HANDOUT #3 (4-20-15
Re: Item I

Medicaid Expansion: State Approaches and Early Results

Arkansas Health Reform Legislative Task Force
April 20, 2015

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Agenda

- Features of Alternative Expansions
- The Economic Impact of Expansion: A Review of Eight States that Expanded in 2014
- State Savings from Accessing Enhanced Federal Matching Funds
- State Savings From Replacing General Funds with Medicaid Funds
- Revenue Gains
- States' Use of Expansion Savings and Revenue Gains
- Moving Forward

About Manatt

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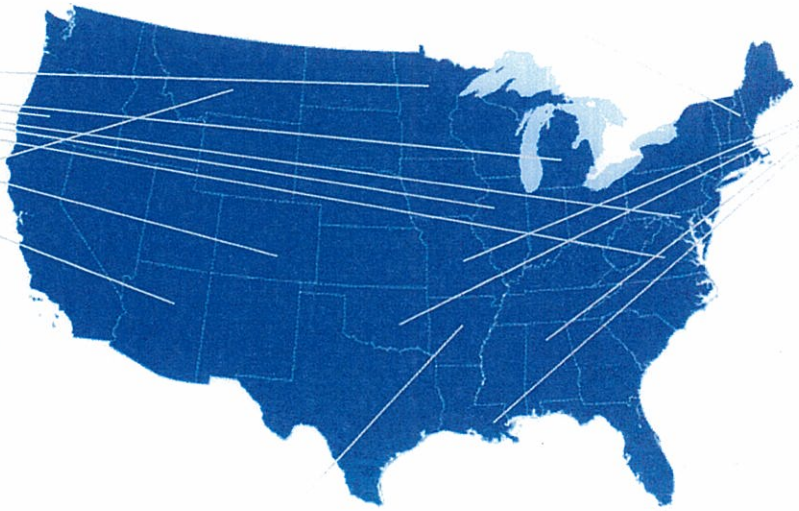
Manatt Health Solutions (MHS) is the interdisciplinary health policy and business strategy advisory division of the law firm of Manatt, Phelps & Phillips, LLP.

As an integrated law and consulting firm, Manatt offers a unique combination of legal, policy, and operational expertise drawn from a team of attorneys, policy advisors, business strategists, project managers and financial analysts with extensive experience working with foundations, federal and state governments, providers, health plans, and other industry leaders.

Manatt State Medicaid Expansion Experience

Retained by the Robert Wood Johnson Foundation to assist eleven states (**Virginia, Maryland, Alabama, Rhode Island, New York, Minnesota, Michigan, New Mexico, Colorado, Illinois** and **Oregon**) with implementation of the ACA's Medicaid coverage provisions, including evaluation of expansion strategies.

Work with **New Hampshire** in development of expansion strategy through Medicaid managed care plans and transitioning to premium assistance for QHPs in 2016. Advise on cost sharing, premiums and healthy behavior standards.



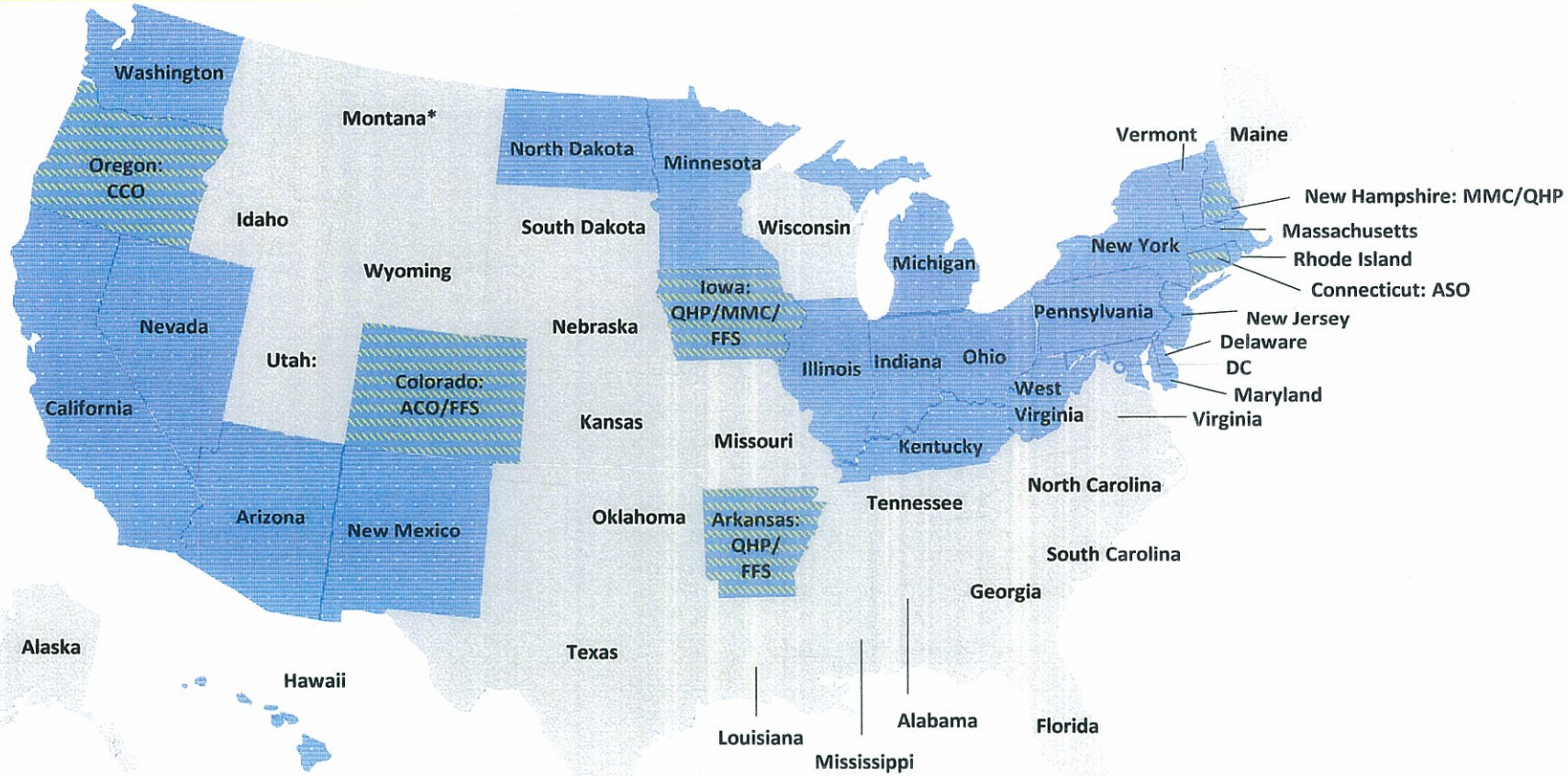
Work with **Montana** Medicaid in developing a proposed alternative expansion strategy.

Work with hospital associations in **Missouri**, **Oklahoma**, **Alabama** and **Louisiana** on development of alternative expansion strategies.

Work with **Arkansas** Medicaid in developing expansion approach, using Medicaid funds to purchase coverage through QHPs offered on the Exchange – the "Private Option" – and health savings-like accounts ("Independence Accounts").

Features of Alternative Expansions

Expansion States are Using a Range of Delivery Models



KEY

States expanding through MMC (22 + DC)

States expanding, ***not*** through MMC or partially through MMC (6)

States not expanding at this time (22)

QHP – QHP Premium Assistance
FFS – Fee-for-service Medicaid
MMC – Medicaid Managed Care
ACO – Accountable Care Organization

ASO – Administrative Services Organization
CCO – Coordinated Care Organization

*Montana's House and Senate have passed legislation enabling expansion. The bill is awaiting signature by the Governor.

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States are Using a Range of Coverage Features

- **Premiums.** CMS has granted waivers to states permitting them to charge limited premiums for expansion adults. Under certain circumstances, CMS has authorized states to condition coverage on payment of premiums. In one state (Indiana), CMS permitted a six-month lockout period for individuals who did not pay their premiums within 60 days.

- **Cost Sharing.** CMS has limited authority to grant cost-sharing waivers. States are charging co-payments consistent with Medicaid law.

- **Health Savings-Like Accounts.** To increase consumer sensitivity to cost, states may utilize health savings-like accounts (requires waiver).

- **Healthy Behavior Incentives**. CMS allows states to encourage healthy behaviors by forgiving co-pays and/or premiums.

- **Connecting to Work.** States are finding ways to connect newly eligible adults to job search and job training programs. CMS has never permitted a state to condition coverage on work-related requirements.

- **Benefits and Coverage.** CMS has waived the requirement to provide non-emergency medical transportation (NEMT). CMS has declined to waive the requirement to provide Early and Periodic Screening, Diagnostic, and Treatment (EPSDT) to 19- and 20-year olds. CMS has granted limited waivers of retroactive coverage.

Premiums and Cost Sharing: State Examples

IOWA

- Premiums up to $5/month for those 50-100% FPL, and up to $10/month for >100% FPL
- Payment is not a condition of eligibility for 50-100% FPL
- Failure to pay within 90 days for >100% FPL results in disenrollment—but hardship waivers are available based on self-attestation
- Cost sharing limited to non-emergency use of the ER

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- Premiums up to 2% of income for those >100% FPL
- Payment is not a condition of eligibility; but non-payment results in debt to state
- Cost sharing for range of services for individuals 0-138% FPL, consistent with Medicaid law

PENNSYLVANIA

- Premiums at 2% of income for those >100% FPL
- Failure to pay for 3 consecutive months results in disenrollment—but individuals can reapply without a waiting period and without repayment of back premiums
- Cost sharing for range of services for individuals 0-138% FPL, consistent with Medicaid law
- State will use traditional expansion under new Governor

Health Savings-Like Accounts: State Examples

INDIANA

- Enrollees are charged premiums in the form of contributions to HSA-like "Personal Wellness and Responsibility" or "POWER" accounts, which are administered by MCOs. The POWER accounts are funded by enrollee contributions, Medicaid funds, and potentially contributions from employers, providers, or other third parties
- For >5% FPL, contributions are 2% of income; for <5% FPL, contributions are minimum of $1 per month
- Payment is a condition of eligibility for >100% FPL who are not medically frail; all individuals >100% receive enhanced benefit package. Failure to pay within 60 days results in disenrollment and six-month lockout period
- Payment is not a condition of eligibility for <100% FPL; those who make contributions receive enhanced benefits; those who do not make contributions receive standard benefits subject to maximum permitted Medicaid cost sharing

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- "MI Health Accounts" are funded by enrollee contributions and potentially other sources and are administered by enrollee's MCO
- All enrollees contribute an amount calculated based on their co-pays incurred in previous 6 months
- Enrollees >100% FPL are charged monthly premiums of 2% of income; premiums are in the form of contributions to MI Health Account
- Enrollee contributions may be reduced if certain health behaviors are addressed
- Funds are deducted from the account for co-pays
- Contributions are not a condition of eligibility

Coverage Features in Arkansas

ARKANSAS

- Enrollees >100% FPL make sliding scale premium-like contributions to Independence Accounts (similar to HSAs) ranging from $10/month to $15/month based on income
- Independence Accounts are funded by enrollee contributions and federal funds, and are administered by a third-party vendor
- Enrollees use their Independence Account to pay their cost sharing up to maximum out-of-pocket limit
- Cost sharing is for range of services for individuals >100% FPL, cost sharing at maximum levels permitted by law
- Payment of Independence Account contributions is not a condition of eligibility; if enrollee does not make monthly contribution, must pay cost sharing at point of service

Healthy Behavior Incentives: State Examples

States are seeking to incent healthy behaviors by forgiving co-pays or premiums for meeting certain health standards

IOWA

Premiums for individuals >50% FPL are waived for completion of health risk assessment and wellness exam during previous year.

Individuals <50% FPL and those deemed 'medically exempt' are eligible for financial rewards based on completion of health risk assessment and wellness exam during previous year.

INDIANA

Individuals enrolled in HIP Plus (enhanced benefit package) who receive recommended preventive services and meet other specific conditions may be able to receive State match for their POWER account rollover funds. The rollover funds can be used to reduce or eliminate POWER account contributions during the next plan year.

Individuals enrolled in HIP Basic (standard benefit package) who have received recommended preventive health services and meet other conditions may be eligible for discounted HIP Plus contributions the following year.

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Individuals >100% FPL receive 50% reductions in required premium contributions to MI Health Accounts (similar to HSAs) for completing specified healthy behaviors.

Individuals <100% FPL, who are not required to pay monthly premium contributions to MI Health Accounts, can receive a $50 gift card for completing specified healthy behaviors.

Connecting Individuals to Work: State Examples

States are connecting individuals to employment and career assistance services

NEW HAMPSHIRE

Unemployed beneficiaries are referred to the Department of Employment Security for employment and career assistance services.

PENNSYLVANIA

Under its prior gubernatorial administration, Pennsylvania intended to use state funding to establish incentives for job-training and work-related activities for newly-eligible adults. This effort was not included in Pennsylvania's Medicaid 1115 waiver and did not rely on any federal Medicaid funds.

The Economic Impact of Expansion
A Review of Eight States that Expanded in 2014

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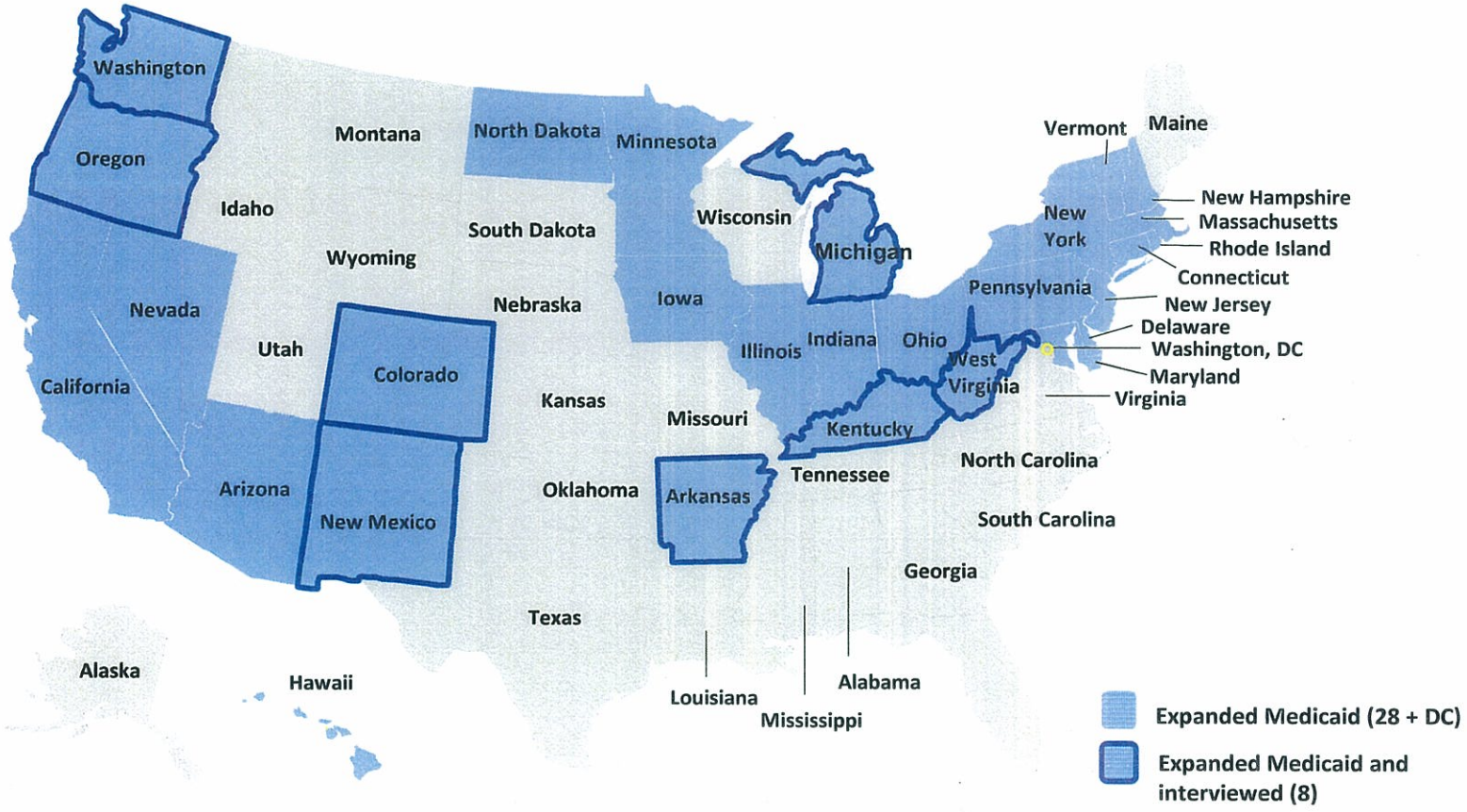
The Impact of Expansion on State Budgets: Eight State Review



Final Report: States Expanding Medicaid See Significant Budget Savings and Revenue Gains
http://www.rwjf.org/en/library/research/2015/04/states-expanding-medicaid-see-significant-budget-savings-and-rev.html

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Economic Benefits of Expansion Consistent Across States

Savings and revenues by the end of 2015 – just 1.5 years into expansion – expected to exceed $1.8B across all eight states

Highlights:

- Results are now available on the **actual** fiscal impact of Medicaid expansion
- These are early results – additional savings likely
- Savings and revenue gains are consistent across states
- In Arkansas and Kentucky, savings and revenue gains expected to offset expansion costs through SFY 2021

Every expansion state should expect to:

- Reduce state spending on programs for the uninsured
- See savings related to previously eligible Medicaid beneficiaries now eligible for the "new adult" group under expansion
- Increase revenue related to existing insurer and provider taxes

State Savings from Accessing Enhanced Federal Matching Funds

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Savings From Accessing Enhanced Federal Matching Funds

Pre-expansion

- States used limited waivers or special eligibility categories to provide Medicaid coverage to targeted individuals
- States were responsible for 30-50% of the cost of covering these individuals (Arkansas was responsible for ~29%)

Post-expansion

- Individuals who were previously eligible under pre-ACA eligibility categories are now eligible for Medicaid in the new adult group
- **States receive enhanced federal funding for providing full Medicaid benefits to these populations**

Types of Savings from Accessing Enhanced Federal Matching Funds

Categories Include:

Adult Waiver Populations

Medically Needy

Pregnant Women

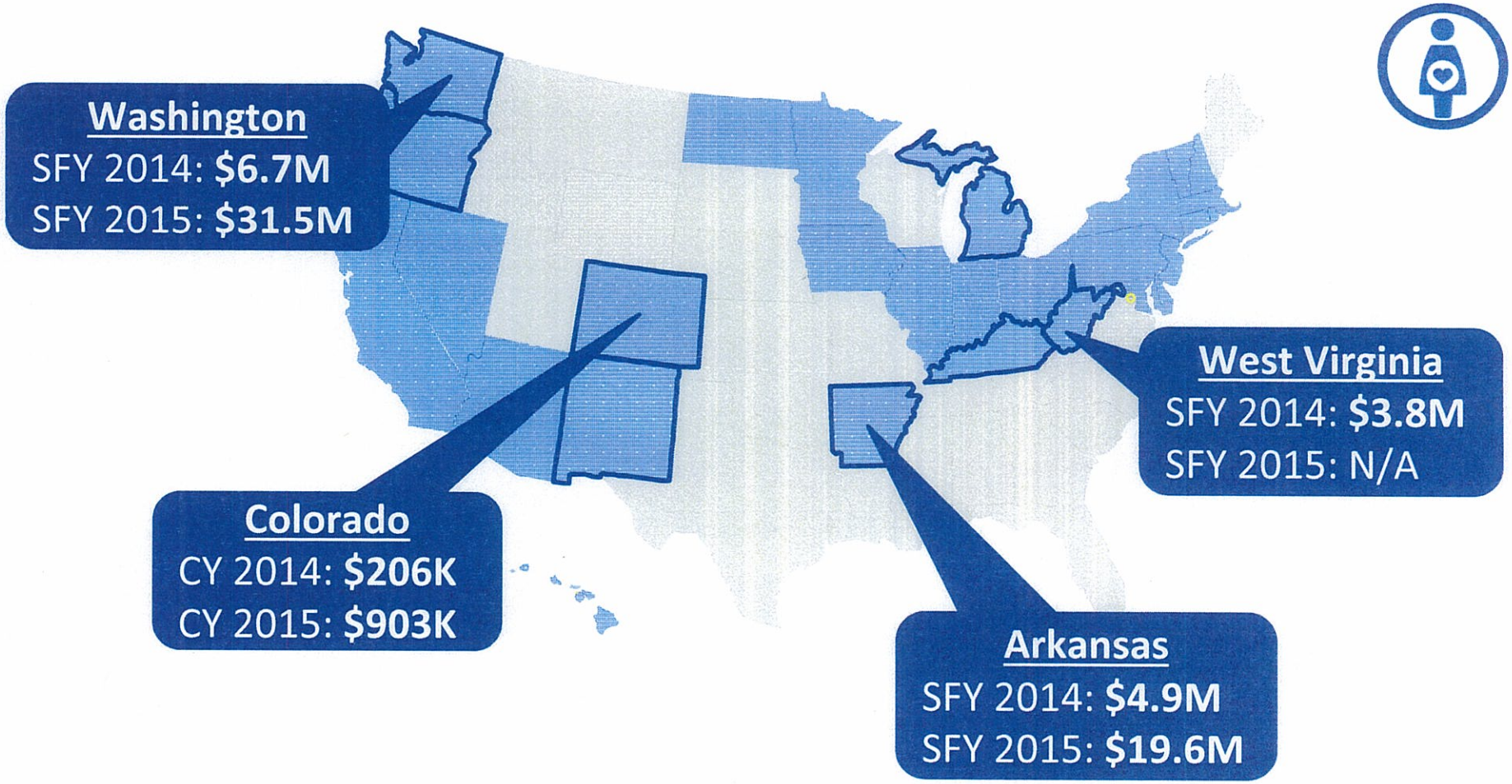
Disabled

Family Planning

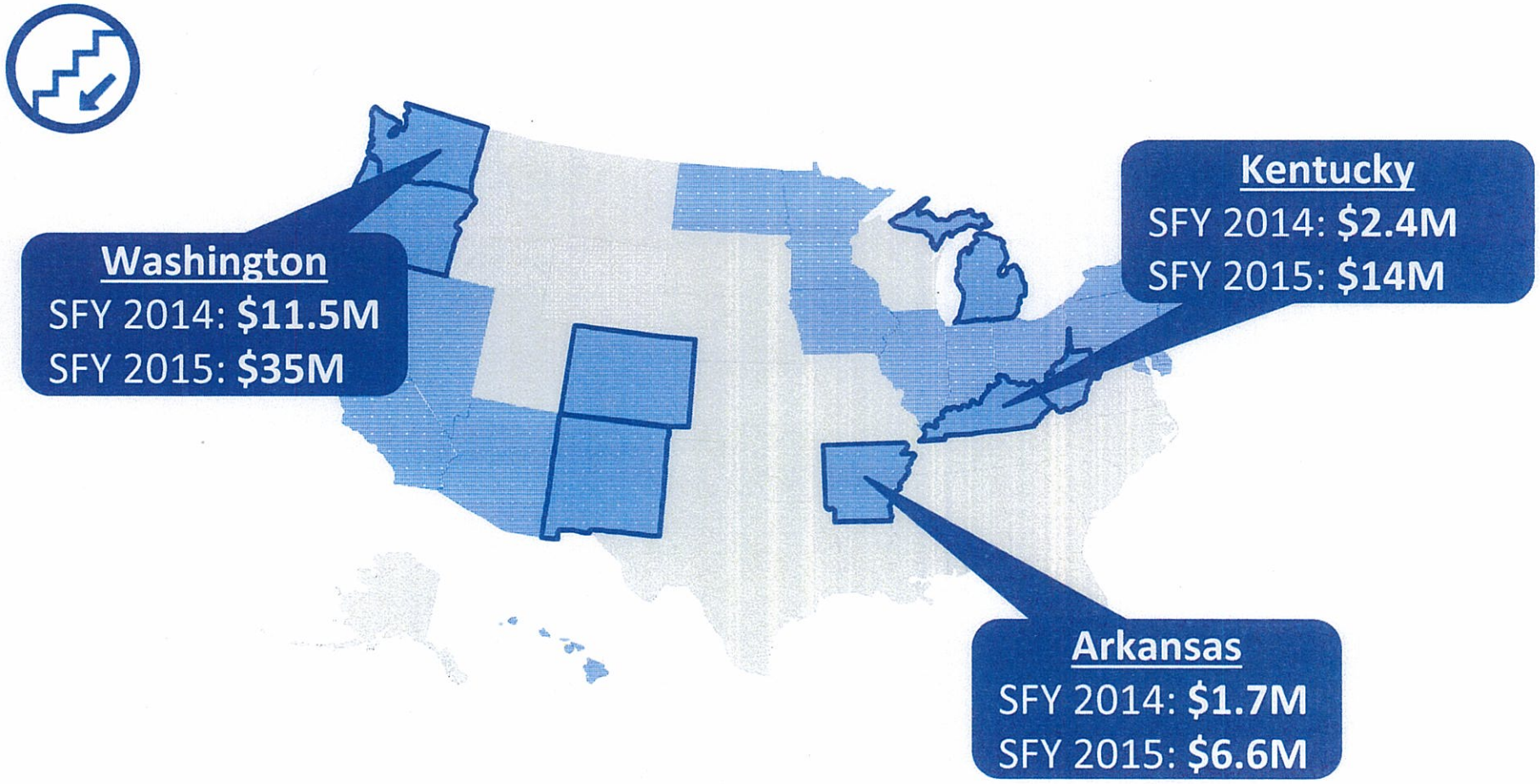
Breast & Cervical Cancer Treatment Program

Other Targeted Programs (e.g. HIV, Tuberculosis)

Example: Savings Related to Coverage of Pregnant Women



Example: Savings Related to Medically Needy Spend Down



State Savings From Replacing General Funds with Medicaid Funds

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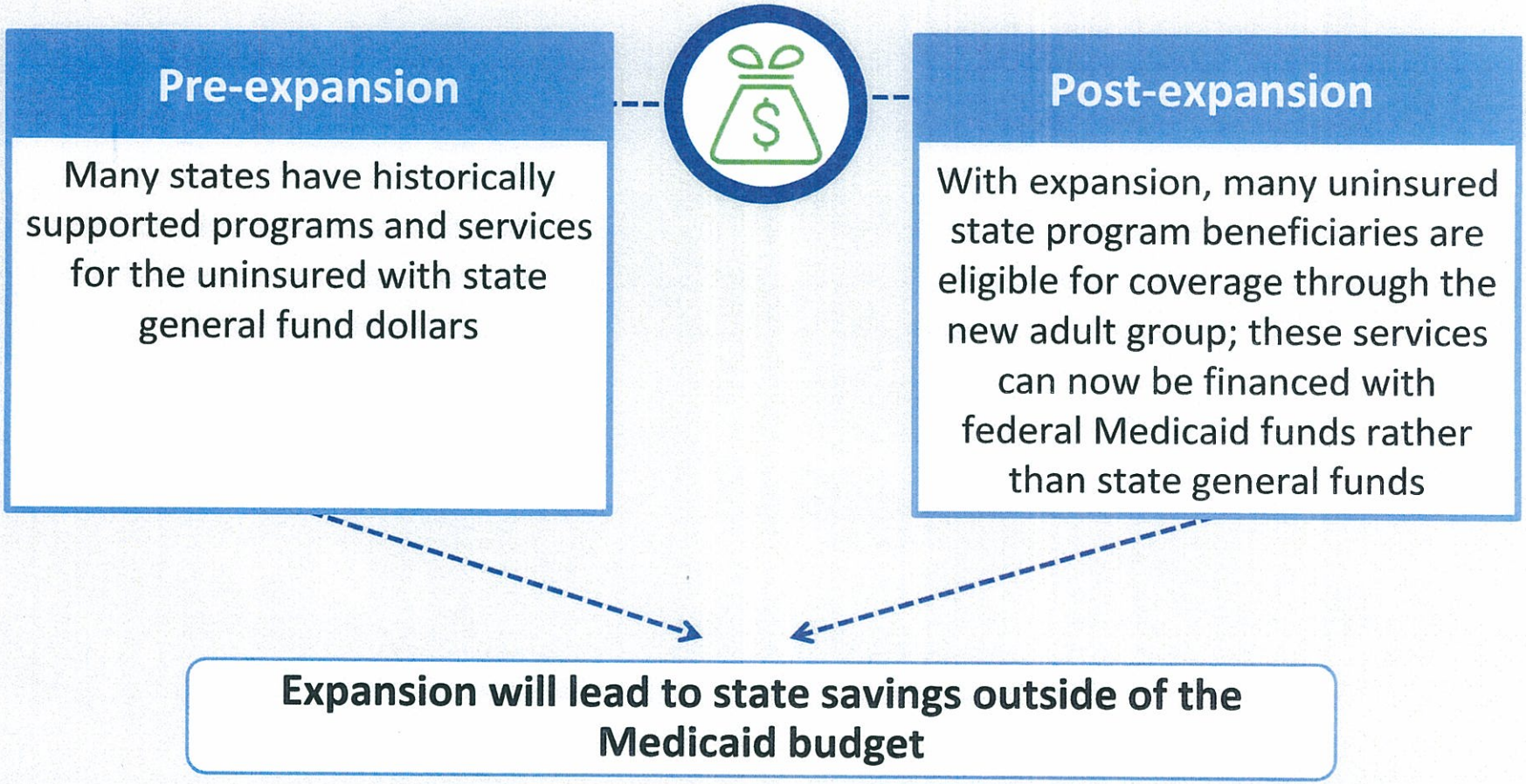
Savings From Replacing General Funds with Medicaid Funds



Types of Savings from Replacing General Funds with Medicaid Funds

Categories Include:

Uncompensated Care Funding

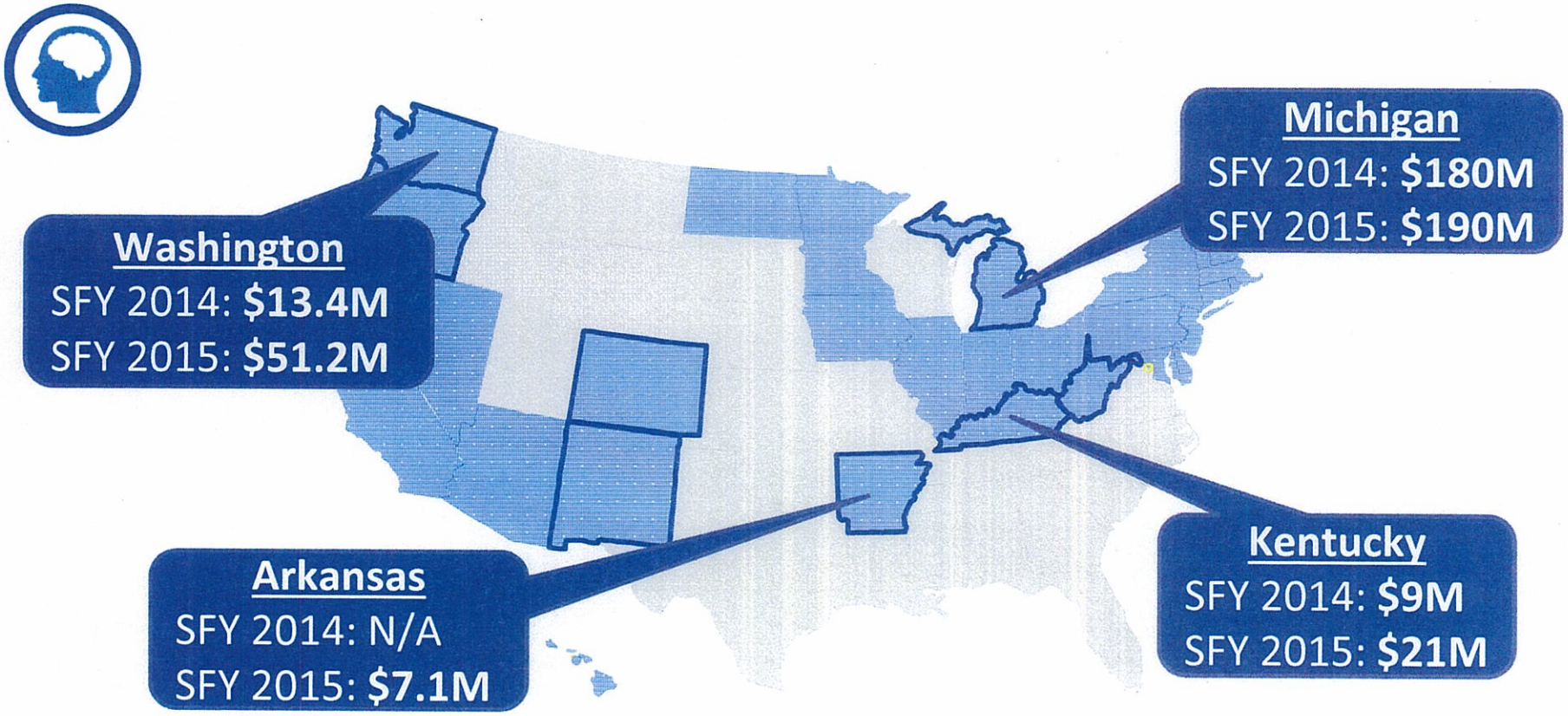
Mental Health/Substance Abuse Services

Public Health

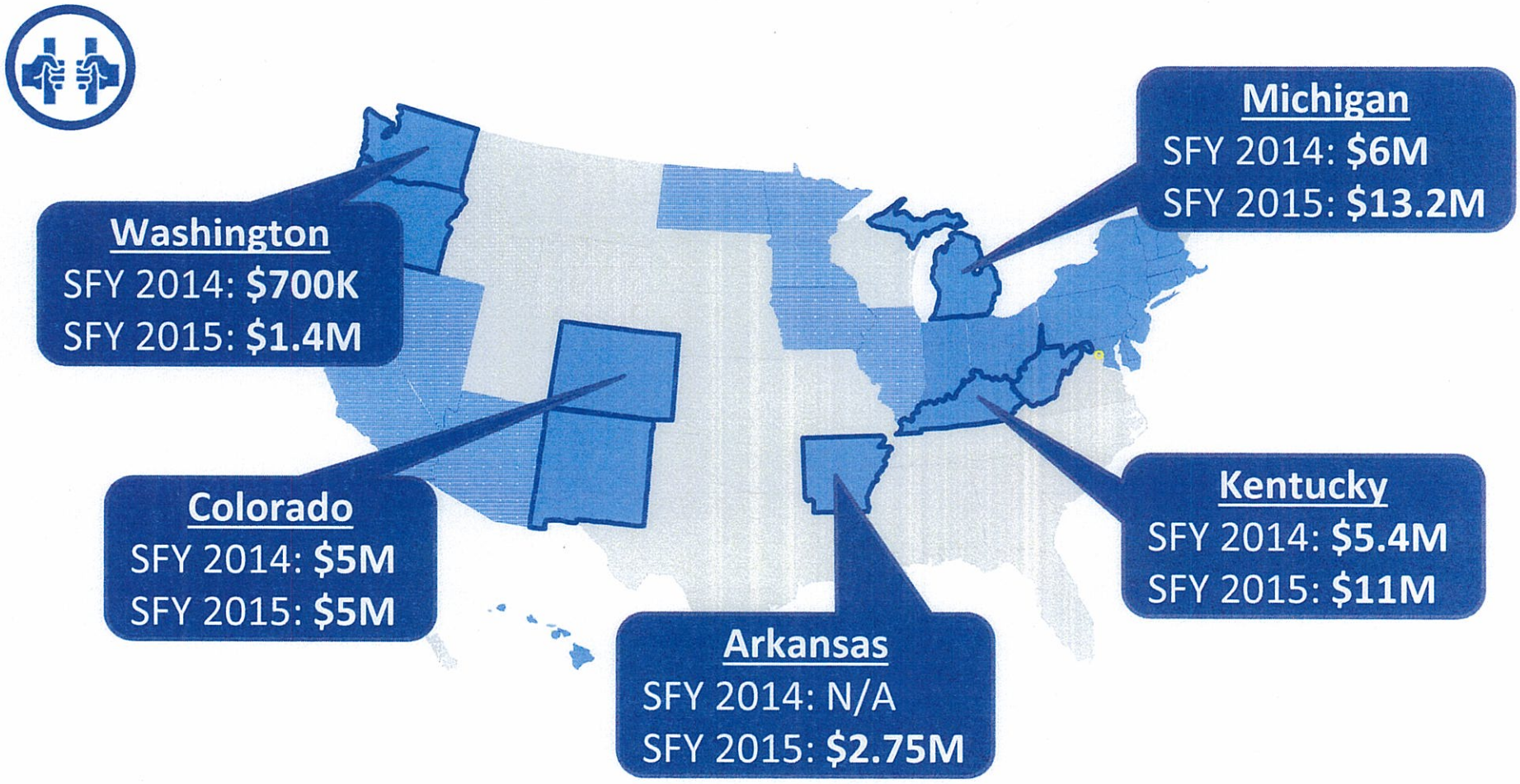
Inmates

Other State Programs Targeted to the Uninsured

Example: Savings on Mental Health/Substance Abuse Services



Example: Savings on Inpatient Costs of Prisoners



Revenue Gains

Revenue Gains

Pre-expansion

Many states raise revenue through assessments/taxes on providers and health plans

Post-expansion

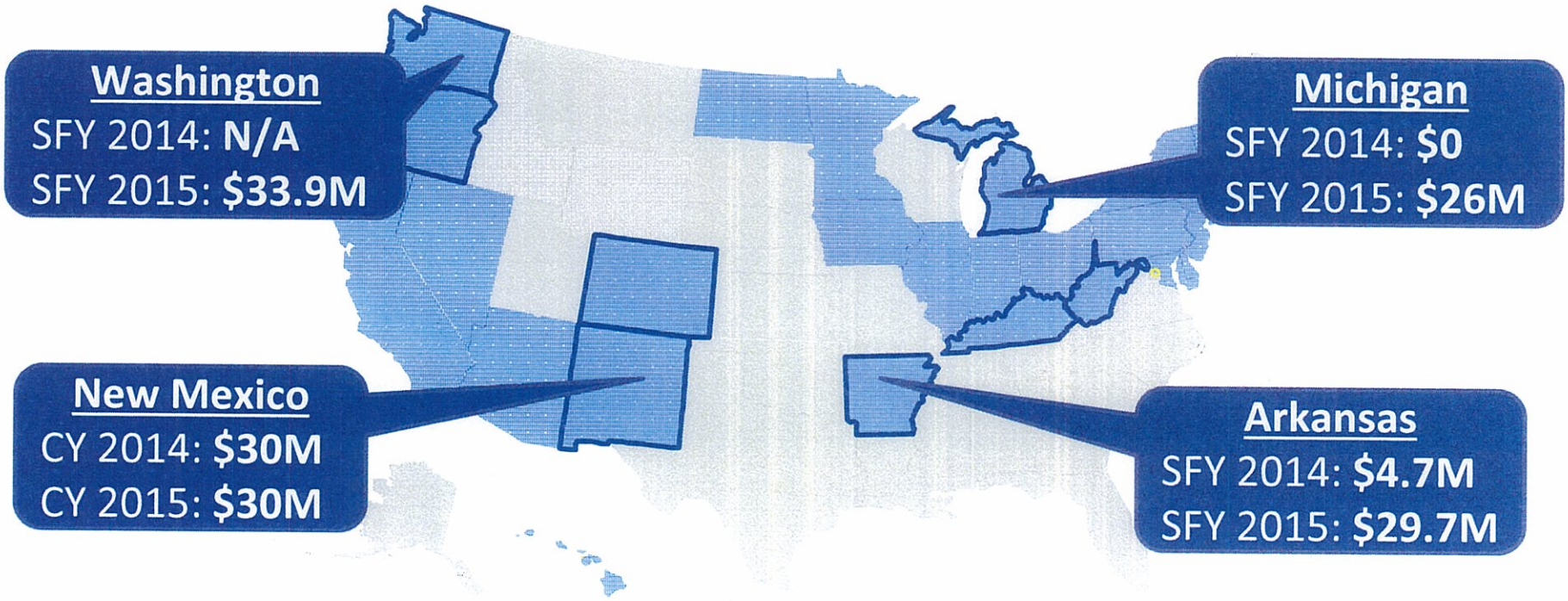
With expansion, Medicaid revenue to providers and plans increases, generating additional tax revenue for states

Revenue Gain Categories

- Provider taxes
- Insurer taxes
- Nearly every state has provider and/or insurer assessments

State Revenue Gains

Four states expect revenue gains from insurer assessments, ranging from $4.7 M to $33.9 M/year.



States' Use of Expansion Savings and Revenue Gains

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States' Use of Expansion Savings and Revenue Gains

Addressing budget shortfalls

Funding the state's share of the costs of Medicaid expansion after 2016

Reinvesting in mental and behavioral health services and capacity

Funding other state budget priorities

Moving Forward

1332 Waivers Surfacing as Part of Coverage Landscape

States may request a waivers from HHS and the Treasury Department to waive certain requirements of the ACA, effective in 2017

1332 waivers may be coordinated with Medicaid 1115 waivers, creating opportunities for states to develop new coverage structures, smooth differences across federal programs, and facilitate multi-payer delivery reform.

Section 1332 does not expand waiver authority for Medicaid.

Under existing Medicaid 1115 waiver authority, HHS has the authority to waive most Medicaid requirements so long as HHS determines waiver is "likely to assist in promoting the objectives" of the Medicaid statute.

1115 waivers must be budget neutral; 1332 waivers may not increase the federal deficit.

Combining 1115 and 1332 waivers may allow savings and costs to be considered across programs when assessing budget neutrality and impact on the federal deficit.

Questions

Thank You!

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Appendix

Arkansas's Savings and Revenue Gains

ARKANSAS[3]		SFY 2014[4]	SFY 2015
Cost of Newly Eligible Enrollees	Number of Newly Eligible Enrollees	200,700	248,000
	Per Member Per Year (PMPY) Cost	$5,200	$6,100
	Total Cost of Newly Eligible Enrollees	**$362,660,000[5]**	**$1,378,600,000**
	Newly Eligible FMAP	**100%**	**100%**
Source of Savings/Revenues		**SFY 2014**	**SFY 2015**
State Savings From Enhanced Federal Matching Funds	ARHealthNetwork[6]	$5,700,000	$14,200,000
	Medically Needy[7]	$1,650,000	$6,600,000
	Disabled Adults[8]	$2,250,000	$9,000,000
	Pregnant Women[9]	$4,900,000	$19,600,000
	Family Planning[10]	$780,000	$1,600,000
	Breast & Cervical Cancer Treatment Program	$2,200,000	$4,400,000
	Tuberculosis Program[11]	$10,000	$20,000
	Total Savings From Enhanced Federal Matching Funds	***$17,500,000***	***$55,400,000***
Savings From Replacing State General Funds With Medicaid Funds	Uncompensated Care Funding to Hospitals	N/A	$17,200,000
	State Mental/Behavioral Health Spending[12]	N/A	$7,100,000
	State Public Health Spending[13]	N/A	$6,350,000
	Hospital Inpatient Costs of Prisoners	N/A	$2,750,000
	Total Savings From Replacing State General Funds With Medicaid Funds	***$13,300,000***	***$33,400,000***
Estimated Revenue Gains	Revenue From Insurer Assessment	$4,700,000	$29,700,000
	Total Revenue Gains	***$4,700,000***	***$29,700,000***
Total Arkansas Estimated Savings and Revenues Related to Expansion		***$35,500,000***	***$118,400,000***
Arkansas' State-Only Medicaid Budget		***$1,541,000,000***	***$1,537,000,000***
Arkansas' Regular Federal Medical Assistance Percentages (FMAP)		***70.10%***	***70.88%***