

# Transforming Kentucky Medicaid

**Kentucky HEALTH Briefing**  
**August 2016**



# Agenda

- Updated Waiver Overview
- Cost Savings
- Public Comments & Summary of Changes
- Next Steps

Medicaid Transformation:  
**Updated 1115 Waiver Overview  
Submitted to CMS**

# Background

- **High poverty & high Medicaid enrollment**

- Workforce participation is 59.4%
- 19% of Kentuckians live in poverty
- 47<sup>th</sup> in the nation for median household income

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

- **Poor health outcomes despite high spending**

- 1 out of 3 Kentuckians are obese
- Ranks 2<sup>nd</sup> highest state in the nation for smoking
- Ranks 1<sup>st</sup> highest in nation for cancer deaths
- Ranks 1<sup>st</sup> highest in nation for preventable hospitalizations

**Ranks 1<sup>st</sup> highest in nation for MCE profits**

# 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.**

# 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

# Kentucky Medicaid Covered Populations

Medicaid Populations *Not Included* in Kentucky HEALTH

**TRADITIONAL MEDICAID**  
*(Aged, Blind & Disabled)*

Medicaid Populations *Included* in Kentucky HEALTH

**NON-DISABLED ADULTS & CHILDREN**  
*(Individuals covered before expansion, pregnant women, children, & adult expansion population)*

Home and Community Based Waiver - 1915(c)

NO CHANGE

Model Waiver II - 1915(c)

NO CHANGE

Michelle P Waiver - 1915(c)

NO CHANGE

Supports for Community Living - 1915(c)

NO CHANGE

Acquired Brain Injury (ABI) & ABI Long Term Care - 1915(c)

NO CHANGE

Former Foster Children Up to Age 26

NO CHANGE

Nursing Facility and ICF/MR Residents

NO CHANGE

Qualified Medicare Beneficiaries

NO CHANGE

Traditional Medicaid Adults Eligible Prior to Expansion

- Premiums or copays
- No change in benefits (Retain vision, dental, transportation)
- Community engagement required, unless primary caretaker of dependent

Pregnant Women & Children (Traditional Medicaid and KCHIP)

- No premiums
- No change in benefits
- Community engagement initiative not applicable

Medicaid Expansion Adults

- Premiums or copays
- State Employee Benefits
- Vision and dental available through *My Rewards Account*
- Community engagement required, unless primary caretaker of dependent

Medically Frail Adults

- No mandatory premiums or copayments
- No change in benefits
- Community engagement initiative not applicable

# Waiver Overview

- Kentucky HEALTH policies target able-bodied adults
  - State to develop a process to identify “medically frail” adults covered by Kentucky HEALTH
- Medicaid benefits equivalent to the Kentucky State Employees’ Health Plan
  - Benefits will NOT change for pregnant women, children, non-expansion populations or the medically frail.
    - Allergy testing and private duty nursing will remain covered benefits for all.
- Two Paths to Kentucky HEALTH Coverage
  1. Employer Premium Assistance Program Option
  2. Consumer Driven Health Plan Option



# Medically Frail

- Medically Frail Definition
  - Objective process to identify individuals with any of the following:
    - (1) disabling mental disorder,
    - (2) chronic substance use disorder,
    - (3) serious and complex medical condition, or
    - (4) significant impairment in ability to perform activities of daily living.
  - Automatic medically frail designation for individuals:
    - Receiving hospice care;
    - Diagnosed with HIV/AIDs; or
    - Eligible for Social Security Disability Insurance (SSDI).
- Medically frail individuals will:
  - Receive Medicaid State Plan benefits; and
  - Not be required to pay premiums or copayments.

# Premiums

- Monthly Premiums in Lieu of Copayments
  - Premiums are more predictable and may cost less than standard copayments (\$50 hospital visit & \$3 each office visit)
- Exempt
  - Pregnant women and children exempt from all cost-sharing
  - Premiums are optional for individuals determined medically frail
    - Exempt from all copayments if choose not to pay premiums.
    - Premiums only required for access to *My Rewards Account*
- Family Premiums
  - Flat rate sliding scale premiums  $\leq 2\%$  of income for each income group
  - Premiums amounts charged on a family basis (not per person basis)

| 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, cost sharing will increase for individuals above 100% FPL to ease transition to private market coverage

| FPL       | Year 1-2 Premium | Year 3 Premium | Year 4 Premium | Year 5+ Premium |
|-----------|------------------|----------------|----------------|-----------------|
| >100% 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

## 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.

**State  
Contribution**  
\$1,000/year

### 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

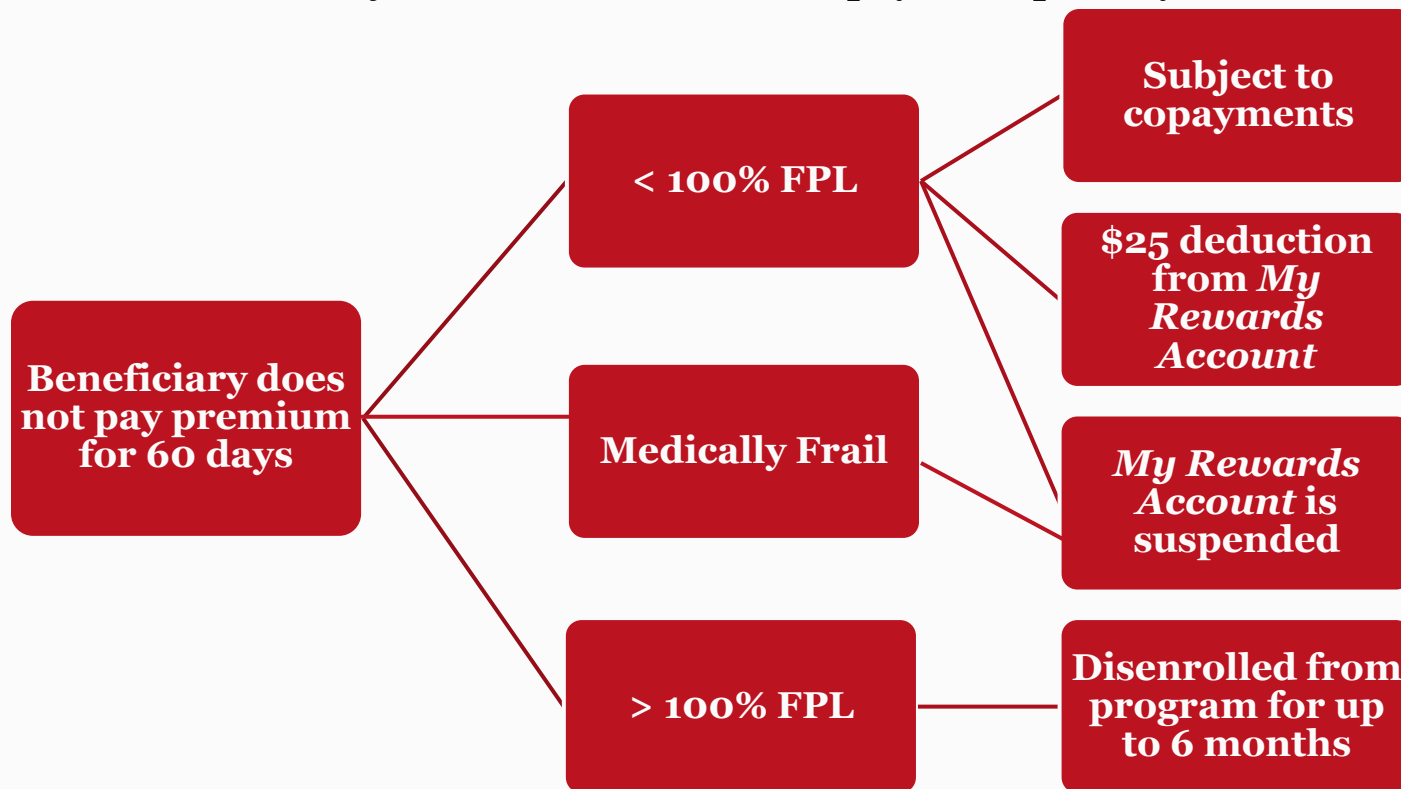
Account pays for vision, dental, over the counter medications, & gym membership reimbursement.

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

\$500

# 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.

# Waiver Policy Overview

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

# 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 |



**Full time students and individuals employed more than 20 hours per week meet the requirements of this initiative.**

## 1. REQUIRE

- Gradually increasing hour requirements for community engagement
- Includes volunteer activities, caretaking, job training, education (including GED) & employment hours

## 2. INCENTIVIZE

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



# 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

# 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 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

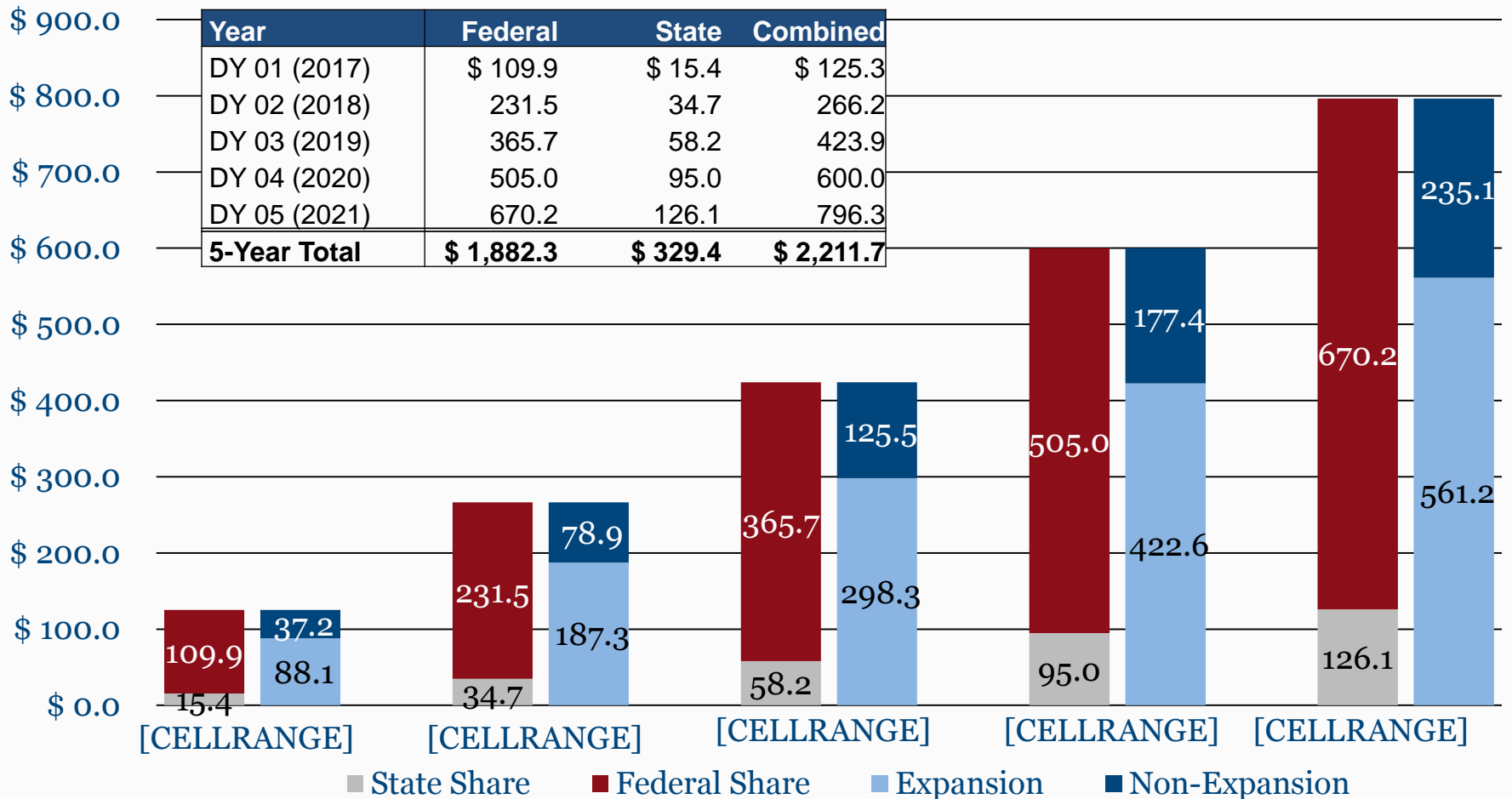
- Reconfigure MCO Contracts to Promote Triple Aim of Improving the Patient Experience, Population Health Goals, and Lowering Costs
  - Develop MCO initiatives to align with industry standards and CMS quality payment guidelines
  - Introduce Quality Withholds to Achieve Public Health Goals
    - Participation 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 \$2.21 billion dollars over the 5 year waiver period.**

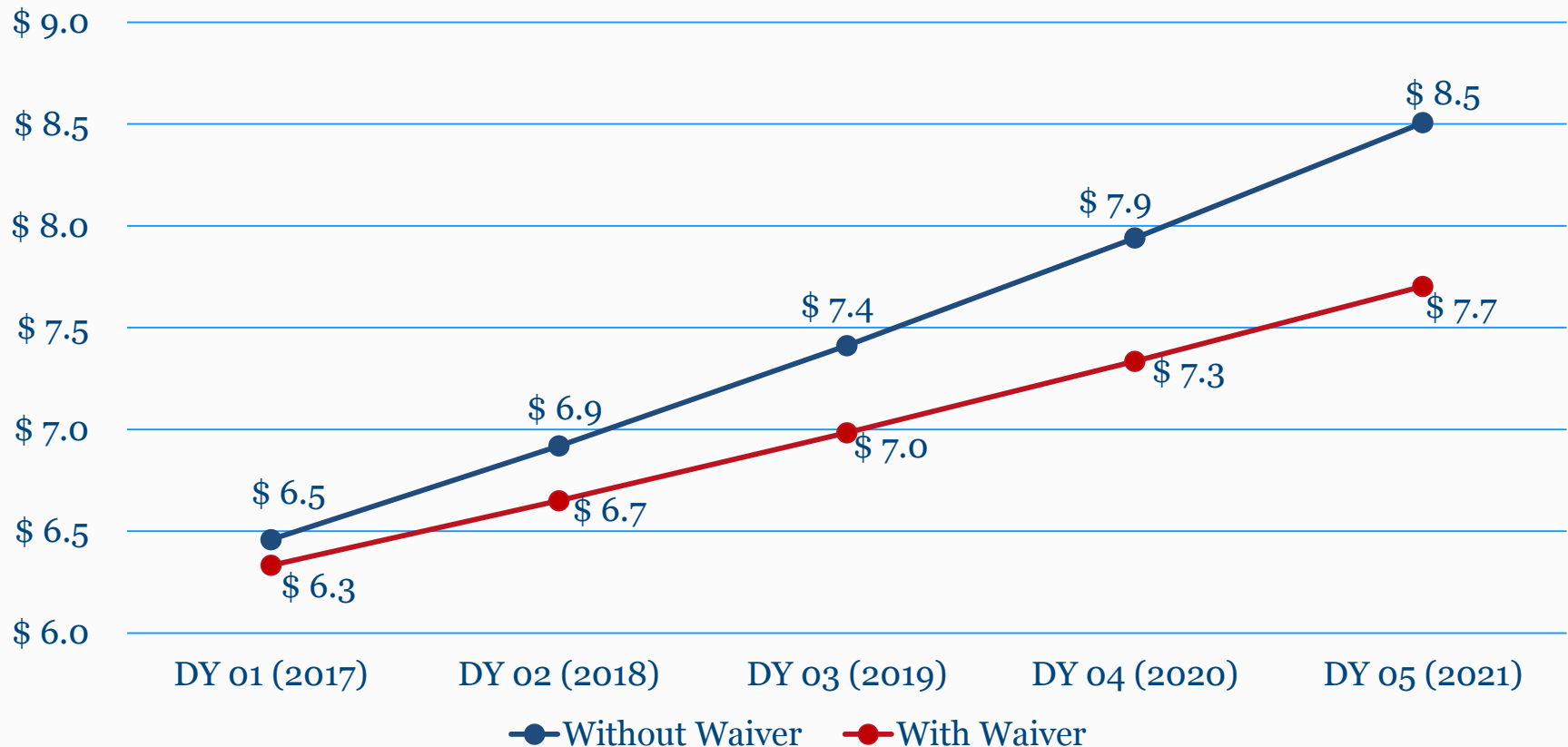


Note: Values have been rounded.

# Medicaid Expansion Cost Projections

Budget Neutrality Projections - Aggregate Expenditures

Values Shown in Billions



# Medicaid Transformation: **Public Comment Summary**

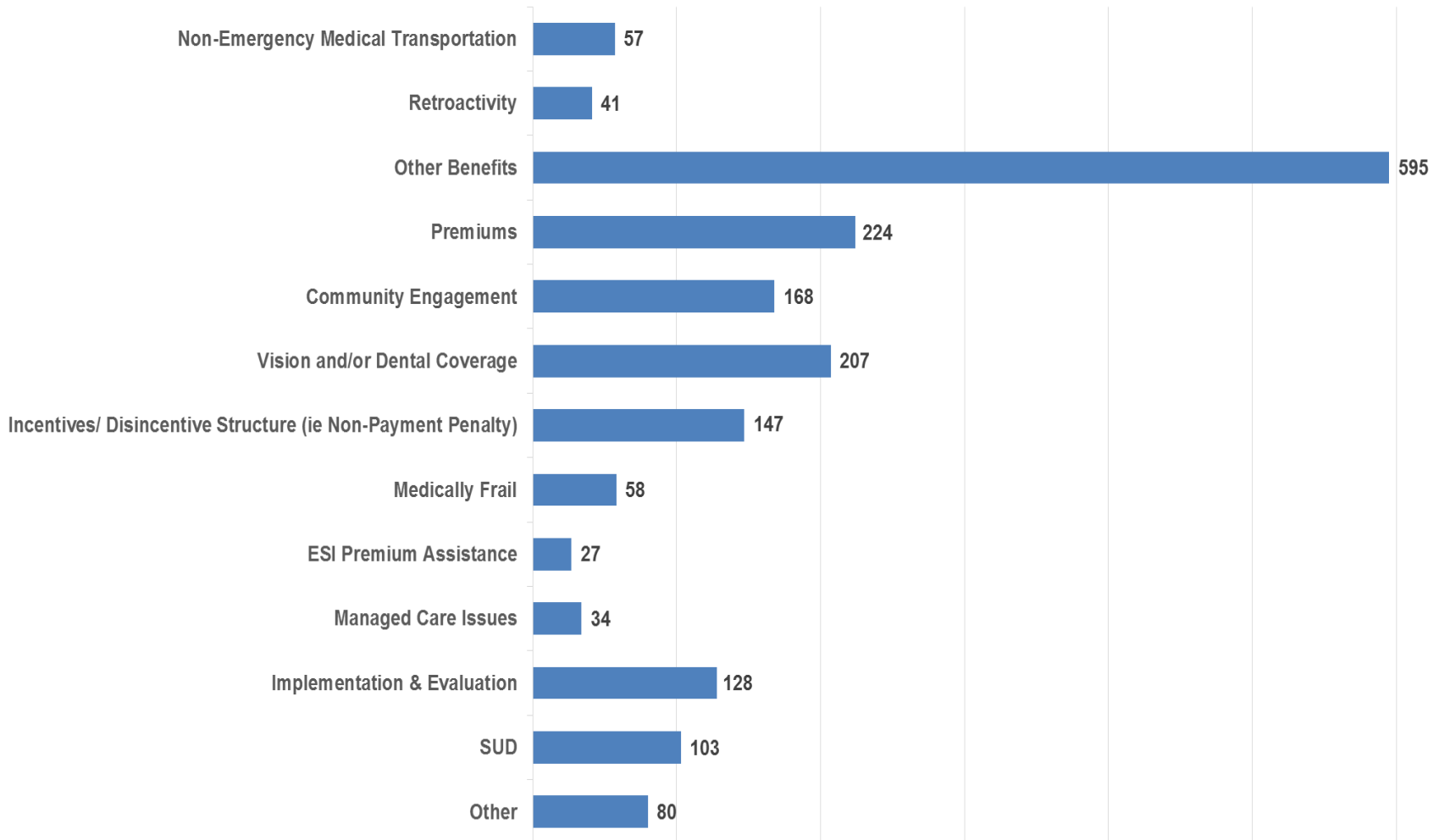


# Public Comment Period

- Public comment period opened June 22, 2016
  - Original date ended July 22, 2016
  - Extended to August 14, 2016 due to high volume of comments received after original deadline.
    - Extension allowed those comments to be incorporated along with anyone else who may have missed the original deadline.
- Three formal public hearings
  - 1. Bowling Green (June 28<sup>th</sup>)
  - 2. Frankfort (June 29<sup>th</sup>)
  - 3. Hazard (July 6<sup>th</sup>)
- Over 1,400 written and verbal comments were received during the entire public comment period

# Public Comment Frequent Topics

Public Comments by Waiver Topic Area



# Revisions Based on Public Comment

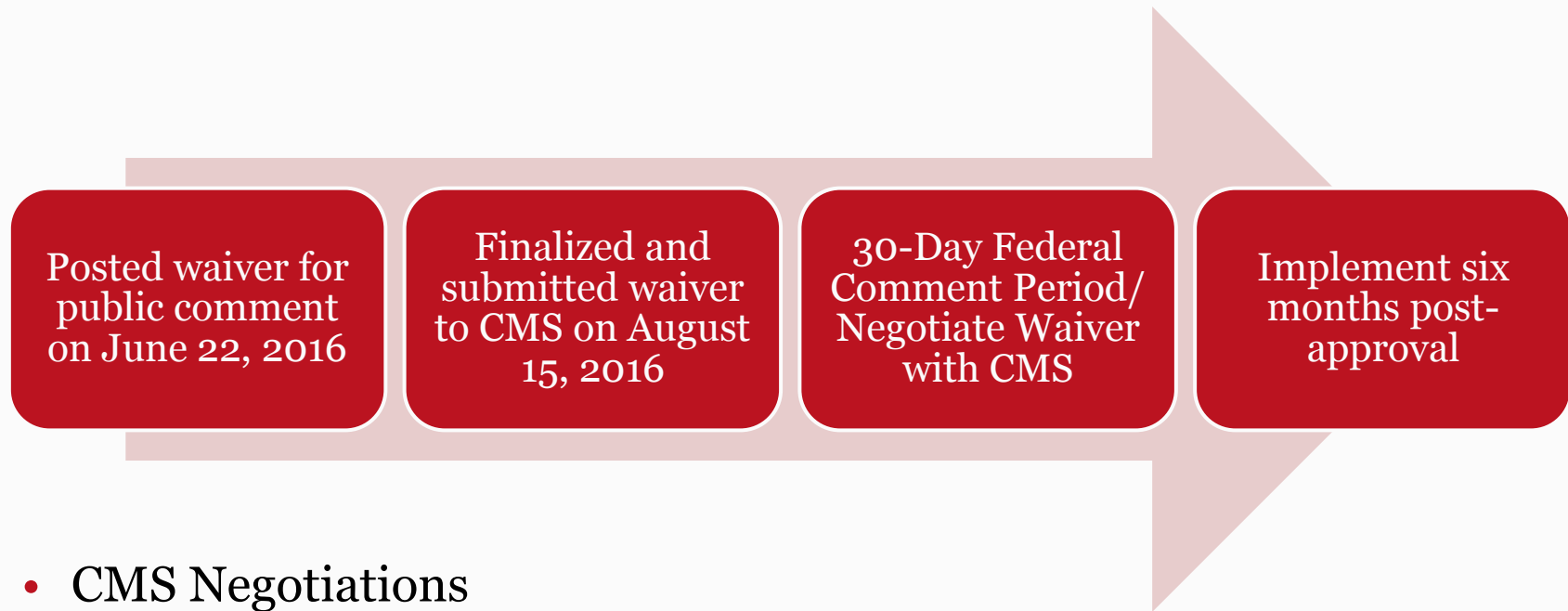
| Comment Topic                                   | Waiver Revision                                                                                                                                                                                                                                                                                                                                                                   |
|-------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. Allergy Testing                              | <ul style="list-style-type: none"> <li>• No changes to Medicaid State Plan.</li> <li>• Allergy testing and private duty nursing maintained.</li> </ul>                                                                                                                                                                                                                            |
| 2. Vision and Dental                            | <ul style="list-style-type: none"> <li>• To allow members time to accrue dollars in their <i>My Rewards Account</i>, the changes to vision and dental will be delayed by 3 months.</li> </ul>                                                                                                                                                                                     |
| 3. Educational Support                          | <ul style="list-style-type: none"> <li>• Added GED testing costs as an additional covered benefit for Kentucky HEALTH members.</li> </ul>                                                                                                                                                                                                                                         |
| 4. <i>My Rewards Account</i>                    | <ul style="list-style-type: none"> <li>• Expanded the reward activities to include:             <ul style="list-style-type: none"> <li>• Caretaking responsibilities;</li> <li>• Passing the GED;</li> <li>• Completion of child preventive services (including dental and vision services); and</li> <li>• Incentive for keeping healthcare appointments.</li> </ul> </li> </ul> |
| 5. Community Engagement & Employment Initiative | <ul style="list-style-type: none"> <li>• Primary caretakers of minor children as well as disabled adult dependents are exempt.</li> <li>• Other caregiving services for non-dependent relatives or other person with a disabling health condition count as qualifying activity.</li> </ul>                                                                                        |

# Revisions Based on Public Comment

| Public Comment Topic            | Waiver Revision                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|---------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 6. Eligibility                  | <ul style="list-style-type: none"> <li>• Added description of groups not included:               <ul style="list-style-type: none"> <li>• Former foster children up to age 26;</li> <li>• Individuals on a 1915(c) waiver;</li> <li>• Individuals in an institution; and</li> <li>• Individuals eligible for Medicaid on the bases of age, blindness, or disability, including individuals eligible for social security income (SSI).</li> </ul> </li> </ul> |
| 7. Medically Frail Definition   | <ul style="list-style-type: none"> <li>• Certain populations will be determined automatically medically frail, including:               <ul style="list-style-type: none"> <li>• Individuals receiving hospice care;</li> <li>• Persons with HIV/AIDS, and</li> <li>• Individuals receiving SSDI.</li> </ul> </li> </ul>                                                                                                                                     |
| 8. Medically Frail Cost-Sharing | <ul style="list-style-type: none"> <li>• Individuals determined medically frail will be exempt from copayments.</li> <li>• Premiums are only required for medically frail as a condition of receiving a <i>My Rewards Account</i>.</li> </ul>                                                                                                                                                                                                                |
| 9. Premiums                     | <ul style="list-style-type: none"> <li>• Premiums will be collected on a household basis (not applied individually).</li> </ul>                                                                                                                                                                                                                                                                                                                              |

# Medicaid Transformation: **Next Steps**

# Waiver Submission Process



- CMS Negotiations

- HHS Secretary has full authority to approve this waiver as written
- 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.
- The new policies are consistent with general Marketplace policies, as well as the underlying goals of Medicaid set forth in the Social Security Act