



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

Michael R. Pence
Governor

November 15, 2013

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

Dear Secretary Sebelius:

As you are aware, the State of Indiana has a pending waiver with the Centers for Medicare and Medicaid Services (CMS) to bring health coverage to more Hoosiers through the successful Healthy Indiana Plan.

Our request reflects an interest in preserving the innovation, flexibility, and freedom that the people of Indiana have come to appreciate in the delivery of healthcare services. As the Obama Administration continues to adjust to the practical implications of the Affordable Care Act, our hope is that you will also be amenable to the Healthy Indiana Plan as a satisfactory alternative to the traditional Medicaid model for health care delivery and coverage expansion.

To that end, I write today to provide an update on our interactions with CMS on this waiver and to request a meeting with you in Washington, D.C. to work through any outstanding issues that stand in the way of its approval.

At the outset, I would like to commend your team for the professionalism with which they have approached our discussions to date. I am pleased to report that our teams have been working together collaboratively through a number of issues of importance to both of our administrations. It is in this same spirit of collaboration that I wish to discuss the future of the Healthy Indiana Plan with you directly.

In February of this year, the State of Indiana submitted an initial 1115 demonstration project waiver to extend the Healthy Indiana Plan for our current enrollees. The same submission also inquired as to whether the program could be expanded to bring coverage to more Hoosiers. Since then, our teams have continued regular dialogue with CMS on the process and substance of this waiver request.

The State held two public hearings on the Healthy Indiana Plan waiver in March, after a federally-mandated 30-day comment period, and included those responses into our final submission. Following the completion of a 15-day CMS review period, the State received confirmation in April of our final submission. After an additional 30-day

federal comment period, our team arranged a meeting with CMS in Baltimore, which took place in June.

Because the Healthy Indiana Plan was then set to expire on December 31, 2013, our teams mutually agreed that our focus should be on securing an extension of the program. Our teams succeeded in achieving certainty for Healthy Indiana Plan enrollees into 2014, and I again applaud CMS for their collaboration and diligence on this joint effort.

I also greatly appreciate CMS's efforts to find common ground on the issue of the State's ability to manage enrollment in the program. This understanding was critical to ensure fiscal responsibility and fiscal certainty for the State of Indiana. In addition, the extension also preserved the Healthy Indiana Plan's innovative, consumer-driven model in its entirety, which was also of paramount importance to the State.

Unlike traditional Medicaid, the Healthy Indiana Plan gives its members "skin in the game" with regard to their health care and lifestyle decisions. As a result, Healthy Indiana Plan members utilize preventive care services more often and the emergency room less often than traditional Medicaid members. It also ensures access to care by reimbursing at the higher Medicare rates. Our actuaries predict that, over time, healthcare costs are lower under this model.

Perhaps the most telling result of the Healthy Indiana Plan is that it consistently achieves a member satisfaction rate of more than 95 percent. Our data indicates that members like the design of the program and prefer to pay for their health care costs up-front as opposed to at the time of service. This includes monthly required contributions into a Health Savings Account-like account. Healthy Indiana Plan members also find the plan to be affordable, and our data even suggests that members would be willing to pay more for the plan.

I am pleased with the progress we have made, and look forward to further discussions with you regarding the potential expansion of the Healthy Indian Plan. One issue that CMS has raised is the requirement that Healthy Indiana Plan members make monthly account contributions. However, in order to expand the Healthy Indiana Plan, it is essential that the State be able to maintain the consumer-driven model on which the program is predicated.

I respectfully request the opportunity to work through this issue with you directly, at a time convenient for you, in order to find a reasonable solution.

Sincerely,


Michael R. Pence
Governor