in the existing HIP demonstration, will be afforded to individuals who are medically frail and those with specific circumstances as described in the special terms and conditions. Because payment of premiums (contributions to the POWER account) is not a requirement for coverage for individuals with incomes at or below 100 percent of the FPL, if such individuals begin but cease making payments, they will not lose coverage (or be subject to a lock out) but will be automatically enrolled, without a new application or gap in coverage, into HIP Basic (instead of HIP Plus).

Also reflecting the unique design of HIP 2.0, coverage will be effective: 1) the first day in the month in which an individual makes a POWER account contribution; or, for those with incomes at or below 100 percent of the FPL who do not make a POWER account contribution, coverage will start 2) the first of the month in which the 60 days payment period expires. Expanded access to presumptive eligibility processes will be available at qualified entities throughout the state for individuals seeking immediate coverage, and a “fast track” method for billing and paying POWER account contributions will be available to all individuals under the demonstration to expedite coverage.

Both HIP Plus and HIP Basic will provide coverage of a full alternative benefit plan (ABP) for individuals in the new adult group, authorized through an amendment to the state plan. Individuals in the HIP Plus ABP will have access to additional benefits not available in the HIP Basic ABP although all individuals, whether enrolled in Plus or Basic, will receive all essential health benefits required by law. The demonstration provides authority for the state to not offer non-emergency medical transportation for the new adult group during the first year of the demonstration; this authority may be extended subject to evaluation regarding the impact of this policy on access to care.

Under the demonstration, all beneficiaries will be subject to a copayment for non-emergent use of the Emergency Department (ED). We have granted the state authority to demonstrate whether a graduated co-payment – \$8 for the first instance and \$25 for recurrent non-emergent use of the ED, with education and referrals to primary care providers – will reduce unnecessary ED use and improve beneficiaries’ use of health care in the most appropriate setting. Per federal law regarding experimental approaches to cost sharing, this authority requires a control group for evaluation and is granted for a period of two years.

Under the demonstration, the state will also offer a voluntary premium assistance program called HIP Link for individuals above age 21 with access to cost effective health care coverage through employer sponsored insurance (ESI) that has met qualification criteria specified in the STCs. Individuals electing the HIP Link program will receive full ABP coverage, but their ESI plan will pay primary to Medicaid for all such services; individuals will be able to use POWER

account funds to cover any out-of-pocket costs above Medicaid permissible limits.

In addition, outside this demonstration, the state aims to encourage employment through a work search and job training program called Gateway to Work, for Healthy Indiana Program 2.0 beneficiaries who choose to participate. Health coverage provided by the Medicaid program and this demonstration will not be affected by this state initiative.

CMS approval of this section 1115 demonstration extension is subject to the limitations specified in the approved waiver authorities and compliance with the enclosed STCs defining the nature, character, and extent of federal involvement in this project. The state may deviate from the Medicaid state plan requirements only to the extent those requirements have been specifically listed as waived, consistent with the STCs. The approval is subject to CMS receiving your written acknowledgement of the award and acceptance of these STCs within 30 days of the date of this letter.

Your project officer for this demonstration is Ms. Andrea Casart. She is available to answer any questions concerning your section 1115 demonstration. Ms. Casart's contact information is as follows:

Centers for Medicare & Medicaid Services
Center for Medicaid & CHIP Services
Mail Stop: S2-01-16
7500 Security Boulevard
Baltimore, MD 21244-1850
Telephone: (410) 786-0742
Facsimile: (410) 786-5882
E-mail: Andrea.Casart@cms.hhs.gov

Official communications regarding program matters should be sent simultaneously to Ms. Casart and to Mr. Alan Freund, Associate Regional Administrator for the Division of Medicaid & Children's Health in the Chicago Regional Office. Mr. Freund's contact information is as follows:

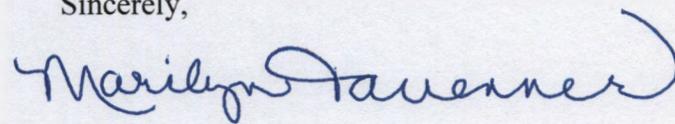
Mr. Alan Freund
Associate Regional Administrator
Division of Medicaid and Children Health Operations
233 North Michigan Avenue, Suite 600
Chicago, IL 60601
Email: Alan.Freund@cms.hhs.gov

If you have questions regarding this approval, please contact Mr. Eliot Fishman, Director, Children and Adults Health Programs Group, Center for Medicaid & CHIP Services, at (410) 786-5647.

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Thank you for your work with us, as well as stakeholders in Indiana, over the past several months on developing this demonstration, and congratulations on its approval.

Sincerely,

A handwritten signature in blue ink that reads "Marilyn Tavenner". The signature is written in a cursive style with a large, sweeping flourish at the end.

Marilyn Tavenner

Enclosures

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cc: Verlon Johnson, ARA, Region VI