EXHIBIT D

Arkansas's Health Care Independence 1115 Waiver

Public Health Committee

June 27, 2013

Health Care Independence Program
The Fundamentals

- The Health Care Independence Act of 2013 calls on the Arkansas Department of Human Services to reform the Medicaid Program to:
  - Maximize the available service options;
  - Promote accountability, personal responsibility, and transparency;
  - Encourage and reward healthy outcomes and responsible choices; and
  - Promote efficiencies that will deliver value to the taxpayers

Health Care Independence Program
The Fundamentals

- Through the Act, the State established the Arkansas Health Care Independence Program, also referred to as the Private Option
- The Private Option is an integrated and market-based approach to covering low-income Arkansans through private, qualified health plan (QHP) coverage in the Marketplace
- Over time, the Private Option will be expanded to include additional enrollees. In the coming year, the State anticipates:
  - Revising the waiver to include parents with incomes below 17% federal poverty level (FPL) and children
  - Developing a pilot project to create health savings accounts to promote cost-effective use of the health care system

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3

The Private Option Offers Significant Benefits

- Individuals may remain with the same plan and providers as their income shifts
  - More than 35 percent of adults with incomes below 200% FPL will experience a change in eligibility within six months
- The size of the Marketplace will double, with the addition of 225,000 + Private Option enrollees
- Enrollees will be fully integrated into the Marketplace
- The enrollment of Private Option enrollees into QHPs will facilitate payment and delivery system reform

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Private Option Integrates Coverage

Arkansas HEALTH CONNECTOR
Your Guide to Health Insurance

The Arkansas Health Connector connects Arkansans to the Health Insurance Marketplace where individuals, families and small employers can shop for, select and enroll in high quality, affordable private health plans that meet their specific needs at competitive prices

State will use premium assistance to purchase QHPs for individuals eligible for coverage under Title XIX of Social Security Act (Medicaid)

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Key Dates

February 22
State meets with HHS

March 13
Arkansas Proposal

April 1
Sec. Sebelius supports Arkansas approach

April 17
Health Care Independence Act passed by General Assembly

April 23
Health Care Independence Act signed by Governor Beebe

June 24
Health Care Independence 1115 Waiver released for Public Notice and 30-day Comment Period

July 2 and 8
Public Hearings

By August 2
Arkansas submits Waiver to CMS

By October 1
CMS approval of Waiver expected

October 1 - March 31, 2014
Open Enrollment begins

January 1, 2014
Coverage under Private Option becomes effective

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Background on Section 1115 Waivers

- States have the flexibility to design programs to test policy innovations, including testing innovative delivery systems
- Section 1115 of the Social Security Act permits the Department of Health and Human Services to waive requirements of the federal Medicaid law
- Demonstration projects under Section 1115 must be "budget neutral," i.e. the Demonstration may not cost more than the Medicaid program would without the Demonstration
- Waivers are generally approved for 3-5 years
- States must provide public process for notice and comment on proposed waiver application

Arkansas Health Care Independence 1115 Waiver

- Balance of the presentation reviews key provisions of the state's Health Care Independence 1115 Waiver request:
  - Eligibility
  - Benefits
  - Cost sharing
  - Delivery System
  - Enrollment
  - Budget Neutrality
  - Requested Waivers

Private Option Eligible Individuals in 2014

- Childless adults between ages 19-65 with incomes at or below 138% FPL
- Parents ages 19-65 with incomes between 17% and 138% FPL
- Who are **not** on Medicare
- Who are **not** disabled
- Who have **not** been determined to be more effectively covered under the standard Medicaid program, such as an individual who is medically frail or other individuals for whom coverage through the Health Insurance Marketplace is determined to be impractical, overly complex or would undermine continuity or effectiveness of care

FEDERAL MEDICALLY FRAIL DEFINITION IS THE STARTING POINT

- **A disabling mental disorder**
- **Serious and complex medical conditions**
- **Physical, intellectual or developmental disability that significantly impairs their ability to perform one or more activities of daily living**
- **A disability determination**

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Private Option Benefits

- QHP benefit package, including 10 Essential Health Benefits (EHBs)
- Additional Medicaid-specific benefits through fee-for-service Medicaid, not QHPs:
  - Non-emergency transportation
  - Dental and vision services for 19 & 20 year olds
- Private Option enrollees will access all benefits through one insurance card
- Private Option enrollees will use QHP coverage appeals process

- Ambulatory patient services
- Emergency services
- Hospitalization
- Maternity and newborn care
- Mental health and substance use disorder services
- Prescription drugs
- Rehabilitative and habilitative services
- Laboratory services
- Preventive and wellness services, and chronic disease management
- Pediatric services, including oral and vision care

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Cost Sharing in the Private Option

- Private Option eligible individuals will be permitted to shop among and enroll in QHPs offered at the Silver metal level in the Marketplace.

All cost sharing will be consistent with both Medicaid and Marketplace requirements.

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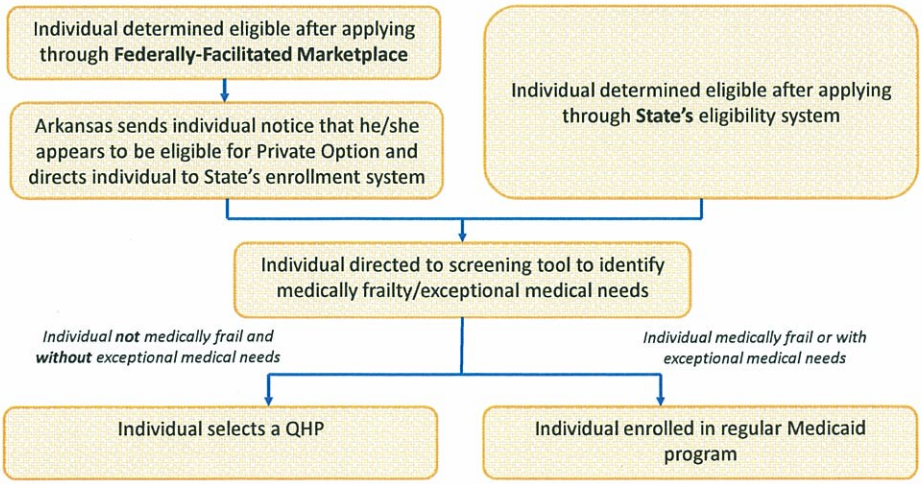
Eligibility and Enrollment Process in Private Option



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Eligibility for the Private Option

Private Option eligible individuals can enroll at anytime

Medicaid will reimburse providers for services rendered prior to effective date of QHP enrollment

Private Option eligible individuals will be enrolled for a full year's coverage

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Medical Frailty Screening in Private Option

Individuals who appear eligible for the Private Option will complete 15-20 question screening tool upon entering State eligibility system

Responses will be analyzed to determine whether the person meets medically frail/exceptional needs criteria.

Individuals determined medically frail or as having exceptional needs will be enrolled in Medicaid

Features of Screening Process

- **Prospective at time of enrollment**
- **Conducted annually by Medicaid**
- **Includes process for mid-year determinations of medical frailty**

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Auto-Assignment in Private Option

Private Option eligible individuals who do not select a QHP will be auto-assigned

- In its first year (2014), the Federally-facilitated Marketplace (FFM) will be unable to support shopping and enrollment of Private Option eligible individuals who apply through FFM portal
  - Higher levels of auto-assignment expected for individuals who apply through FFM
- 2014: Private Option auto-assignments will be distributed among issuers offering silver-level QHPs certified by the Arkansas Insurance Department (AID) to aim to achieve a target minimum market share of Private Option enrollees for each issuer in a service/rating region
  - Two issuers: 33% of Private Option participants in that region
  - Three issuers: 25% of Private Option participants in that region
  - Four issuers: 20% of Private Option participants in that region
  - More than four issuers: 10% of Private Option participants in that region
- 2015-2016: Department of Human Services (DHS) and AID will collaborate to refine and revise the auto-assignment methodology based on factors including QHP premium costs, quality and performance experience

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Choice of QHPs in Private Option

- Private Option beneficiaries will be able to choose from at least two high-value silver plans in each rating area of the State
- AID will evaluate network adequacy for all QHPs
- Private Option beneficiaries will have access to the **same** networks as individuals who purchase coverage in the individual market

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16

Arkansas Health Care Payment Improvement Initiative

- Demonstration will accelerate and leverage the Arkansas Health Care Payment Improvement Initiative (AHCPII) by increasing the number of carriers participating in the effort, and the number of privately insured Arkansans who benefit from these reforms
- Beginning in 2015, all QHP carriers will be required to participate in AHCPII by assigning enrollees a primary care physician, supporting patient-centered medical homes, and accessing clinical performance data for providers
- AHCPII is intended to shift the delivery system in Arkansas from one that primarily rewards volume to one that rewards quality and affordability

Demonstration Financing and Budget Neutrality

- Demonstration is projected to cost no more than providing coverage through standard Medicaid because the Private Option will:
  - Double the size of the Marketplace, leading to increased competition among carriers
  - Decrease churn between Medicaid and private insurance market
  - Increase provider access
  - Reduce cost shifting

Proposed Waivers in Application

Provision Waived	Purpose for Waiver
§ 1902(a)(14)	Apply 5% cap on cost-sharing on an annual, rather than quarterly, basis
§ 1902(a)(15)	Permit federally qualified health centers (FQHC) and rural health centers (RHC) to be reimbursed at market based rates negotiated with the QHP carrier, supplemented by incentive payments available through AHCPII
§ 1902(a)(17)	Provide different delivery systems for different populations of Medicaid beneficiaries
§ 1902(a)(23)	Make premium assistance for QHPs in the Marketplace mandatory for Private Option beneficiaries and to permit the State to limit beneficiaries' freedom of choice among providers to the providers participating in the network of the Private Option beneficiary's QHP
§ 1902(a)(54)	Permit the State to limit a Private Option beneficiary to receiving coverage for drugs on the formulary of the Private Option beneficiary's QHP
§ 1902(a)(54)	Permit the State to require that requests for prior authorization for drugs be addressed within 72 hours, rather than 24 hours. A 72-hour supply of the requested medication will be provided in the event of an emergency

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Hypotheses to be Tested by Demonstration

- Provider Access
- Churning
- Cost
- Quality Improvement
- Cost in the Arkansas Marketplace
- Quality in the Arkansas Marketplace
- Uncompensated Care

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20

Questions?

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21