



# Kentucky HEALTH

## Helping to Engage and Achieve Long Term Health

### Why Kentucky HEALTH?

The Commonwealth of Kentucky faces many challenges. Among these, nearly 20 percent of our residents live in poverty, and we are 47th in the nation for median household income. Nearly one-third of Kentuckians are on Medicaid, and our workforce participation rate is less than 60 percent. Despite high spending on our Medicaid programs, one in three Kentuckians are obese, we rank second highest in the nation for smoking, and we are first in the nation for cancer deaths and preventable hospitalizations. In the midst of these poor health outcomes, Kentucky ranks first in the nation for Medicaid managed care profits. Further, beginning next year, the Commonwealth will be required to start paying a portion of the expenses of Medicaid expansion for the first time, which is expected to cost Kentucky taxpayers approximately \$1.2 billion for state fiscal years 2017 through 2021. These high costs are unsustainable and create funding issues that put other state programs like education and pensions at risk, as well as the traditional Medicaid program.

For Kentucky to provide cost-effective healthcare solutions and improve participant health, we need to change the way we provide support — we must help individuals move from being passive beneficiaries to active participants who are prepared to roll off of Medicaid and into commercial health insurance. Kentucky HEALTH will empower people to seek and gain employment and transition off public assistance, will encourage healthy lifestyles by incentivizing tangible actions with actual rewards, and will ensure long-term fiscal sustainability for Kentucky taxpayers. The Commonwealth of Kentucky proposes a comprehensive approach to transforming Medicaid that includes the creation of the Kentucky HEALTH program as well as the introduction of innovative delivery system reforms targeting substance use disorder (SUD), chronic disease management, and managed care to improve quality and outcomes. In total, Kentucky HEALTH is expected to save taxpayers over \$2.2 billion dollars (federal and state) over the five-year waiver period compared to continuation with the current Medicaid program.

Kentucky HEALTH offers members two pathways to coverage:

- (1) an employer premium assistance program, or
- (2) a high deductible consumer-driven health plan

Further, each option will introduce new member incentives to improve health and encourage self-sufficiency.

### Eligible Populations

Kentucky HEALTH targets the Medicaid expansion population, specifically adults with income up to 138% federal poverty level (FPL). The Commonwealth will also include all non-disabled adults currently covered under traditional Medicaid, including low-income parents and caretakers under Section 1931, individuals eligible for transitional medical assistance, and pregnant women.



## Kentucky HEALTH Premium Assistance Program

- Members with access to health insurance through their employer may enroll their whole family into their employer-sponsored health insurance.
  - Optional participation for children and members in their first year of eligibility.
  - Mandatory participation for adults in their second year of eligibility, provided the member has been employed with their employer at least one year.
- Premiums:
  - Employer Deduction: The employee's premium is deducted through payroll.
  - Premium Reimbursement: Commonwealth reimburses employee, minus the required member premium contribution, which range from \$1 to \$15 per month.
- Benefits:
  - Kentucky HEALTH: Participants will receive full access to the benefits and network of the employer plan, plus benefits covered by Kentucky HEALTH and not covered by their employer.
  - Kentucky HEALTH will also cover out-of-pocket expenses.
  - *My Rewards Account*: Participants will receive a *My Rewards Account* to earn incentive dollars to purchase enhanced benefits.

## Kentucky HEALTH is a Consumer-Driven, High Deductible Health Plan Equivalent to Kentucky State Employees' Health Plan

- Benefits will be delivered through a managed care delivery system, but will offer a new benefit package equivalent to the Kentucky State Employees' Health Plan and maintains current mental health and substance abuse benefits.
- Similar to the Premium Assistance Program, Kentucky HEALTH promotes family health coverage by also enrolling the Medicaid eligible children of Kentucky HEALTH adults.
- Premiums
  - The plan will require members to pay a monthly premium, increasing on a sliding scale based on family income, ranging from \$1.00 per month up to a maximum of \$15.00 per month.
  - Pregnant women and children will be exempt from cost-sharing.
- Deductible Account
  - Each member (with the exception of pregnant women and children) will be provided an account which will be used to fund the plan's \$1,000 deductible for non-preventative services.
  - In addition to the deductible, preventative services will be covered at no charge to the beneficiary.
  - The Commonwealth will fully fund the deductible account to ensure funds are available for the member to cover initial medical expenses.
  - After the deductible is met, the health plan pays all claims in full.



- Appropriate Utilization Incentive
  - The deductible account exposes members to the cost of care and encourages cost-conscious healthcare decisions.
  - 50 percent of any unused deductible account balance is transferred to participants' *My Rewards Account* at the end of the year.
- My Rewards Account
  - This account may be used to access enhanced benefits such as dental, vision, over the counter medications, and limited reimbursement for the purchase of a gym membership.
  - Members can accrue funds in the account upon completion of specified health-related activities (i.e. disease management class) or community engagement activities (i.e. community service, job training, etc.).
  - Funds will be withdrawn from the *My Rewards Account* each time a member utilizes a hospital emergency department for a non-emergency condition.
  - Members who become employed and successfully transition off Medicaid and onto commercial health insurance for at least 18 months will be eligible to receive the balance of their *My Rewards Account* in cash, up to \$500.

## Increasing Member Engagement

- Commercial Market Policies
  - Benefits will start from the initial premium payment.
  - The program will implement a member-specific open enrollment period.
    - If a member is disenrolled from the program in accordance with current practice for failing to comply with annual eligibility redetermination requirements, the individual will be required to wait six months for a new enrollment period to educate members on the importance of meeting commercial market open enrollment deadlines.
    - Members will be allowed to rejoin the program at any time prior to the six month date by completing a financial or health literacy course.
- Community Engagement and Employment
  - All able-bodied working age adult members will be required to participate in community engagement and employment activities to maintain enrollment.
    - These activities include volunteer work, employment, job training or job search activities.
    - The community engagement and employment requirements will gradually increase to 20 hours per week by the end of the member's first year.
    - Kentucky HEALTH members who are children, pregnant women, medically frail and primary caregivers of a dependent are exempt from this requirement.
- Non-Payment Penalty
  - Members who choose not to make a premium payment within 60 days of the due date will be subject to a six month non-payment penalty.
    - For members <100 percent FPL & Medically Frail:
      - They will be subject to copayments, a \$25 deduction from their *My Rewards Account*, and suspension of their *My Rewards Account*.

- For members >100 percent FPL:
  - They will be disenrolled from the program for up to six months.
- Individuals may reenroll earlier than 6 months by:
  - Paying two months of missed premiums and one month’s premium; and
  - Completion of a financial or health literacy course.

## Delivery System Reforms

### • Substance Use Disorder

- The Commonwealth of Kentucky is facing a drug abuse epidemic.
  - Drug overdose deaths increased by 16 percent in 2015.
  - The Centers for Disease Control & Prevention identified 54 Kentucky counties as “at-risk” for an HIV outbreak due to intravenous drugs.
  - Kentucky also has the seventh highest incarceration rate in the nation, far outpacing the national average.
- Kentucky HEALTH will maintain all current mental health and substance use disorder benefits and elevate the standard of care for drug treatment to aggressively combat this epidemic.
- The Commonwealth will develop a pilot program for select high risk counties to improve access to treatment.

### • Chronic Disease Management

- Align various Kentucky HEALTH program components to drive public health outcomes and focus on Kentucky Department for Public Health (DPH) key priorities, which currently include diabetes, cardiovascular disease, lung cancer and substance abuse use disorder.

### • Managed Care Reform

- The Commonwealth will continue to align incentives across the delivery system by introducing mechanisms to control spending. It will also include payment incentives for providers and managed care organizations to improve quality and health outcomes.