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
  - 47th 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 2nd highest state in the nation for smoking
  - Ranks 1st highest in nation for cancer deaths
  - Ranks 1st highest in nation for preventable hospitalizations

**Ranks 1st 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)**
- Home and Community Based Waiver - 1915(c)  
  - NO CHANGE
- Michelle P Waiver - 1915(c)
  - NO CHANGE
- Acquired Brain Injury (ABI) & ABI Long Term Care - 1915(c)
  - NO CHANGE
- Nursing Facility and ICF/MR Residents
  - NO CHANGE

#### Medicaid Populations *Included* in Kentucky HEALTH

**NON-DISABLED ADULTS & CHILDREN**  
*(Individuals covered before expansion, pregnant women, children, & adult expansion population)*
- 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
- Medically Frail Adults
  - No mandatory premiums or copayments
  - No change in benefits
  - Community engagement initiative not applicable

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#### Medicaid Populations Included in Kentucky HEALTH

**ADULTS & CHILDREN** *(Individuals covered before expansion, pregnant women, children, & adult expansion population)*
- Model Waiver II - 1915(c)
  - NO CHANGE
- Supports for Community Living - 1915(c)
  - NO CHANGE
- Former Foster Children Up to Age 26
  - NO CHANGE
- Qualified Medicare Beneficiaries
  - NO CHANGE

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**Medicaid Populations Included in Kentucky HEALTH** *(Individuals covered before expansion, pregnant women, children, & adult expansion population)*

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

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**Medicaid Populations Not Included in Kentucky HEALTH** *(Individuals covered before expansion, pregnant women, children, & adult expansion population)*

- NO CHANGE
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 ≤2% of income for each income group
  - Premiums amounts charged on a family basis (not per person basis)

<table>
<thead>
<tr>
<th>Federal Poverty Level</th>
<th>Premium Payment</th>
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<tbody>
<tr>
<td>Under 25% FPL</td>
<td>$1.00 per month</td>
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<tr>
<td>25-50% FPL</td>
<td>$4.00 per month</td>
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<tr>
<td>51-100% FPL</td>
<td>$8.00 per month</td>
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<tr>
<td>101-138% FPL</td>
<td>$15.00 per month</td>
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</tbody>
</table>

- After 2 years, cost sharing will increase for individuals above 100% FPL to ease transition to private market coverage

<table>
<thead>
<tr>
<th>FPL</th>
<th>Year 1-2 Premium</th>
<th>Year 3 Premium</th>
<th>Year 4 Premium</th>
<th>Year 5+ Premium</th>
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</thead>
<tbody>
<tr>
<td>&gt;100% FPL</td>
<td>$15.00</td>
<td>$22.50</td>
<td>$30.00</td>
<td>$37.50</td>
</tr>
</tbody>
</table>
**Employer Premium Assistance Option**

<table>
<thead>
<tr>
<th>Optional Enrollment</th>
<th>Mandatory Enrollment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eligible Children</td>
<td>Kentucky HEALTH members in at least second year of enrollment who have been with employer over a year</td>
</tr>
<tr>
<td>Kentucky HEALTH members in first year of enrollment</td>
<td></td>
</tr>
</tbody>
</table>

**PREMIUMS**

- **Employer Deduction**
  The employee’s premium is deducted through payroll.

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

**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

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

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

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

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

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

<table>
<thead>
<tr>
<th>Months Eligible</th>
<th>Required Hours</th>
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<tbody>
<tr>
<td>1-3 months</td>
<td>0 hours per week</td>
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<tr>
<td>4-6 months</td>
<td>5 hours per week</td>
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<tr>
<td>6-9 months</td>
<td>10 hours per week</td>
</tr>
<tr>
<td>9-12 months</td>
<td>15 hours per week</td>
</tr>
<tr>
<td>12+ months</td>
<td>20 hours per week</td>
</tr>
</tbody>
</table>

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.

<table>
<thead>
<tr>
<th>Year</th>
<th>Federal</th>
<th>State</th>
<th>Combined</th>
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<tbody>
<tr>
<td>DY 01 (2017)</td>
<td>$109.9</td>
<td>$15.4</td>
<td>$125.3</td>
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<tr>
<td>DY 02 (2018)</td>
<td>231.5</td>
<td>34.7</td>
<td>266.2</td>
</tr>
<tr>
<td>DY 03 (2019)</td>
<td>365.7</td>
<td>58.2</td>
<td>423.9</td>
</tr>
<tr>
<td>DY 04 (2020)</td>
<td>505.0</td>
<td>95.0</td>
<td>600.0</td>
</tr>
<tr>
<td>DY 05 (2021)</td>
<td>670.2</td>
<td>126.1</td>
<td>796.3</td>
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</table>

5-Year Total $1,882.3 $329.4 $2,211.7

Note: Values have been rounded.
Medicaid Expansion Cost Projections

Budget Neutrality Projections - Aggregate Expenditures

Values Shown in Billions

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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 28th)
  ▫ 2. Frankfort (June 29th)
  ▫ 3. Hazard (July 6th)

• 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

- Non-Emergency Medical Transportation: 57
- Retroactivity: 41
- Other Benefits: 595
- Premiums: 224
- Community Engagement: 168
- Vision and/or Dental Coverage: 207
- Incentives/ Disincentive Structure (ie Non-Payment Penalty): 147
- Medically Frail: 58
- ESI Premium Assistance: 27
- Managed Care Issues: 34
- Implementation & Evaluation: 128
- SUD: 103
- Other: 80
Revisions Based on Public Comment

<table>
<thead>
<tr>
<th>Comment Topic</th>
<th>Waiver Revision</th>
</tr>
</thead>
</table>
| 1. Allergy Testing                    | • No changes to Medicaid State Plan.  
• Allergy testing and private duty nursing maintained.                                                                                     |
| 2. Vision and Dental                  | • To allow members time to accrue dollars in their *My Rewards Account*, the changes to vision and dental will be delayed by 3 months.   |
| 3. Educational Support                | • Added GED testing costs as an additional covered benefit for Kentucky HEALTH members.                                                        |
| 4. *My Rewards Account*               | • Expanded the reward activities to include:  
• Caretaking responsibilities;  
• Passing the GED;  
• Completion of child preventive services (including dental and vision services); and  
• Incentive for keeping healthcare appointments.                                                                                           |
| 5. Community Engagement & Employment Initiative | • Primary caretakers of minor children as well as disabled adult dependents are exempt.  
• Other caregiving services for non-dependent relatives or other person with a disabling health condition count as qualifying activity. |
### Revisions Based on Public Comment

<table>
<thead>
<tr>
<th>Public Comment Topic</th>
<th>Waiver Revision</th>
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</thead>
<tbody>
<tr>
<td>6. Eligibility</td>
<td>• Added description of groups not included:</td>
</tr>
<tr>
<td></td>
<td>• Former foster children up to age 26;</td>
</tr>
<tr>
<td></td>
<td>• Individuals on a 1915(c) waiver;</td>
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<tr>
<td></td>
<td>• Individuals in an institution; and</td>
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<tr>
<td></td>
<td>• Individuals eligible for Medicaid on the bases of age, blindness, or disability, including individuals eligible for social security income (SSI).</td>
</tr>
<tr>
<td>7. Medically Frail Definition</td>
<td>• Certain populations will be determined automatically medically frail, including:</td>
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<td></td>
<td>• Individuals receiving hospice care;</td>
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<td></td>
<td>• Persons with HIV/AIDS, and</td>
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<td></td>
<td>• Individuals receiving SSDI.</td>
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<tr>
<td>8. Medically Frail Cost-Sharing</td>
<td>• Individuals determined medically frail will be exempt from copayments.</td>
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<tr>
<td></td>
<td>• Premiums are only required for medically frail as a condition of receiving a <em>My Rewards Account</em>.</td>
</tr>
<tr>
<td>9. Premiums</td>
<td>• Premiums will be collected on a household basis (not applied individually).</td>
</tr>
</tbody>
</table>
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