

Governor Mike Pence
HIP 2.0 Expansion
Remarks as prepared for delivery

Thank you, Dr. Anne Gilbert of IU Health, for that kind introduction. I am grateful to the staff and professionals here at IU Methodist Hospital for your hospitality and for the extraordinary work you do in these hallways every day. To our honored guests, health care professionals, and my fellow Hoosiers—thank you for coming today.

I have long believed that a society may be judged not only by how it deals with its most vulnerable, but also by how it comes alongside those often forgotten working people who are striving every day for a better life.

It is really my concern for those Hoosiers that brings us together here today.

I am here to talk not so much about the future of health care for our uninsured in Indiana, but about a better way to a better future for working Hoosiers and working families.

The facts are clear. Today we have 350,000 low-income, working Hoosiers—those below 100 percent of the federal poverty level or a family of four making about \$24,000 a year or less—who lack access to the kind of quality health insurance that their better-off neighbors enjoy. Experts rightly call this the “coverage gap.” Many Hoosiers up to 138 percent of poverty, or \$33,000 for a family of four, also cannot access affordable coverage and live in uncertainty.

These Hoosiers include people like:

- **Beckie Kinkead**, Greenwood, an Ivy Tech student studying health sciences. She has attempted to obtain coverage via the federal health exchange but has not been successful. WorkOne is helping her pay for her education. She is a widow with a pension, which disqualifies her for some programs. She would like to be able to afford more access to primary and preventive health coverage.

- **Suzanne Kyle**, Carmel, who recently went back to school to earn her Masters in Business Administration, but has still found it difficult to find a job matching her degree and skills. She is currently without health coverage or unemployment benefits. In the past she has had coverage through her employers, including consumer-driven health products.
- **Mark Gibson**, Greenwood, is a current Healthy Indiana Plan (HIP) member and has been on the program for three to four years. He has had two recent heart surgeries covered by HIP and says he is “lucky” to have access to the program. He is a self-employed contractor who couldn’t afford insurance otherwise.
- **Beth Murphy**, Indianapolis, is unable to participate in the current Healthy Indiana Plan because of her income, but she is a likely candidate for coverage under the proposed HIP 2.0. She works part time in the home health care industry, but this employment is based on need. She has had health insurance in the past but is unable to obtain a policy through her current job.

With these Hoosiers and thousands of others like them in mind, today I am pleased to announce that the State of Indiana will seek flexibility from the federal government to close the coverage gap by expanding our own homegrown health care solution: the Healthy Indiana Plan.

I have been talking about using the Healthy Indiana Plan as the basis of an expansion of health care coverage in Indiana since before I even took office in January of last year. Today, I am pleased to share with you the details of my Administration’s proposed waiver to expand the Healthy Indiana Plan to offer consumer-driven, private market-based health care coverage to low-income Hoosiers.

We will submit our waiver to the Centers for Medicare and Medicaid Services at the end of June, following two required comment periods. We’ll be sharing details about how to comment, and I encourage everyone to look the plan over and offer us your thoughts.

Now, some of our neighbors and neighboring states have chosen to address the issue of the coverage gap by expanding traditional Medicaid. But from the beginning of my tenure as Governor, we have been saying “no” to the Affordable

Care Act in Indiana. We refused to set up a state-based exchange, and we have made it clear that we will not expand traditional Medicaid.

Medicaid is not a program we need to expand. It is a program we need to change. Nobly created 50 years ago to help the poor and those with disabilities access quality health care, Medicaid has morphed into a bureaucratic and fiscal monstrosity that does less to help low-income people than its advocates claim.

As a highly anticipated study in Oregon showed last year, Medicaid increased emergency room use and produced health outcomes that were no better than being uninsured. Other studies have also shown that health outcomes are no better, and sometimes worse, for people covered by Medicaid compared to those with no coverage at all.

Fortunately, Hoosiers have found a better way.

In Indiana, we have learned that the way to change Medicaid is to base the program on what we know improves health and lowers costs, namely consumer-driven health care.

Six years ago Indiana was the first state to successfully create a consumer-driven health plan to expand quality health insurance coverage to this population on a pilot basis. The Healthy Indiana Plan, or HIP, provides health savings accounts to nearly 40,000 people in Indiana and empowers them to take ownership of their health decisions.

The Healthy Indiana Plan integrated the principles of consumer behavior with Medicaid, encouraging enrollees to take charge of their health care and empowering them to act as consumers in the health care market. And here in 'the state that works'...it works!

HIP has lowered inappropriate emergency room use by 7 percent compared to traditional Medicaid, and 60 percent of HIP enrollees use preventive care, which is similar to the rates we see in the general commercial marketplace. HIP enrollees choose generic drugs at a much higher rate than people covered by other private insurance plans. Consumer-driven health plans have been shown to decrease health care spending by 25 percent, and Indiana's public employees have saved Hoosier taxpayers \$23 million annually thanks to the adoption of

consumer-driven plans. We are beginning to see this downward trend in health care costs with HIP as well.

HIP enrollees also have a proven track record of managing their own health care decisions. Ninety-three percent of HIP enrollees make contributions to their savings accounts on time, and a third of them say they regularly ask their health care providers about the cost of services. Ninety-eight percent say they would enroll in HIP again if they were given the choice.

Because of this success, my Administration has submitted a waiver to the Centers for Medicare and Medicaid Services (CMS) to replace traditional Medicaid in Indiana for all non-disabled adults ages 19-64 with an expanded version of the Healthy Indiana Plan for those up to 138 percent of the federal poverty level, which for an individual is roughly \$16,000 a year in income and for a family of four is about \$33,000.

HIP 2.0 would offer three options: a premium assistance plan that helps low-income working Hoosiers access employer coverage and two HSA plans with varying degrees of coverage.

Our plan's three-legged stool—HIP Link, HIP Plus and HIP Basic—would utilize private insurance options and consumer behavior to increase access to quality health care and to manage costs and health outcomes in the long run.

Our proposed HIP 2.0 would offer HIP Link, which is a premium assistance program for people who have access to insurance through their employers, but who may not be able to afford it. This is a first in the nation. Those who qualify for HIP Link would receive a defined-contribution from the State into their POWER account that they can use for premiums, co-payments or deductibles.

HIP Plus is available to all qualified HIP members. It requires POWER account contributions, which range from \$3-\$25 a month, based on income. The HIP Plus plan offers enhanced coverage including vision and dental services for adults and a comprehensive prescription drug program. It also covers maternity services with no cost sharing for the duration of the pregnancy.

HIP Basic is a default plan for Hoosiers below 100 percent of the federal poverty level who fail to make their required POWER account contributions. Members of

this plan must make co-pays and will receive fewer benefits until they begin to contribute to their accounts again.

Again, the premium assistance program helps people who are employed but cannot afford their employer's health plan or do not have access to a plan. They, too, could receive an HSA to use for premiums, co-payments or deductibles, or they could elect to have HIP pay a portion of the premium under their employer plan. Those who choose the premium assistance option would be responsible for making monthly HSA contributions on a sliding income scale.

Contributions also are required for all HIP members who choose one of the HSA plans. Those above 100 percent of federal poverty level risk losing their coverage if they do not make contributions, and those below 100 percent of federal poverty level, should they stop making contributions, must make co-pays and receive fewer benefits until they begin to contribute to their accounts again. The contribution amounts are reasonable and fair by income level. As we have seen in our pilot program, low-income residents of our state take pride in managing their accounts and make contributions consistently.

The enhanced HSA plan, HIP Plus, provides incentives to save and use preventive care, and it offers a more generous set of benefits. The second HSA plan, HIP Basic, serves as a default for those under 100 percent of poverty who fail to make their payments under HIP Plus. It contains incentives for them to re-enter the Plus program. Both plans penalize inappropriate emergency room use and encourage preventive care instead.

You can read all about HIP 2.0 at our website: www.HIP.in.gov.

The plan also includes a Gateway to Work referral program that will connect those who qualify for HIP coverage with job training and job search programs offered by the State of Indiana so that they can move up and out of the program. HIP is not intended to be an entitlement. It is a safety net program that aligns incentives with human aspirations. The plan also includes high co-pays for inappropriate ER usage to encourage enrollees to use primary care rather than ER care to manage non-emergent health needs.

And HIP 2.0 will be fully funded at no additional cost to Hoosier taxpayers. HIP 2.0 will be funded by a combination of federal funds and an agreement with Indiana's

hospitals, who have partnered with us to improve access to health care coverage in Indiana. This means no new State spending will be required and no tax increases will be needed.

HIP 2.0 maintains emphasis on the principles of personal responsibility and represents our continuing efforts in Indiana to find innovative, fiscally responsible ways to get people the care they need. Reforming traditional Medicaid through this kind of market-based, consumer-driven approach is essential to creating better health outcomes and curbing the dramatic growth in Medicaid spending.

I believe there are only two futures for health care in this country— government-directed health care or consumer-driven health care. Years ago, when the Healthy Indiana Plan was first adopted, Indiana chose the better portion by embracing consumer-driven health care, giving eligible Hoosiers the power to make their own health care decisions. Today we seek to build on that choice by expanding the Healthy Indiana Plan for even more working Hoosiers.

HIP 2.0 takes consumer-driven Medicaid reform to the next level by replacing traditional Medicaid in Indiana for all non-disabled adults and offering instead a health care culture in our state built on healthy, cost-conscious decision making.

I have long advocated for the repeal of the Affordable Care Act. I believe that as strongly now as I ever have. I also have long argued for reforming Medicaid into a block grant so that states have the flexibility to design better programs. Any sensible repeal of the Affordable Care Act should be replaced with market-based reforms and a flexible Medicaid block grant program.

Nearly 35 years ago, Ronald Reagan said, “We have long since committed ourselves, as a people, to help those among us who cannot take care of themselves. But the federal government has proven to be the costliest and most inefficient provider of such help we could possibly have.”

In the debate over health care reform, states need to lead the way – states like Indiana.

As the debates in Washington about the Affordable Care Act and Medicaid expansion continue, we are reforming Medicaid here in Indiana, and hundreds of thousands of Hoosiers will have better access to quality health care as they aspire to a better life.

As we speak about policies and coverage and health care reform, we must never forget that this is about our people—hard-working Hoosiers—who deserve a better way.

People like Diana.

I met Diana at a visit to Community Hospital East in Indianapolis a few weeks ago. She was in with a heart condition and welcomed me into her hospital room. She was self-conscious about her circumstance, but I tried to set her at ease, took her hand, told her she looked well, and then she told me her story. Diana had lost her job and lost her insurance.

She started having chest pains, and, even though she knew she could go to the emergency room, she waited. She told me, “The doctors told me I put off coming in a little too long, but I was embarrassed because I didn’t have insurance.”

Thank God she made it in, and she remains in our prayers.

But Diana touched my heart. Here was a hard-working woman who just wanted to find a way to pay her own way and not rely on the free access at a public hospital.

Diana is like a lot of working Hoosiers who don’t want a hand out, but they need a hand up.

Hoosiers have long-cherished the principle that we must “love our neighbor as we love ourselves;” that we must not “walk by on the opposite side of the road” when our neighbors are hurting and in need.

That’s what makes Indiana special.

And that’s what HIP 2.0 is all about—respecting the dignity of every Hoosier, including our working poor, to find a way to cover themselves and their families, respecting their ability to make their own health care decisions and empowering them to lead better and healthier lives.

HIP is a better way—to better health, to better coverage, to a better health care system, and to a better future for working Hoosiers and our state.