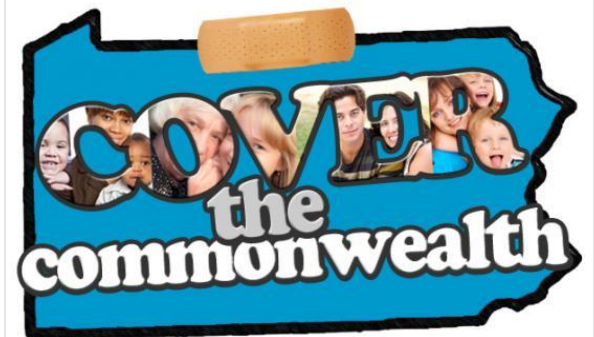


DPW's *Healthy Pennsylvania* Plan and the Pennsylvania Budget



Introduction to Medicaid

- Pennsylvania's Medicaid program provides free or very low-cost health insurance to low income Pennsylvanians who meet certain “categorical” requirements for eligibility.
- The Medicaid program provides important safety net coverage for 2.2 million Pennsylvanians, including 1.2 million adults.

Categorical Eligibility

- Federal Medicaid benefits are only available for certain categories of individuals, including:
 - Pregnant women.
 - Children.
 - Individuals with long-term disabilities.
 - Very low income families.
 - Seniors (ages 65 and older).
- Pennsylvania covers a few more categories of individuals via General Assistance-related Medical Assistance, including:
 - Individuals with shorter-term disabilities.
 - Domestic violence survivors (9 months in lifetime).
 - Individuals in active drug and alcohol treatment (9 months in lifetime).

Income and Asset Rules

- Medicaid recipients are subject to strict income rules. The income limits vary by category, but are very low.
 - Seniors and individuals with disabilities can't have more than \$973 per month in household income (\$1,311 if they're married).
 - General Assistance related Medical Assistance recipients can't have more than \$215 per month in household income (\$330 if they're married).
 - Parents in a family of four can't have more than \$656 per month in household income.
- Many Medicaid recipients are also subject to strict asset limits, ranging from \$250 to \$3,000.

Medical Assistance for Workers with Disabilities (MAWD)

- Congress created MAWD so that individuals with disabilities could work without fear of losing health insurance that is tailored to their health problems.
- To qualify, individuals must:
 - Have disabilities that last for twelve months or longer.
 - AND work at least one hour per week.
- They are required to pay a premium based on income.
- MAWD is sometimes used by Social Security Disability recipients who are able to work a small amount and aren't receiving Medicare yet.

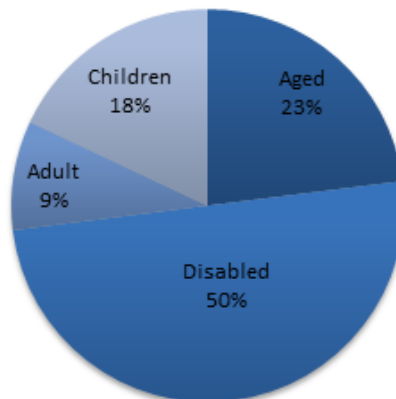
2014 Income Limits* – 250% FPIG	
1	\$ 2,432
2	\$ 3,278

* \$10,000 resource limit for all MAWD recipients

Medicaid Spending in Pennsylvania

- Medicaid is an efficient program, with 96% of funding going toward the direct provision of medical care.
- Approximately three-fourths of Medicaid dollars are spent on very low-income seniors and individuals with long-term disabilities.

**Medicaid spending in Pennsylvania
(2010)**



Who Is Left Out of Medicaid?

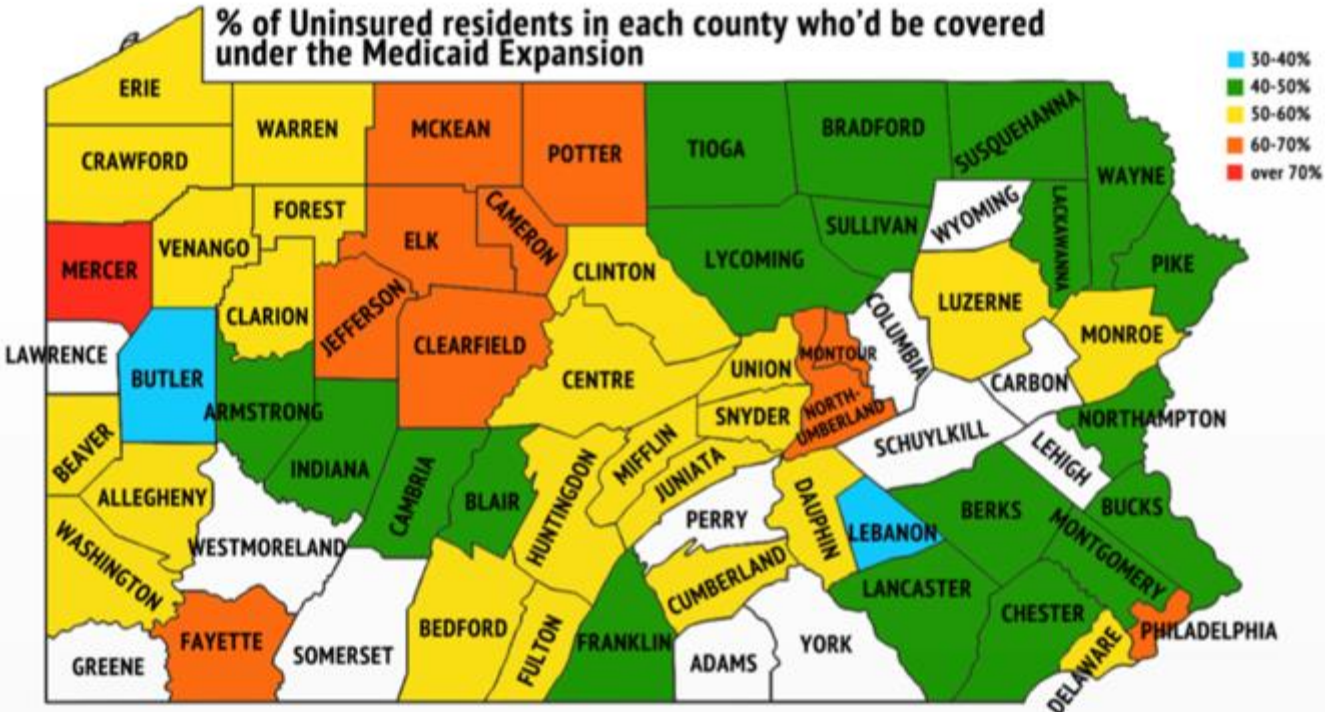
- Low-income adults who are:
 - Between the ages of 19 and 64;
 - AND not disabled;
 - AND not pregnant;
 - AND not parents or related caregivers with very low incomes;
 - AND not eligible for General Assistance-related Medical Assistance.
- This is the population that is eligible for Medicaid expansion under the Affordable Care Act – approximately 500,000 adults in Pennsylvania.

under the expansion, Medicaid would cover:

Anyone earning up to 138% FPL:

138% of Federal Poverty Level (FPL) in 2012 Dollars			
family size	annual income	monthly income	hourly wage
1	\$15,420.00	\$1,285.00	\$7.71
2	\$20,880.00	\$1,740.00	depends on # of workers in HH
3	\$26,352.00	\$2,196.00	depends on # of workers in HH
4	\$31,812.00	\$2,651.00	depends on # of workers in HH
5	\$37,284.00	\$3,107.00	depends on # of workers in HH
6	\$42,744.00	\$3,562.00	depends on # of workers in HH
7	\$48,204.00	\$4,017.00	depends on # of workers in HH
8	\$53,676.00	\$4,473.00	depends on # of workers in HH

MEDICAID EXPANSION MAKES COVERAGE SECURE ACROSS THE COMMONWEALTH



Medicaid Expansion

- The ACA's drafters **required** states to expand Medicaid to cover low-income people who fall into the Medicaid coverage gap.
- In exchange the federal government would provide enhanced matching funds to states.
- The U.S. Supreme Court's ruling in *National Federation of Independent Business v. Sebelius* had the effect of making expansion **optional** for states.

Year	Federal Share	State Share
2014	100%	0%
2015	100%	0%
2016	100%	0%
2017	95%	5%
2018	94%	6%
2019	93%	7%
2020	90%	10%

Benefits of Medicaid Expansion

- The Commonwealth's Independent Fiscal Office found that Medicaid expansion would bring Pennsylvania an average of \$400 million in new revenue each year over the next ten years.
- A study commissioned by the Hospital and Healthsystem Association of Pennsylvania and conducted by the RAND Corporation found that the increase in federal spending in Pennsylvania would create more than 35,000 new jobs, particularly in the health care sector.

Pennsylvania's Health Reform Proposal

- On December 6, 2013, Pennsylvania unveiled its *Healthy Pennsylvania* plan.
- The plan would:
 - Cover newly eligible low income Pennsylvanians.
 - Make significant changes to the current Medicaid program.
- In the plan, Pennsylvania proposed seeking 23 waivers of federal Medicaid law from HHS.

The Private Option Program

- Some states (AR, IA) asked HHS for permission to cover them through their Marketplaces instead of through their traditional Medicaid program.
 - The Medicaid expansion population would go onto the Marketplace and choose commercial insurance coverage.
 - Medicaid dollars would be spent to cover the full cost of their premiums.
 - Commercial coverage is more expensive than Medicaid, so states would have higher costs beginning in 2017.

The Private Option Program, cont.

- HHS has said that it will approve “private option programs” as long as certain conditions are met:
 - E.g., states have to provide “wrap around” services.
 - Wrap around services = enhanced family planning, non-emergency medical transportation, treatment at health centers.
- Pennsylvania has proposed a private option program, but it will ask HHS for permission not to provide wrap around services.

Other Proposal Components

- Severe cuts to Medicaid benefits for **all** current adult recipients.
- Premiums for most current Medicaid recipients and for private option program enrollees.
- Work search requirements for most current Medicaid recipients and for private option program enrollees.
- Penalties for non-compliance with premium and work search requirements.
- Elimination of MAWD.
- Cuts to health centers.

Benefits Packages

- Pennsylvania's plan would create three benefits packages:
 - Private option program enrollees would get the same Essential Health Benefits that other Marketplace enrollees get – no wrap-around services.
 - Some current Medicaid recipients with disabilities or who are pregnant would get a more generous “high risk” plan.
 - Everyone else would get a less generous “low risk” plan.
- **All benefits packages are much less generous than Pennsylvania's current Medicaid benefits packages.**

Benefits Cuts

Service	Current Medicaid Limits	Low Risk Plan	High Risk Plan	Essential Health Benefits
Doctor Visits	18	12	18	No limit
Radiology	No limit	\$500 per year	\$750 per year	No limit
Lab Work	No limit	\$250 per year	\$350 per year	No limit
Inpatient Acute Hospital	No limit	2 admits per year (non-emergency)	3 admits per year (non-emergency)	No limit
Durable Medical Equipment & Supplies	No limit	\$1,000 per year (combined)	\$2,500 per year (combined)	\$2,500 per year

The High Risk Plan

- Some Medicaid recipients would qualify for the high risk plan automatically:
 - SSI recipients.
 - People in nursing homes or receiving long term care at home.
 - People who also receive Medicare due to age or disability.
 - Pregnant women.
- Other Medicaid recipients would have to complete an online health screening. Pennsylvania would use an algorithm to decide if they are disabled enough for the high risk plan.
- The Medicaid expansion population would only qualify for the high risk plan if they were “medically frail” – a very strict standard.

Benefits Limit Exceptions

- Pennsylvania says that its “benefits limit exception process” would ensure that Medicaid recipients get needed services.
- The standard for exceptions is very strict:
 - A person must prove that s/he “has a serious chronic systemic illness and denial of the exception will jeopardize the life of or result in the serious deterioration of the health of the recipient.”
 - Most benefits limit exception requests are denied.
- The appeals process is complicated and time consuming, so most medical providers do not help recipients with appeals.

Premium Payment Requirement

- Premiums would be required for most Medicaid recipients, unless they qualify for an exemption.
- Exemptions would be given to:
 - People under 21 and over 64.
 - Pregnant women.
 - SSI recipients.
 - People dually eligible for Medicaid and Medicare.
 - People who are institutionalized.
- No hardship waivers would be offered.

Monthly Premiums

Household Composition	FPIG	Annual Income	Monthly Income	Premium
Single Adult	50% - 100%	\$5,832 - \$11,676	\$486 - \$973	\$13 per month
Family of 4	50% - 100%	\$11,928 - \$23,856	\$994 - \$1,988	\$17 per month
Single Adult	100% - 138%	\$11,677 - \$15,856	\$974 - \$1,343	\$25 per month
Family (4)	100% - 138%	\$23,857 - \$32,916	\$1,989 - \$2,743	\$35 per month

Premium Reduction

- Successful completion of healthy behavior activities can reduce premiums by 25%.
- Healthy behaviors include:
 - Paying premiums on time for six months.
 - Completing a Health Risk Assessment.
 - Completing a physical exam annually.
- Working at least 20 hours per week can reduce premiums by another 25%.

Problems with Premiums

- Public health research overwhelmingly shows that premiums are a barrier to Medicaid recipients' access to health care, and actually make them sicker.
- Very low-income Medicaid recipients do not have room in their budgets for premium payments, and many recipients are “unbanked.”
- There are concerns about DPW's capacity to collect, process, and/or monitor premium payments.
- The costs of premium collection will not offset the nominal amount of money collected.

Penalties for Non-Compliance

- Medicaid recipients who miss three consecutive premiums will be “locked out” of coverage:
 - The first “strike” would lock a recipient out for three months.
 - The second “strike” would lock him or her out for six months.
 - The third “strike” would lock him or her out for nine months.
- These lock out periods would burden hospitals, who would be required to provide uncompensated care to Medicaid recipients who require emergency treatment while they are locked out.

Elimination of MAWD

- MAWD would be eliminated:
 - Lower-income recipients would be enrolled in the *Healthy Pennsylvania* private option program.
 - Higher-income recipients would be required to purchase commercial insurance through the Marketplace.
- While commercial plans may meet the needs of some MAWD recipients, others are very sick, and require Medicaid benefits packages that are tailored to their needs.
- The Tobacco Settlement Act requires Pennsylvania to use at least 30% of the Tobacco Settlement Fund to pay for health care, including the MAWD program.

Healthy Pennsylvania Implementation

- Pennsylvania accepted public comments through January 13, 2014.
- HHS accepted public comments for a 30-day period.
- HHS will negotiate with Pennsylvania, and it may approve a version of the plan.
- Pennsylvania must pass a budget by June 30, 2014 that reflects planned changes to Medicaid.
- If approved, Pennsylvania's plan would take effect on January 1, 2015.

Healthy Pennsylvania and the Budget

- The Executive Budget anticipates \$125.4 million in savings through *Healthy Pennsylvania* for FY 2014-15, with \$616 million in savings for FY 2015-16.
- The bulk of those savings come from moving state-funded General Assistance-related Medical Assistance recipients into the private option program on January 1, 2015.
- DPW anticipates \$7 million in savings from eliminating MAWD and \$16.7 million in savings from benefits cuts.