Hoosier Innovation: Health Savings Accounts

1992:
Hoosier pioneers medical savings accounts

2003:
Tax advantaged HSAs authorized by Congress

2006:
Indiana offers health savings accounts to state employees

2008:
HIP coverage begins

2014:
Submit HIP 2.0 waiver

2015:
HIP 2.0 coverage begins

Medical Savings Accounts promote cost-conscious health care decisions
Indiana saves an average of 10.7% in health care costs annually, 2006-2010
Healthy Indiana Plan (HIP) integrates consumerism with Medicaid
HIP 2.0 builds on HIP:
- Expand consumerism
- Encourage personal responsibility
- Cover more Hoosiers

In 2013, 420,000 Hoosiers were enrolled in HSAs. This represents 9% of insured individuals – higher than the national average.
HIP Success

HIP improves health care utilization
- Lowers inappropriate emergency room use by 7% compared to traditional Medicaid
- 60% of HIP members receive preventive care - similar to commercial populations
- 80% of HIP members choose generic drugs, compared to 65% of commercial populations

HIP results in high member satisfaction
- 96% of enrollees satisfied with HIP coverage
- 83% of HIP enrollees prefer the HIP design to co-payments in traditional Medicaid
- 98% would enroll again

HIP promotes personal responsibility
- 93% of members make required POWER account contributions on time
- 30% of members ask their healthcare provider about the cost of services
State of the Uninsured in Indiana

Uninsured Hoosiers, 2010¹

- Under 100% FPL: 93,600 (12%)
- 100-138% FPL: 160,998 (18%)
- 139-200% FPL: 105,466 (12%)
- 201-399% FPL: 50,713 (6%)
- 400%+ FPL: 348,900 (40%)

TOTAL UNINSURED = 881,291

How do the Federal Poverty Levels translate to annual income? - 2013

<table>
<thead>
<tr>
<th>FPL²</th>
<th>Individual</th>
<th>Family of 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 100%</td>
<td>&lt; $11,490</td>
<td>&lt; $23,550</td>
</tr>
<tr>
<td>100-138%</td>
<td>$11,490-15,970</td>
<td>$23,550-32,734</td>
</tr>
<tr>
<td>139-200%</td>
<td>$15,971-23,094</td>
<td>$32,735-47,335</td>
</tr>
<tr>
<td>201-399%</td>
<td>$23,095-45,959</td>
<td>$47,336-94,199</td>
</tr>
<tr>
<td>400%+</td>
<td>&gt; $45,960</td>
<td>&gt; $94,200</td>
</tr>
</tbody>
</table>

Indiana Uninsured: 13.6% in 2010

References:
HIP 2.0 Structure

✓ Replaces traditional Medicaid for non-disabled adults

✓ Three pathways to coverage
  - **HIP Link**: *NEW* defined contribution plan that helps pay for employer-sponsored health insurance
  - **HIP Plus**: Current program with enhanced benefits including dental and vision
    - Reduced non-payment lock-out period: 6 months instead of 12 months
    - Only option for individuals above 100% FPL
  - **HIP Basic**: Allows individuals below 100% FPL who do not make POWER account contributions to maintain coverage
New Affordable Contributions

HIP 2.0 POWER Account Contributions

<table>
<thead>
<tr>
<th>FPL</th>
<th>Monthly Income Single Individual</th>
<th>Monthly Contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;22%</td>
<td>$214</td>
<td>$3</td>
</tr>
<tr>
<td>23%-50%</td>
<td>$224 to $487</td>
<td>$8</td>
</tr>
<tr>
<td>51%-100%</td>
<td>$496 to $973</td>
<td>$15</td>
</tr>
<tr>
<td>101%-138%</td>
<td>$983 to $1,342</td>
<td>$25</td>
</tr>
</tbody>
</table>

Employers & Foundations may assist with contributions
HEALTHY INDIANA PLAN
VERSION 2.0

HIP 2.0
HEALTHY INDIANA PLAN℠
Health Coverage = Peace of Mind

HIP ✓
HEALTHY INDIANA PLAN℠
Basic

HIP +
HEALTHY INDIANA PLAN℠
Plus

HIP →
HEALTHY INDIANA PLAN℠
Employer Benefit Link
## HIP Plan Comparison

<table>
<thead>
<tr>
<th>Covered Groups</th>
<th>HIP Link</th>
<th>HIP Plus</th>
<th>HIP Basic</th>
<th>Medically Fragile</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Optional for individuals with access to cost-effective employer-sponsored insurance&lt;br&gt;• Exception: Medically fragile</td>
<td>• Income up to 138% FPL&lt;br&gt;• Consistent POWER account contributions</td>
<td>• Income below 100% FPL&lt;br&gt;• Fail to make POWER account contribution</td>
<td>• High cost individuals including substance abuse &amp; significant mental health issues&lt;br&gt;• Very low income parents&lt;br&gt;• Pregnant women</td>
<td></td>
</tr>
<tr>
<td>Cost-sharing</td>
<td>Enhanced POWER account contributions&lt;br&gt;No Other Co-payments, except:&lt;br&gt;• Non-emergency ED visit: $25</td>
<td>Co-payments for all services: More expensive than HIP Plus</td>
<td>Co-payments or POWER account contribution&lt;br&gt;• Exception: Pregnant women are exempt from cost-sharing</td>
<td></td>
</tr>
<tr>
<td>Benefits</td>
<td>• Employer Plan Benefits</td>
<td>• Comprehensive medical benefits incl. maternity&lt;br&gt;• Vision &amp; dental benefits&lt;br&gt;• Increased service limits&lt;br&gt;• Comprehensive drug benefit</td>
<td>• Comprehensive medical benefits incl. maternity&lt;br&gt;• Lower service limits&lt;br&gt;• Limited drug benefit</td>
<td>• Comprehensive medical benefits incl. maternity&lt;br&gt;• Current Medicaid benefits as required by federal law&lt;br&gt;• Enhanced behavioral health services</td>
</tr>
</tbody>
</table>

8
Ensuring Access for all Medicaid Participants to Improve Outcomes

- Maintain Medicare payment rates to support a high-quality provider network in HIP - including higher payments for maternity care to improve birth outcomes
- Increase provider reimbursement in the current Medicaid program to ensure access for the most vulnerable Hoosiers - aged, blind, disabled and children
- Family Coverage option: Parents can enroll their children in employer –sponsored coverage or Marketplace plans
HIP 2.0 Gateway to Work

✓ All individuals who complete the application for HIP coverage will be connected to job training and job search programs offered by the State of Indiana
Maintaining Financial Sustainability

HIP 2.0 will be sustainable & will not increase taxes for Hoosiers

HIP 2.0 will continue to utilize HIP Trust Fund dollars

Indiana hospitals will help support costs to expand HIP 2.0

Waiver specifies HIP 2.0 continuity requires:
- Enhanced federal funding
- Hospital assessment program approval
Hospital Assessment Fee (HAF) Background

- HAF authorized in 2013
- Assessed against all licensed acute hospitals and private psych hospitals
- Designed to increase hospital inpatient and outpatient reimbursement to align with Medicare payments rates
- State maintains 28.5% of HAF to cover Medicaid costs
- HAF Board oversees assessment formula
  - 2 Hospital Association Members
  - 2 State Appointees
State & IHA Term Sheet

✓ Annual Cigarette Tax Revenues are used first for HIP expansion

✓ Starting in 2017, recalculate HAF fund such that State HAF portion is sufficient to cover:
  • Cost of HIP expansion, including all administrative costs with cap
  • Cost of increasing provider reimbursement in current Medicaid program to 75% of Medicare rates.
  • Annual Contribution of $50M to Medicaid program
    o Divert HCI funding
    o $12M to HIP Trust Fund & together with current Trust Fund balance assures 1-year of operational costs
## Total Cost of HIP Expansion (State and Federal)

<table>
<thead>
<tr>
<th></th>
<th>SFY 15</th>
<th>SFY 16</th>
<th>SFY 17</th>
<th>SFY 18</th>
<th>SFY 19</th>
<th>SFY 20</th>
<th>TOTAL</th>
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</thead>
<tbody>
<tr>
<td><strong>Federal Portion</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$1,596.3</td>
<td>$2,836.1</td>
<td>$2,854.2</td>
<td>$2,949.7</td>
<td>$3,066.7</td>
<td>$3,160.4</td>
<td>$16,463.4</td>
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</tr>
<tr>
<td><strong>State Portion</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
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</tr>
<tr>
<td>$151.7</td>
<td>$100.7</td>
<td>$187.8</td>
<td>$284.7</td>
<td>$328.7</td>
<td>$408.5</td>
<td>$1,462.1</td>
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<tr>
<td><strong>TOTAL Cost of HIP 2.0</strong></td>
<td>$1,748.0</td>
<td>$2,936.8</td>
<td>$3,042.0</td>
<td>$3,234.4</td>
<td>$3,395.4</td>
<td>$3,568.9</td>
<td>$17,925.5</td>
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**HIP 6 - Year State Budget SFY 2015-2021**

<table>
<thead>
<tr>
<th>REVENUE</th>
<th></th>
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</thead>
<tbody>
<tr>
<td>Cigarette Tax Revenue</td>
<td>$ 676M</td>
</tr>
<tr>
<td>HAF Revenue</td>
<td>$ 959M</td>
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<tr>
<td><em>Total Revenue</em></td>
<td>$1,635M</td>
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</table>

<table>
<thead>
<tr>
<th>COSTS</th>
<th></th>
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</thead>
<tbody>
<tr>
<td>HIP Expansion Costs (Admin &amp; Provider Rate Increase in Medicaid)</td>
<td>$1,462M</td>
</tr>
<tr>
<td>Contribution to Medicaid &amp; HIP Trust Fund</td>
<td>$ 173M</td>
</tr>
<tr>
<td><em>Total Costs</em></td>
<td>$1,635M</td>
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</tbody>
</table>
## Current & Projected HAF

<table>
<thead>
<tr>
<th></th>
<th>SFY 15</th>
<th>SFY 16</th>
<th>SFY 17</th>
<th>SFY 18</th>
<th>SFY 19</th>
<th>SFY 20</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Projected HAF on</td>
<td>$889.4</td>
<td>$941.4</td>
<td>$979.2</td>
<td>$993.0</td>
<td>$1,046.5</td>
<td>$1,134.6</td>
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<td>current program</td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>New HAF</td>
<td>-</td>
<td>-</td>
<td>$125.2</td>
<td>$222.1</td>
<td>$266.1</td>
<td>$345.9</td>
<td>$959.3</td>
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</tbody>
</table>
Projected Average Monthly Enrollment

![Projected Average Monthly Enrollment Graph]

- SFY 2015: 193,573
- SFY 2016: 359,612
- SFY 2017: 433,918
- SFY 2018: 445,186
- SFY 2019: 451,419
- SFY 2020: 457,739

Projected Average Monthly Enrollment
Next Steps

- Post HIP 2.0 waiver for public comment
- Finalize waiver based on public input
- Submit waiver to CMS in June 2014
- Potential HIP expansion in 2015, based on timing of federal approval