

Waiver Amendment Request to the Healthy Indiana Plan (HIP)

Medicaid Section 1115(a) Demonstration Waiver (Project Number 11-W-00237/5)

Submitted December 14, 2014

I. Continuation of Enrollment Freeze for Caretakers (MAHC) and Non-Caretaker Adults (MAHN)

Overview

The Healthy Indiana Plan (HIP) Section 1115(a) Demonstration (Demonstration) provides federal authority for the State to offer a distinct health care coverage benefit package to two specified populations. The Demonstration was recently extended through December 31, 2015. The HIP program provides health care coverage for uninsured adults not otherwise eligible for Medicaid through a high deductible managed care health plan and a Personal Wellness and Responsibility (POWER) Account, an account styled like a health savings account. The two specified populations include: (1) low-income custodial parents and caretaker relatives of Medicaid and Children's Health Insurance Program (CHIP) children (HIP Caretaker) and (2) uninsured non-custodial parents and childless adults (HIP Non-Caretaker). This amendment request submitted by Indiana proposes to continue the freeze on enrollment for the HIP Caretaker and Non-Caretaker groups that was first implemented on July 23, 2014, in order to stay within the state's budget authority. Authorization of the current enrollment freeze expires on December 31, 2014. The State is requesting a continuation of the enrollment freeze through December 31, 2015.

If enrollment were to resume, the HIP program would overrun its allocated budget determined by the State Legislature. The Indiana Family and Social Services Administration (FSSA) is requesting CMS approve this amendment to the Demonstration to ensure the sustainability and continued success of the HIP Program for Indiana residents. Indiana submitted a waiver application to expand and modify the Healthy Indiana Plan in 2015, including opening enrollment to all non-disabled adults between ages 19-64 under 138% of the federal poverty level with no enrollment caps or limitations, and continues to be in negotiations with CMS surrounding this waiver application.

CMS and the State of Indiana contemplated the submission of this amendment request when coming to terms on the approval of the waiver extension for 2014. Paragraph 18 of the Special Terms and Conditions (STCs) for the 2014 demonstration period allows for the state to submit an amendment to the waiver to modify eligibility criteria for new entrants to ensure expenditures don't exceed the annual authorized amount.

Description of Key Program Features

Participation in HIP is voluntary, but all enrollees are required to receive medical care through high deductible health plans and POWER Accounts. Enrollees must make specified contributions to their POWER Accounts as a condition of continued enrollment. These accounts are used by enrollees to pay for the cost of health care services until the deductible is reached; however, certain preventive services are exempt from this requirement. Once the deductible has been met, the health plan will provide coverage for medical services up to an annual maximum amount. HIP offers the following coverage:

1. A basic commercial benefits package once annual medical costs exceed \$1,100;
2. A Personal Wellness and Responsibility (POWER) Account valued at \$1,100 per adult to pay for initial medical costs. The POWER Accounts provide incentives for participants to utilize services in a cost-efficient manner. HIP members make monthly contributions to their POWER Accounts depending on their income level; and
3. \$500 in “first dollar” preventive benefits at no cost to HIP members.

Under this Demonstration, Indiana outlined the following goals to promote the objectives of title XIX:

- Access: Ensure availability of necessary health services for Medicaid enrollees while offering health coverage to thousands of uninsured individuals;
- Prevention: Encourage individuals to stay healthy and seek preventive care;
- Personal Responsibility: Give individuals control of their health care decisions and incentivize positive health behaviors;
- Cost Transparency: Make individuals aware of the cost of health care services; and
- Quality: Encourage provision of quality medical services to all enrollees. Encourage quality, continuity, and appropriate medical care.

Rationale

Pursuant to paragraph 7 of the Special Terms and Conditions (STC), FSSA provides the following information in support of this waiver amendment request including a data analysis that shows the impact on the Demonstration, budget neutrality, and a detailed description of the amendment.

The current eligibility level for the HIP program is 100% of the Federal Poverty Level (FPL). This income standard applies for both the HIP Caretaker and HIP Non-Caretaker populations.

To maintain the fiscal sustainability of the HIP program under current state budget authority, the state proposes continuing the enrollment freeze of the HIP Caretaker and Non-Caretaker populations. The number of eligible HIP applicants who have applied for coverage this year has

exceeded expectations and if enrollment continues the program will be unable to sustain itself. The State views this enrollment response as a clear indication of the popularity and effectiveness of the HIP program and is a reflection of its benefits to Indiana residents.

The state legislature allocated funding to allow no more than a 45,000 monthly average in the program in state fiscal years 2014 and 2015. Current enrollment is 60,728. Even though enrollment below 45,000 for the first half of 2014 partially offset enrollment above 45,000 for the second half, the state projects being at least 3,000 enrollees over its average monthly target for 2014. Indiana sought to freeze enrollment earlier in 2014, but was not granted approval to freeze enrollment until July 23, 2014. Consequently, more members enrolled than the state desired and continue to be enrolled in the program. HIP enrollment increased rapidly in 2014, due to the elimination of the HIP Non-Caretaker waitlist, removal of certain enrollment restrictions including the six-month waiting period, and eligibility for those with access to employer insurance, as well as referrals from the Federally Facilitated Marketplace (FFM) and media attention around the release of our HIP 2.0 proposal.

Current and projected enrollment for 2015 forecasts the state exceeding its budget authority even with continuing the freeze on enrollment of caretakers and non-caretakers for the duration of 2015. Natural attrition in the program is estimated to be about 733 enrollees per month based on past experience. Natural attrition will not result in enrollment being below the average 45,000 target for 2015. Accordingly, FSSA requests that CMS approve this amendment expeditiously to continue the enrollment freeze and allow Indiana to manage its program enrollment pursuant to its budget limitations.

The initial HIP Demonstration waiver had a HIP Non-Caretaker enrollment cap of 34,000, which was raised to 36,500 in 2009 and is continued in the current Special Terms and Conditions, paragraph 18. Current Non-Caretaker enrollment is 35,254.

Healthy Indiana Plan Enrollment, 2014

	MAHN	MAHC	Total
Jan	10,734	24,657	35,391
Feb	16,403	25,204	41,607
Mar	16,081	26,054	42,135
Apr	14,663	26,137	40,800
May	22,651	21,799	44,450
Jun	25,463	22,637	48,100
Jul	28,787	23,617	52,404
Aug	31,857	24,764	56,621
Sep	35,155	25,341	60,496
Oct	35,261	25,305	60,566
Nov	35,250	25,474	60,724

Public Input

The Indiana General Assembly has put into statute specific requirements that FSSA must follow in order to have certain levels of transparency when dealing with state plan amendments, waiver requests, or revisions to either. Because this amendment waiver clearly falls into the scope of the statute, FSSA will follow the letter of the law in ensuring compliance with the requirements. The statute states that FSSA “may not implement any Medicaid state plan amendments, any Medicaid waiver requests, or any revisions...unless the [FSSA] has submitted a written report to the budget committee concerning the implementation of the amendment, waiver, or revision and the budget committee has reviewed the amendment, waiver or revision”. IC 12-15-1.3-17.5.

As part of its review, the budget committee asks FSSA officials to answer various questions during a public meeting. State law requires that the budget committee post notice of the hearing prior to the meeting and that it be open to the public. In addition, upon submission of the amendment waiver to the Budget Committee and to CMS, FSSA plans to post the waiver amendment on the Indiana HIP website so that it is available for public review.

FSSA will present the waiver amendment request at the Budget Committee hearing on December 17, 2014.

Budget Impact

Milliman, Inc., actuarial firm for Indiana Medicaid, projects 110,800 more individuals would enroll in the Demonstration in 2015 if the enrollment freeze is not continued (see attached). Milliman projects the additional cost of these individuals would be \$796 million, including \$530 million federal and \$266 million in state expenditures. Revenue from the state’s cigarette tax, which the legislature has authorized to fund the Demonstration, would not be sufficient to cover these additional expenditures. Milliman estimates average monthly enrollment would be 56,600 for the year even if the freeze is continued without interruption, significantly above the 45,000 average monthly enrollment sustainable by the funding authorized by the legislature.

Changes to STC’s

Pursuant to paragraph 18(b), FSSA submits this request to continue to amend the STC’s to curtail the number of Caretakers and Non-Caretaker adults enrolled in the program. The existing STC’s limit enrollment to 36,500 Non-Caretakers. See Paragraph 18(a). Projections show the state would likely reach this limit in the first month if the enrollment freeze were to be lifted. Continuing to freeze enrollment of childless adults and caretakers would allow the state to stay within its budget authority for the program. Those Caretakers and Non-Caretaker adults already enrolled in the program will continue to receive services, and those conditionally enrolled pending receipt of their initial POWER account contribution will be enrolled when their

contribution is received. There will be no change in the services and benefits that are provided to individuals enrolled in either HIP population. There will also not be any changes to the operational structure of the HIP Demonstration.

Conclusion

The State of Indiana believes that this amendment request ensures the continued success of the Demonstration. The proposed waiver amendment would keep the program fiscally sound and ensure that the HIP program will continue to serve Indiana residents in the capacity that it was designed. Indiana requests swift consideration of this request so that it may extend the current enrollment freeze without interruption to assist the State in staying within its budget.