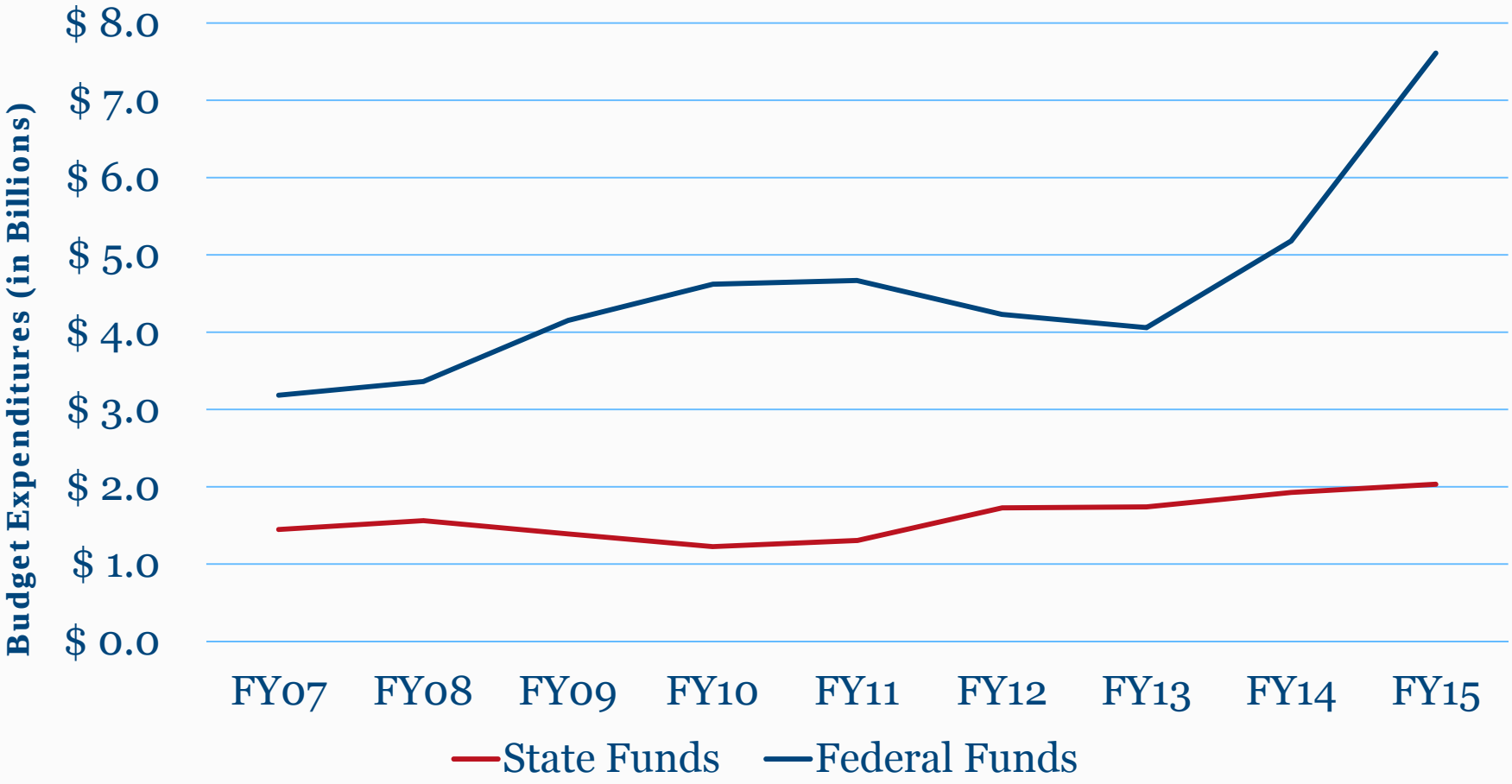
Transforming Kentucky Medicaid

Public Hearing Briefing

Agenda

- Welcome Address
- Presentation of Current Medicaid Fiscal Background & Waiver Overview
- Questions
- Public Comment

Historic Medicaid Costs



Unsustainable Cost Growth

- **Kentucky Medicaid expansion efforts did not include a long-term financing plan**
  - Beginning in 2017, the Commonwealth has to begin paying a portion of the actual costs of Medicaid expansion
    - **Approximately $1.2 billion over the next five years (SFY 2017-2021)**

The unsustainable cost growth in Medicaid expansion threatens the traditional Medicaid program & coverage for the aged, blind, disabled, pregnant women & children.

Program Inefficiencies

- **Program inefficiencies create high costs for the Commonwealth**
  - Current Medicaid managed care population accounts for approximately 70% of total Medicaid spending (roughly $7 billion)

Kentucky ranks 1st highest in nation for Medicaid managed care profits

Medicaid Risk-Based Managed Care*	Medical Loss Ratio (Medical Spend)	Administrative Loss Ratio (Admin Spend)	Underwriting Ratio (Profit)
Kentucky	**80.5%**	**8.2%**	**11.3%**
National	85.4%	12.0%	2.6%

**Analysis reflects composite financial results of all Medicaid risk-based managed care organizations as reported for calendar year 2015.*

Public Health Challenges Remain

- **Poor health outcomes despite high spending**
  - 1 out of 3 Kentuckians are obese
  - Ranks 2nd highest state in the nation for smoking
  - Ranks 1st highest in nation for cancer deaths
  - Ranks 1st highest in nation for preventable hospitalizations
- **High poverty & high Medicaid enrollment**
  - Workforce participation is 59.4% (45th in the nation)
  - 19% of Kentuckians live in poverty
  - 47th in the nation for median household income

Nearly 1/3 of the total state population is currently enrolled in Medicaid

Substance Use Disorder (SUD)

- **Kentucky is facing an SUD epidemic**
  - More than 1,200 Kentuckians die from drug overdoses each year.
  - Ranks 3rd highest in the nation for number of drug related fatalities

- **Kentucky is at risk for a related HIV epidemic**
  - Centers for Disease Control and Prevention (CDC) recently identified 220 counties in the nation at risk for an HIV or hepatitis C outbreak resulting from intravenous drug use
    - 54 of the at-risk counties are located in Kentucky

Medicaid Transformation:

Kentucky's 4-Prong Approach

1. Section 1115 Waiver (Kentucky HEALTH)
2. Substance Use Disorder (SUD) Delivery System Improvements
3. Chronic Disease Management
4. Managed Care Reform

Medicaid Transformation:

Section 1115 Waiver: Kentucky HEALTH

Helping to Engage and Achieve Long Term Health

Kentucky HEALTH Goals

- ✓ Improve participants' health and help them be responsible for their health
- ✓ Encourage individuals to become active participants and consumers of healthcare who are prepared to use commercial health insurance
- ✓ Empower people to seek employment & transition to commercial health insurance coverage
- ✓ Implement delivery system reforms to improve quality and outcomes
- ✓ Ensure fiscal sustainability

Waiver Overview

- Medicaid benefits equivalent to the Kentucky State Employees' Health Plan
  - Benefits will not change for children, non-expansion populations or the medically frail.
- Target Eligibility Groups:
  - All Able-Bodied Adults Eligible for Medicaid
    - Expansion Population (Income <138% FPL)
    - Other Non-Disabled Medicaid Eligible Adults
  - Low-Income Children (to promote family coverage)
- Two Paths to Kentucky HEALTH Coverage
  1. Employer Premium Assistance Program Option
  2. Consumer Driven Health Plan Option

Premiums

- Monthly Premiums in Lieu of Copayments
  - No cost sharing for pregnant women and children
  - Flat rate sliding scale premiums equal to or less than 2% of income for each income group
  - Premiums are more predictable and may cost less than standard copayments ($50 hospital visit & $3 each office visit)

Federal Poverty Level	Premium Payment
Under 25% FPL	$1.00 per month
25-50% FPL	$4.00 per month
51-100% FPL	$8.00 per month
101-138% FPL	$15.00 per month

  - After 2 years of Kentucky HEALTH, cost sharing will increase for individuals above 100% FPL to prepare and encourage them to transition to private market coverage

FPL	Year 1-2 Premium	Year 3 Premium	Year 4 Premium	Year 5+ Premium
101-138% FPL	$15.00	$22.50	$30.00	$37.50

Employer Premium Assistance Option

Optional Enrollment	Mandatory Enrollment
Eligible Children	Kentucky HEALTH members in at least second year of enrollment who have been with employer over a year
Kentucky HEALTH members in first year of enrollment	

PREMIUMS

Employer Deduction
The employee's premium is deducted through payroll.

Premium Reimbursement
State reimburses employee, minus the required member premium contribution.

Employer Sponsored Health Insurance

Individuals eligible for Kentucky HEALTH enroll in their employer's health plan in lieu of the standard consumer health plan option.

BENEFITS

Kentucky HEALTH
Wrap around for cost sharing and benefits covered by Kentucky HEALTH, but not covered by employer.

My Rewards Account
Members receiving premium assistance will receive a *My Rewards Account* to earn incentive dollars.

Consumer Driven Health Plan Option

State Contribution
$1,000/year

Member Incentives

- Complete health, community engagement and job training activities to earn dollars into account.
- No cap on the total amount a member can earn.
- Account is reduced for inappropriate ER usage.

Deductible Account

Account covers the deductible, excluding preventive services. After the deductible is met, the health plan pays all claims in full.

50%
of unused deductible account balance transferred at the end of the year.

***My Rewards* Account**

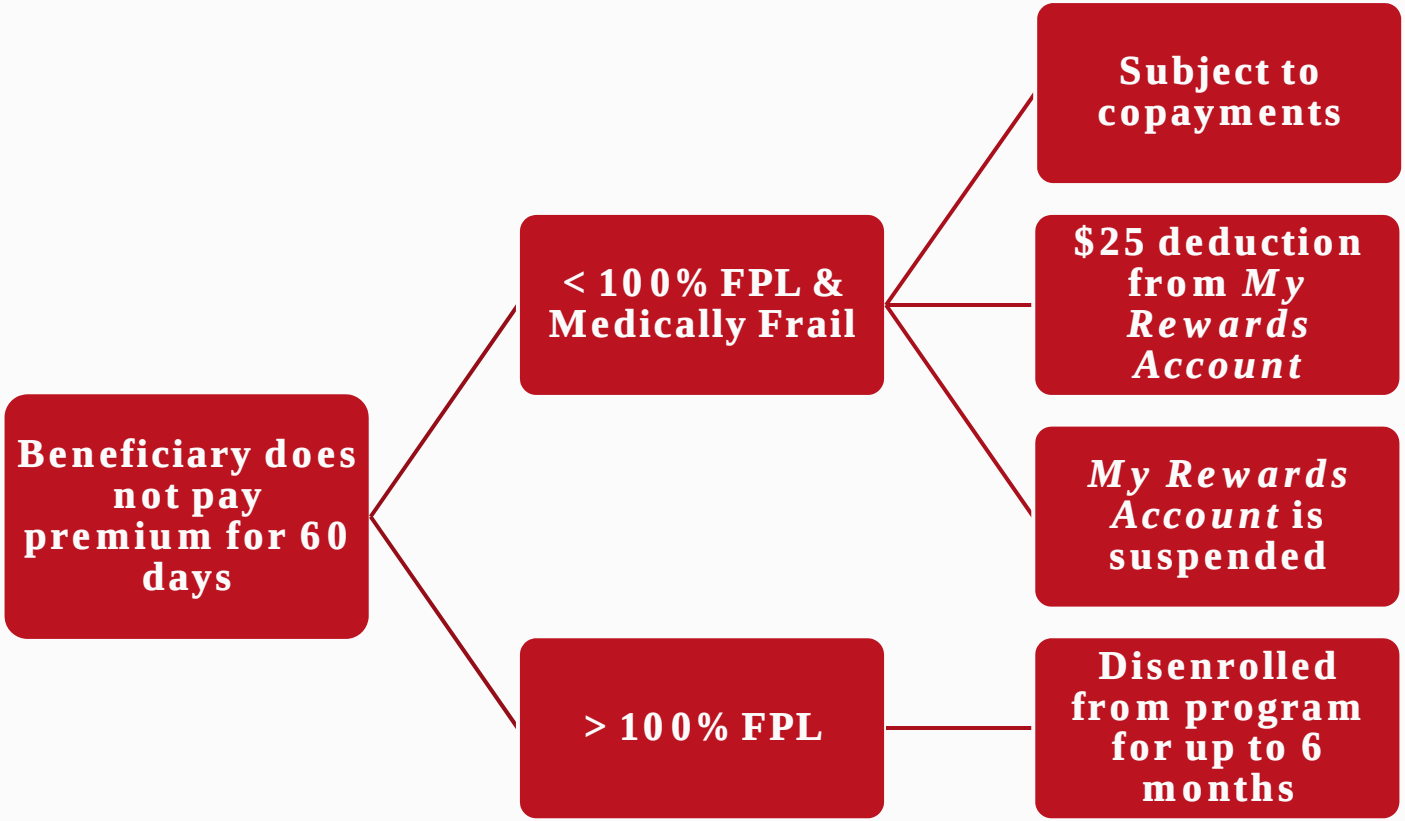
Account pays for vision, dental, over the counter medications, & gym membership reimbursement.

$500

Remaining Balance: Former members may apply to receive the unused portion of the account, up to $500, after leaving Medicaid for 18 months.

Non-Payment Penalties

- 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



EARLY RE-ENROLLMENT OPPORTUNITY: Individuals may reenroll earlier than 6 months by:

1. Paying 2 months of missed premiums & 1 month's premium to restart (up to 5% income); &
2. Completing a health or financial literacy course.

Commercial Market Policies

- No Retroactive Benefits
  - Benefits begin when members make their first payment
    - Individuals with income below 100% FPL who do not make the first payment will receive benefits 60 days after application approval.
- Open Enrollment Period
  - Beneficiaries must return re-enrollment paperwork within a specified time period.
  - Or, individual must wait 6 months for the next open enrollment period to reenroll in coverage
    - Early re-enrollment available for completion of a health or financial literacy course.
- Plan Selection
  - Members select managed care plan at enrollment
  - Must maintain plan choice for entire 12 month benefit period
    - “For cause” exceptions

Community Engagement & Employment

- Data indicates that community engagement improves health and employability, and decreases poverty.
- Targets able-bodied adult members
  - Children, pregnant women, individuals determined medically frail, and individuals who are the primary caregiver of a dependent are exempt from the community engagement & employment initiative

Months Eligible	Required Hours
1-3 months	0 hours per week
4-6 months	5 hours per week
6-9 months	10 hours per week
9-12 months	15 hours per week
12+ months	20 hours per week

1. REQUIRE

- Gradually increasing hour requirements for community engagement
- Includes volunteer activities, job training & employment hours

2. INCENTIVIZE

- Earn incentive dollars to *My Rewards Account* for completion of community engagement, job training & employment activities (i.e. career assessment, career coaching, etc.)

3. REWARD

- Members who become employed and transition off Medicaid for 18 months may receive the balance of their *My Rewards Account* in cash, up to $500.

Medicaid Transformation:

Substance Use Disorder (SUD) Delivery System Improvements

SUD Delivery System Improvements

- Kentucky HEALTH & SUD Treatment
  - Preserves all mental health and SUD benefits
    - Current benefits provide the full continuum of care, including residential treatment options
  - Encourages members to seek treatment
    - Individuals who seek SUD treatment may be eligible to earn *My Rewards Account* contributions
- In July 2015, CMS outlined a new opportunity for §1115 waivers specific to SUD
  - Allows states to obtain a waiver of the Institutions for Mental Disease (IMD)exclusion
  - Requires states to develop a comprehensive program to reform SUD delivery and services
    - The Commonwealth will develop a pilot project to test this new waiver opportunity

SUD Pilot Program

- SUD Pilot Program
  - Ten to twenty select high-risk counties.
  - Counties will be identified based on:
    - Recent CDC HIV/hepatitis C outbreak study;
    - Existing Shaping Our Appalachian Region (SOAR) initiative; and
    - Public input received during the public comment period.

- The Commonwealth will develop a pilot program to implement comprehensive SUD delivery system reform in select counties, including:
  - A waiver to allow Medicaid to reimburse for short term residential stays (up to 30 days) in an IMD
  - Explore best-practice strategies related to:
    - Improving standards of care (i.e. American Society of Addiction Medicine) and provider certifications/ accreditations
    - Care coordination between levels and settings of care
    - Prescription drug abuse and opioid use disorder

Medicaid Transformation:

Chronic Disease Management

Improve Management of Chronic Diseases

- Alignment with existing public health infrastructure
  - Kentucky HEALTH to utilize existing resources to support efforts to improve chronic disease prevention and management
    - Coordinate and align with Kentucky Department for Public Health key priorities which include, but are not limited to, diabetes, obesity, cardiovascular disease, lung cancer, and substance use disorder.
- Encourage managed care participation in the national Diabetes Prevention Program (DPP)
  - Evidence based program providing group counseling sessions focused on nutrition and physical activity to individuals at-risk for type 2 diabetes.

Medicaid Transformation:

Medicaid Managed Care Reform

Medicaid Managed Care Contract Reforms

- Initial 2016 Contract Reforms
  - Re-negotiated contracts through the end of 2016
    - Strengthened medical loss ratio to require more spending on direct beneficiary medical care
    - Reformed rates
  - Current budget premised on 4% increase
  - Through these contract negotiations the state anticipates a 4% reduction

- Key Future Contract Reforms
  - Seek Administrative Efficiencies for Providers
    - Uniform credentialing
    - Formulary alignment
    - Standardized prior authorization form and grievance form
  - Require enforcement of copayments
  - Pharmacy benefit administrative improvements
  - Increased performance standards of behavioral health service line

Managed Care Quality Reform

- Reconfigure MCO Contracts to Promote Triple Aim of Improving the Patient Experience, Population Health Goals, and Lowering Costs
  - Develop MCO initiatives to align with industry standards and CMS quality payment guidelines
  - Introduce Quality Withholds to Achieve Public Health Goals
    - Participation in CDC National Diabetes Prevention Program
    - Reduce smoking rates
    - Increase preventive services
  - Provider Bonus Program
    - Require health plans to develop provider bonus programs that correlate to improving health outcomes and align with member *My Rewards Account* incentives

Medicaid Transformation:

Cost Savings

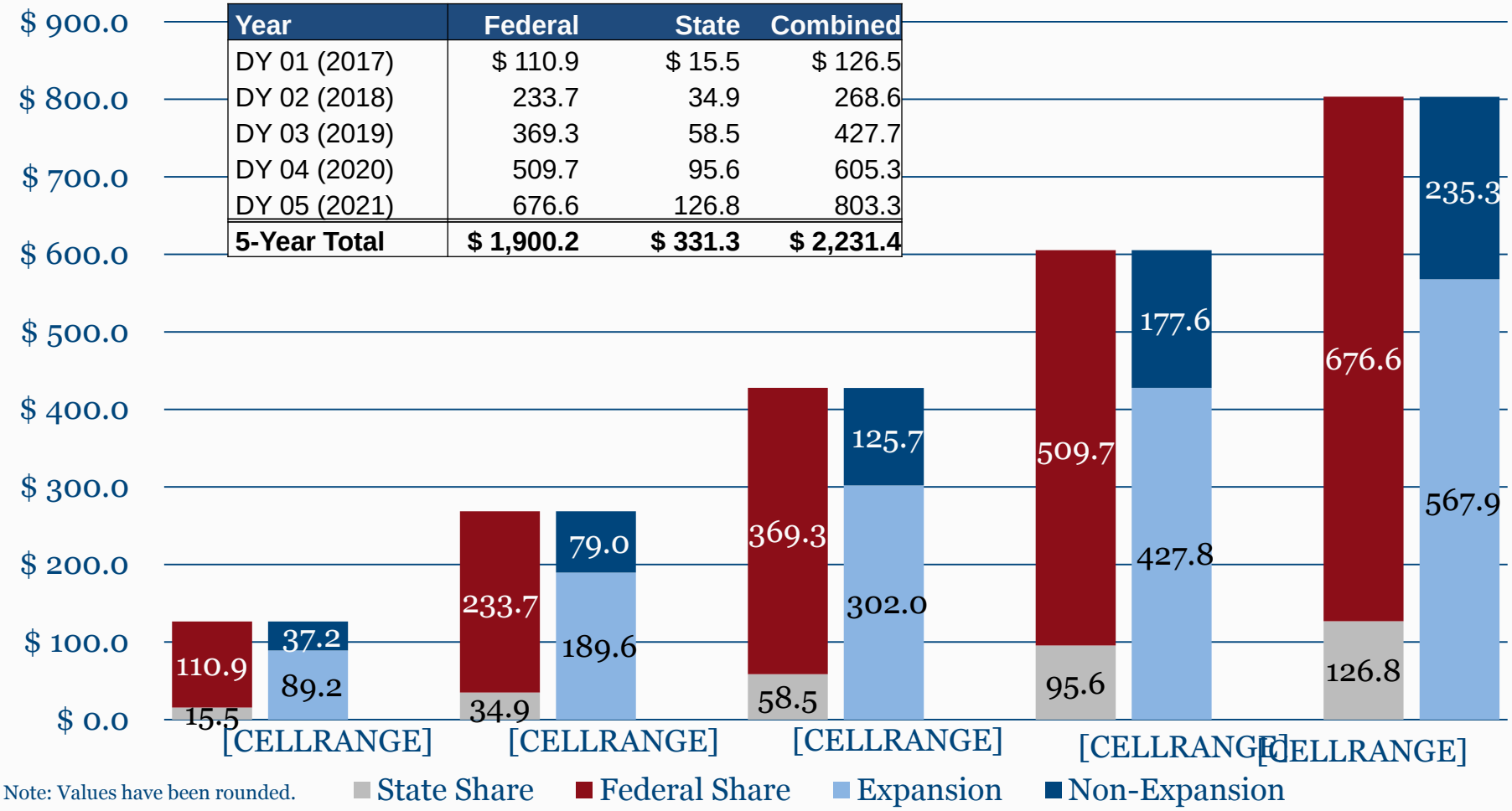
Kentucky HEALTH Waiver Savings

Budget Neutrality – State vs. Federal Waiver and Expansion vs. Non-Expansion Waiver Savings

Comparison of Waiver Savings (In Millions)

Kentucky HEALTH is expected to save taxpayers a total of $2.23 billion dollars over the 5 year waiver period.

Year	Federal	State	Combined
DY 01 (2017)	$ 110.9	$ 15.5	$ 126.5
DY 02 (2018)	233.7	34.9	268.6
DY 03 (2019)	369.3	58.5	427.7
DY 04 (2020)	509.7	95.6	605.3
DY 05 (2021)	676.6	126.8	803.3
5-Year Total	**$ 1,900.2**	**$ 331.3**	**$ 2,231.4**

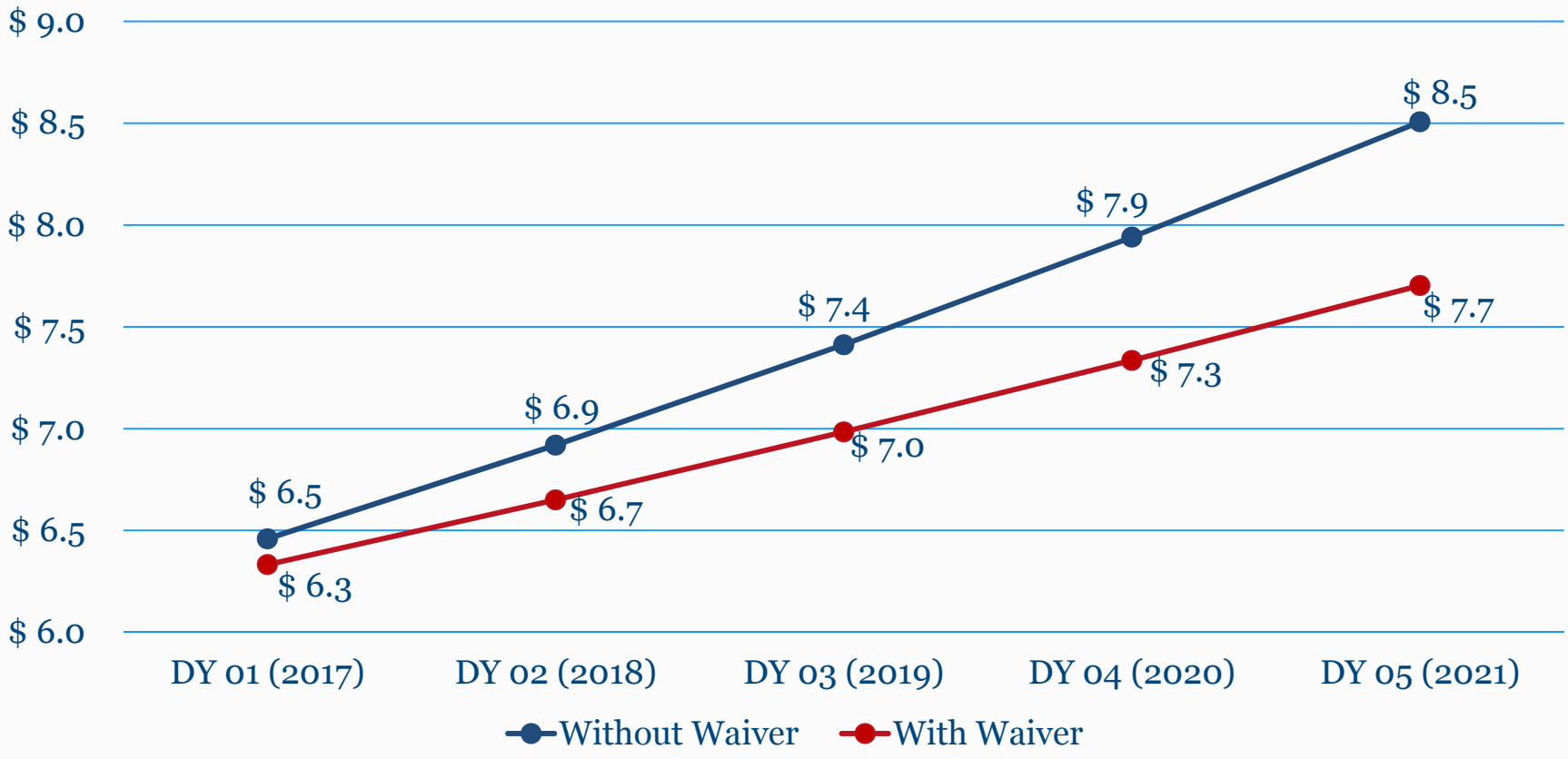


Note: Values have been rounded.

Medicaid Expansion Cost Projections

Budget Neutrality Projections – Aggregate Expenditures

Values Shown in Billions



Medicaid Transformation:

Questions

Waiver Policy Overview

Applicable Policies	Children	Pregnant Women	Section 1931 Parents	Medically Frail
Premiums	No premiums	No premiums	Yes	Yes
Copayments	Consistent with current State Plan	No copayments	Copayments only if fail to pay premium	Copayments only if fail to pay premium
Deductible Account	No	No	Yes	Yes
My Rewards Account	No	Yes	Yes (Vision and dental available outside of account)	Yes (Vision and dental available outside of account)
Non-Payment Penalty	Not applicable	Not applicable	Copayments and suspend My Rewards Account	Copayments and suspend My Rewards Account
Community Engagement & Employment	Not applicable	Not applicable	Yes (Primary caretakers of a dependent are exempt)	Not applicable
Benefits (i.e. transportation, vision, dental)	No Change	No Change	No Change	No Change

Frequently Asked Questions

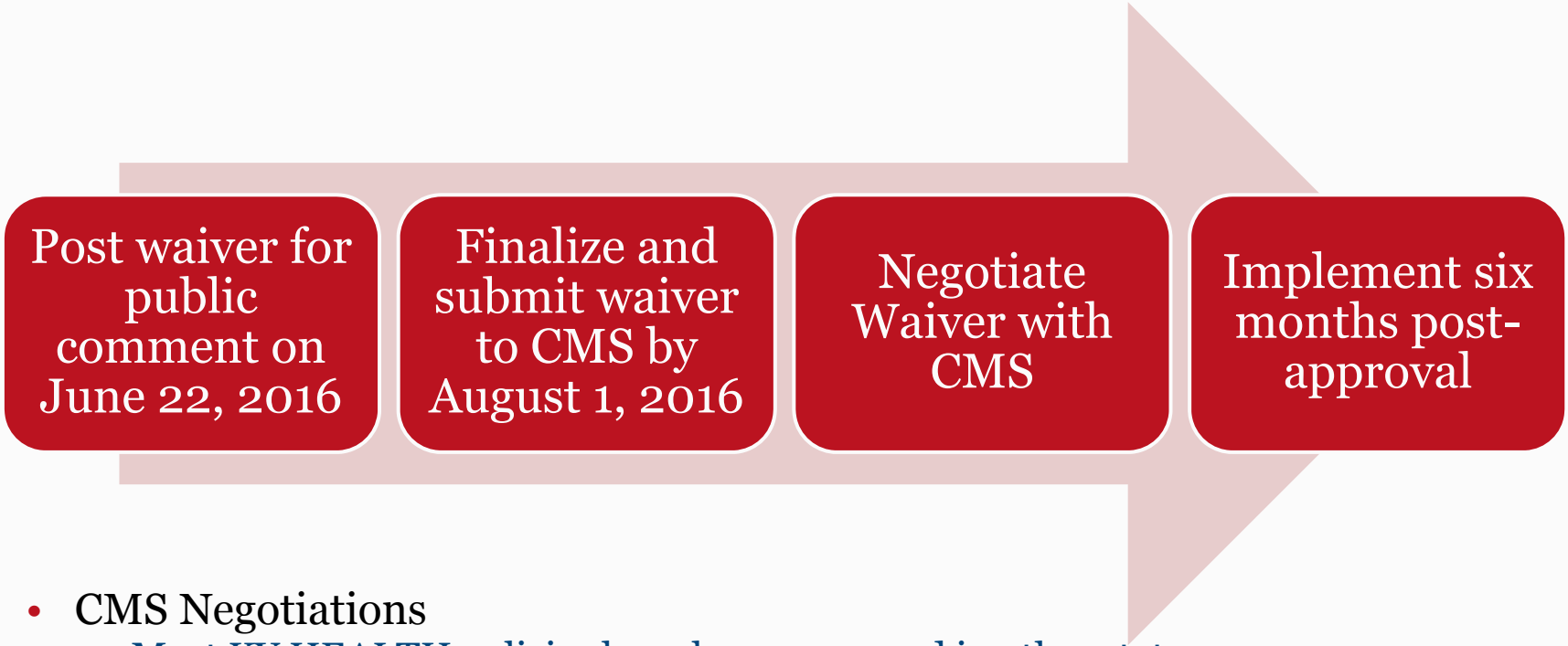
- Employer Sponsored Insurance (ESI)
  - State to provide full premium assistance, so the out of pocket cost to participants is the same as KY HEALTH monthly premiums
- Cost Sharing
  - Premiums are more affordable and easier to budget than paying for an expensive copayment during a medical emergency
    - One hospital stay currently costs a Medicaid recipient $50
- Vision and Dental Coverage
  - Current vision and dental coverage will be maintained for:
    - Children, Adults eligible for Medicaid prior to expansion, and Medically frail
  - Expansion group may choose to use the *My Rewards Account* to gain access to vision, dental coverage, or other enhancements such as over the counter drugs or gym membership
    - Vision services include an annual exam, but other medically necessary vision services will continue to be covered under the medical benefit

Other Technical Questions??

Medicaid Transformation:

Next Steps

Waiver Submission Process



- CMS Negotiations
  - Most KY HEALTH policies have been approved in other states
    - Including premiums and non-payment penalties.
  - Kentucky would be breaking new ground on the following policies:
    - Community Engagement and Employment Initiative;
    - Open Enrollment Period; and
    - Increasing Premiums for Individuals Above 100% FPL.
  - However, these policies are consistent with both CMS policies supporting and encouraging employment as stated on their website, as well as compatible with general Marketplace policies.

Public Notice & Comment Period

- For more information visit: http://chfs.ky.gov/kentuckyhealth
- 30-day public comment period
  - Closes on Friday, July 22, 2016 at 5:00 PM
- Submit written comments to:
  - Via Mail to:

    Commissioner Stephen Miller
    Department for Medicaid Services
    275 E. Main Street, Frankfort, KY 40621
  - Via Email to:

    kyhealth@ky.gov