

Steps to a Childless Adult Waiver in California:

An Overview of Approved Childless Adult Waiver Programs and Policy Options to Consider

Presentation to the CA Working Committee

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Goals for Today's Presentation

1. Provide some detailed information about childless adult programs in other states including:
 - Categories of programs
 - Program design, including:
 - ▶ Populations covered
 - ▶ Benefits provided
 - ▶ Service delivery system
 - ▶ Member cost-sharing
 - ▶ Source of federal funding
2. Discuss policy considerations for CA
3. Provide some detailed information on the budget neutrality calculation

Reminder: What is an 1115 Waiver?

- Section 1115 of the Social Security Act allows states to waive certain provisions of Title XIX (or Title XXI) in the administration of their Medicaid and SCHIP programs, with CMS's approval.
- Provides states with the ability to:
 - modify their Medicaid or SCHIP programs
 - expand to new eligibility groups and receive FFP for "costs not otherwise matchable"
- Demonstration project must be *budget neutral*: that is, it cannot cost the federal government any more than it would have to operate a Medicaid program without a waiver. SCHIP waivers must be "allotment neutral".

States Covering Childless Adults

Using State and Federal Funds

- Arizona
- Hawaii
- Maine
- Massachusetts
- Michigan
- Oregon
- Tennessee
- Utah
- Vermont

Using State Funds Only

- Minnesota
- New Mexico*
- Pennsylvania
- Washington

*has an approved 1115 Waiver,
but implemented only with
state funds

Using Both State/Federal Funds and State Funds Only

- DC
- New York

Types of Childless Adult Programs

- Traditional Childless Adult Programs: programs designed specifically for childless adults who are not categorically eligible for Medicaid regardless of income, unless they are disabled; generally cover adults to 100% FPL (AZ, DC, HI, ME, MA, MI, NY, OR, UT, VT)
- Premium Assistance Programs: programs designed to make employer-sponsored health insurance more affordable for adults who work for small employers or who are self-employed; generally cover adults to 200% FPL (MA, OR and others)
- Premium Subsidy Programs: programs designed for adults who are not eligible for Medicaid, but have no access to ESI to provide affordable access to commercial-like health insurance (MA, VT – will be implemented in 10/07)

Discussion: Potential Goals for a Childless Adult Program in CA

- Improve access to health insurance and reduce number of uninsured in state, as part of larger state initiative to significantly reduce number of uninsured or alone?
- Improve quality of care provided to the population?
- Reduce costs/free care burden by providing “right care, right time, right place”?
- Leverage potential for federal funding?
- Provide more options for affordable coverage?
- Other?

Given goals, several possible strategies for CA to consider:

- Traditional childless adult program?
- Premium Assistance Program?
- Premium Subsidy Program?
- Combination?
- New idea?

Assuming Combination Program

Based on previous discussions of this group and current focus of CMS:

- ▶ Slides will provide an overview of traditional childless adult programs nationally and considerations for California
- ▶ Slides will then provide an overview of premium subsidy programs (MA & VT) and considerations for California

Note: Even though not discussing in detail today, CMS is likely to require a state to have a program that leverages employer-sponsored insurance.

Traditional Childless Adult Program: Overview and Discussion of Considerations for California

Program Design – Who to cover?

- General characteristics of current programs:
 - Age:
 - States generally cover childless adults aged 19 to 64
 - Exception is DC, limits from aged 50 to 64
 - Income Level:
 - Many states cover those with income levels to 100% FPL (including: AZ, HI, MA, NY, OR)
 - Some cover at higher levels: 125% (ME), 150% (UT, VT)
 - Some cover at lower levels: 50% (DC); 35% (MI)
 - Asset Test:
 - Many states include asset tests for this population
 - Exception: MA
 - Other Limitations:
 - MA limits coverage to those who have been unemployed for 12 or more months

Discussion: Potential populations in CA?



Program Design: Eligibility Parameters

- General characteristics of current programs:
 - Enrollment Cap:
 - States generally have included enrollment caps; sizes vary dramatically
 - No cap: AZ, NY
 - 125,000: HI (cap for entire program; currently closed to new childless adult enrollment)
 - 60,000: MA
 - 25,000: UT
 - 2400: DC
 - Maine has an expenditure cap
 - Start Date of Coverage:
 - Retro three months (ME)
 - Upon enrollment with provider (MA, NY)
 - Crowd-out Provisions:
 - Generally not applied to this population due to low-income

Discussion: Potential CA Eligibility Parameters?



Program Design – Benefit Package

- States provide a range of benefit packages:
 - ▶ Traditional Medicaid Benefit: ME, AZ, DC
 - ▶ Medicaid “Lite” Benefit: MA, NY, VT
 - Generally includes comprehensive acute care services
 - Generally excludes long-term care services and non-emergency transportation
 - ▶ Limited Benefit Package: UT, HI, MI, OR, UT
 - Preventive services and primary care only

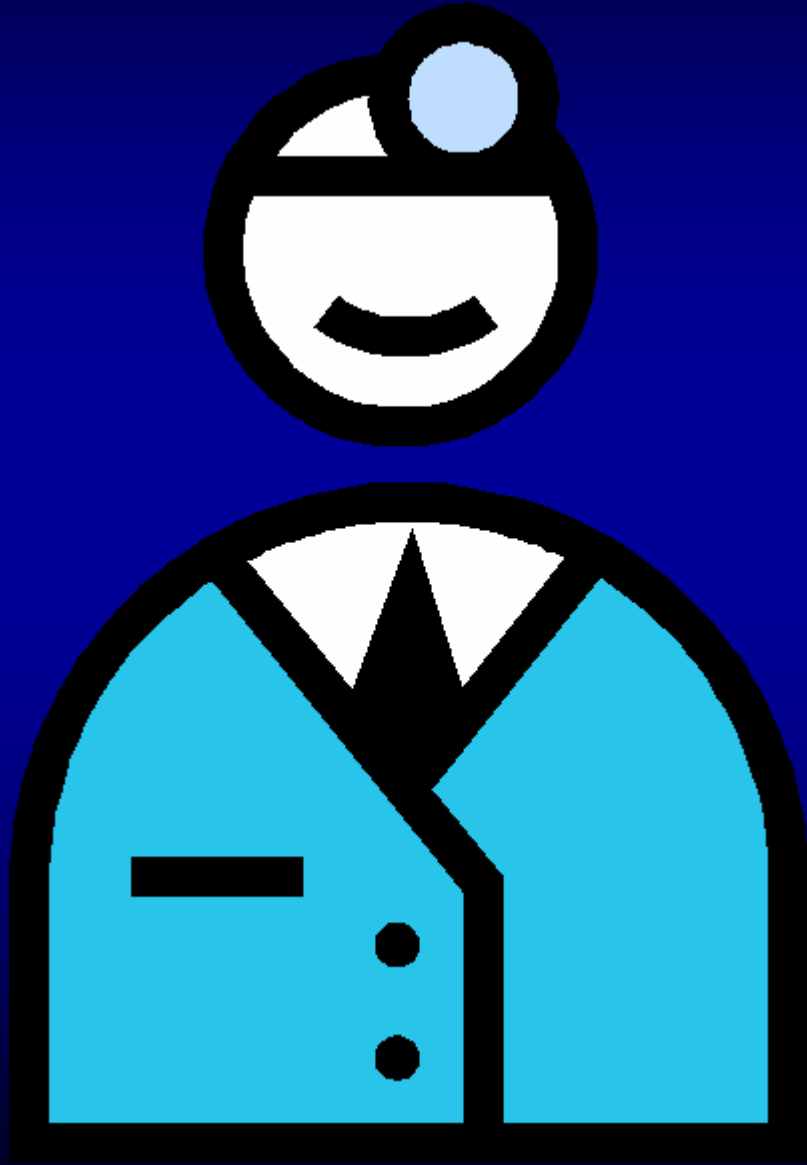
Discussion: Potential CA Benefit Package



Program Design: Service Delivery System

- Most states provide the childless adult package through same vehicle(s) that they cover traditional Medicaid population
- Most enroll populations in managed care plans, including:
 - Arizona, DC, Hawaii, Maine, Michigan, Oregon, and NY
- Vermont runs a state-run, state-wide managed care plan through its Office of Vermont Health Access (OVHA)
- Two states enroll populations in PCCM programs:
 - Massachusetts and Maine
- Three states enroll populations in fee for service:
 - Maine, Michigan and Oregon

Discussion: Potential Delivery System in CA?



Program Design: Cost-Sharing

- Generally, states have limited cost-sharing in traditional childless adult programs

-Premiums:

- Most common: no premiums or enrollment fees
- Exceptions:
 - Oregon: no premium if income below 10%FPL, if between 10-100%FPL, premium ranges from \$9-\$20
 - Utah: annual enrollment fee starts at \$11 for general assistance members, \$25 per year if income below 50%FPL, and \$50 per year if income between 50-150% FPL
 - Vermont: premiums start at \$11 pmpm for those with incomes between 50-75%FPL and rise to \$50 pmpm for those with incomes between 101-150%FPL

-Co-payments:

- Most common: nominal co-payments, similar to Medicaid (AZ, MA, MI)
- Exception: Utah has significant cost-sharing in its program (along with a limited benefit)

Discussion: Cost-Sharing in CA Program



Program Costs

- Childless adults are diverse population; potential characteristics include:
 - ▶ Disabled, but not yet eligible for Medicaid
 - ▶ Chronically ill, but not disabled
 - ▶ Homeless
 - ▶ High users of mental health/substance abuse services
- Generally, pmpm costs for childless adults will be higher than for families, lower than for persons with disabilities
- In MA, PMPM is approximately \$400,
 - ▶ \$100 pmpm is for behavioral health services
 - ▶ Because MA population is long-term unemployed likely to be more disabled than other childless adult groups

Premium Subsidy Programs: Overview and Discussion of Considerations for CA

Program Design: Who to Cover

- General characteristics of programs:
 - Age:
 - MA: designed to cover adults aged 19 to 64
 - VT: designed to cover adults aged 18 and older
 - Income Level:
 - MA & VT: Designed to cover those with incomes at or below 300% FPL
 - Asset Test:
 - No asset test in either MA or VT
 - Other Characteristics:
 - Ineligible for Medicaid or employer-sponsored insurance
 - MA excludes illegal immigrants

Discussion: Potential Populations for CA?



Program Design: Eligibility Parameters

- General characteristics:

- Expenditure Cap:

- Federal funding limited to safety net care pool in MA or to “global commitment” in Vermont

- Start Date of Coverage:

- MA: mirror commercial insurance

- If no premium due: first day of month following enrollment

- If premium due: first day of month following receipt of premium

- Crowd-out Provisions:

- Essential for this population, where many currently have or have access to ESI

- MA: no coverage if access to ESI, uninsured for 6 months

- VT: no coverage if “affordable” ESI, uninsured for 12 months

Discussion: Potential CA Eligibility Parameters



Program Design: Benefit Package

- Generally designed to be more like commercial insurance
 - In VT: comprehensive coverage comparable to commercial products
 - In MA:
 - ▶ If under 100% FPL, plan is Medicaid “lite” (required to be similar to traditional childless adult program)
 - ▶ If between 100-300%FPL, package is more like a commercial product, with limits on services

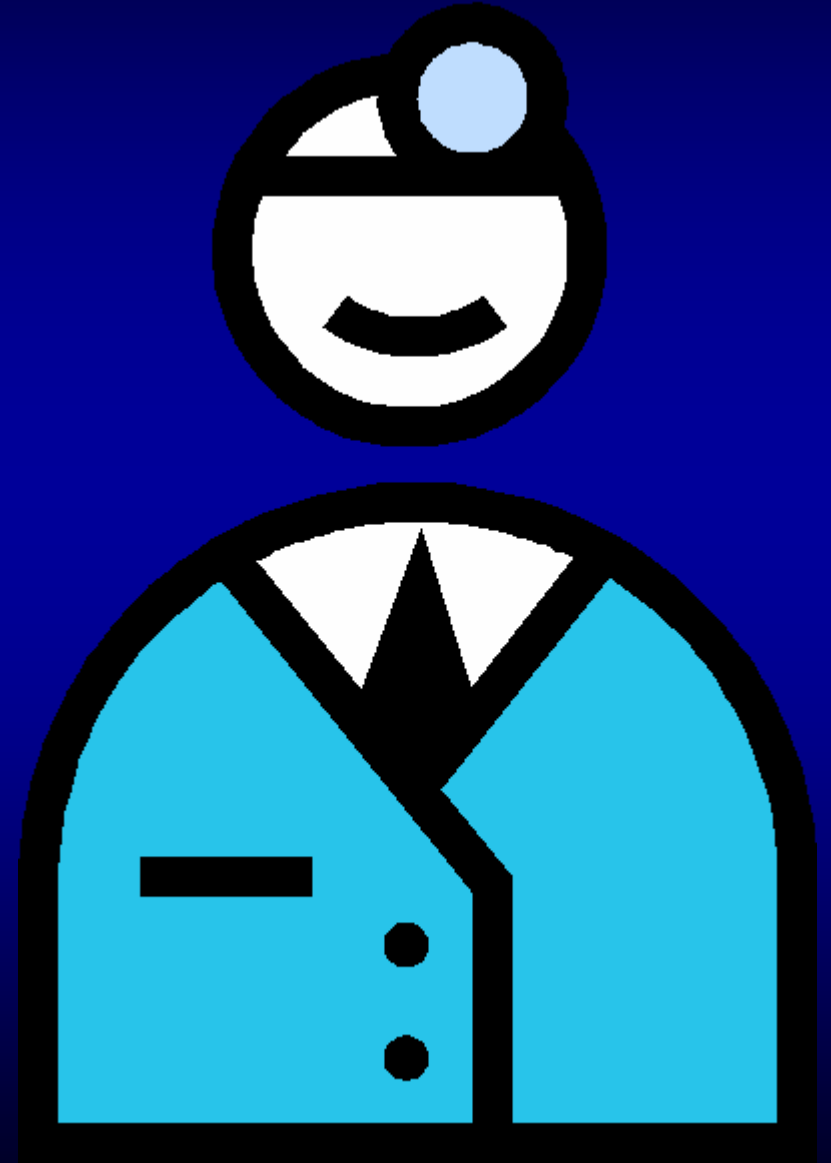
Discussion: Potential CA Benefit Package



Program Design: Service Delivery System

- CMS likes idea of commercial products
 - ▶ In VT: Catamount Health Plan to be offered by two commercial plans: Blue Cross Blue Shield of Vermont and MVP Health Plan
 - ▶ In MA: Four plans that are the state's Medicaid MCOs get exclusive rights to offer product for first three years of the program.
 - Medicaid plans in MA includes three Medicaid-focused plans and one primarily commercial plan
 - ▶ Two plans are exclusively Medicaid plans
 - ▶ One plan has mostly Medicaid lives; formed by community health centers
 - ▶ Commercial plan has very low Medicaid enrollment
 - ▶ Plans with lowest rate in defined service are gets members who do not self-select a plan

Discussion: Potential Delivery System in CA?



Program Design: Premiums

- Programs have sliding-scale, income-based, monthly premiums that are significantly higher than Medicaid programs, but lower than the commercial market.
 - ▶ In MA:
 - ▶ No charge below 100% FPL
 - ▶ \$18 pmpm to 150% FPL
 - ▶ \$40 pmpm to 200% FPL
 - ▶ \$70 pmpm to 250% FPL
 - ▶ \$106 pmpm to 300% FPL
 - ▶ In VT:
 - ▶ \$60 pmpm below 200% FPL
 - ▶ \$90 pmpm to 225% FPL
 - ▶ \$110 pmpm to 250% FPL
 - ▶ \$125 pmpm to 275% FPL
 - ▶ \$135 pmpm to 300% FPL
 - ▶ Full premium if above 300% (estimate \$360)

Program Design: Co-payments/Deductibles

- Programs have more significant levels of member responsibility for co-payments and deductibles:
 - In MA: Charge co-pays only; no deductibles
 - \$5-\$10 for office visits;
 - \$50 for inpatient; (\$250 max for all surgeries)
 - \$50 outpatient surgery;
 - \$5/\$10/\$30 prescription drugs (\$250 max for all drugs)
 - In VT:
 - Out of Pocket Max: \$800/individual; \$1600/family (more if out of network)
 - Deductibles: \$250/individual, \$500/family (more if out of network)
 - Co-payments:
 - \$10 for office visits
 - \$10/\$30/\$50 prescription drugs
 - No co-payments if enrolled in chronic care management program

Discussion: Cost-Sharing in CA Program



Program Costs

- Characteristics of population
 - Diverse population – childless adults, higher income parents, higher income pregnant women
 - Generally thought to be healthier than traditional childless adult program populations due to higher income and mix with other populations
 - MA: PMPM total premium varies by plan
 - Program set up with 4 different plan types, based on income level of member
 - Premiums range across plan types and offering plans – from low of \$275 per month to high of \$375 per month
 - VT: Estimate cost at \$360 per month

Source of Federal Funds for any proposal

- 1115 Medicaid Waiver (MA, NY, VT, HI)
 - Budget Neutrality
 - HIFA
 - Unofficial CMS rules
- Unspent Federal DSH Allotment (ME, DC)
- 1115 SCHIP Waiver (AZ....)
 - DRA prohibits CMS from granting any more

Only Viable Source for CA:

1115 Medicaid Waiver

Source of State Funds

- Potential State Funds –
Need CMS Approval of Source
 - ▶ General Fund Appropriation
 - ▶ County Funding
 - ▶ CPE/IGT/Provider Tax
 - ▶ Designated State Health Program

THIS IS A DISCUSSION FOR ANOTHER DAY

Overview of Budget Neutrality

Basic Idea: Federal government can't spend more on a state's program with a waiver than it would have if the state continued with a traditional Medicaid program.

Key Terms:

- Budget Neutrality Ceiling: Amount federal government would spend without waiver (moves up and down depending on base enrollment)
- Base population: Individuals who could be covered by Medicaid without a waiver (includes 1902(r)(2) expansions)
- Expansion population: Individuals only covered because of a waiver
- PMPM base year: fiscal year used to start budget neutrality calculation
- Trend rate: amount of allowable increase per year in program spending
- Cushion: amount of unspent dollars based on budget neutrality calculation

Example Based on MA

- Without Waiver Expenditures:

- Base Population X Per Member Cost + DSH Expenditures

- ▶ Examples of Base Population: children, parents, disabled; held harmless for growth in this population
 - ▶ Excluded Populations: 65 or older, institutionalized, HCBS waiver members, Katie Beckett kids, IV-E adoption
 - ▶ Costs by Population: expressed as PMPM cost; excludes LTC expenditures; based on historical expenditure estimates trended forward
 - ▶ Example with family population:
 - In base year 1994: \$151.06 PMPM
 - Allowed trend over first 8 years of waiver: 7.71%
 - SFY05 PMPM for calculation: \$334.79
 - Caseload in member months in SFY02: 6,815,236
 - State estimated population growth moving forward at 1% for calculation – by SFY05, estimate of 7,021,745 member months
 - Population X PMPM in estimated \$2,350,836,288 in spending

| Original Waiver Period | Budget Neutrality Ceiling | Total Service Expenditures | Variance |
|------------------------|----------------------------|----------------------------|------------------------|
| SFY98 | \$2,661,927,714.23 | | |
| SFY99 | \$2,978,161,080.22 | | |
| SFY00 | \$3,234,025,801.63 | | |
| SFY01 | \$3,476,419,936.11 | | |
| WY1-4 | \$12,350,534,532.19 | \$11,001,387,951 | \$1,349,146,581 |
| SFY02 | \$3,889,589,049.55 | \$3,804,441,868 | \$85,147,181 |
| Total | \$16,240,123,581.74 | \$14,805,829,820 | \$1,434,239,762 |

Fast Forward with MA Budget Neutrality

- At end of first waiver period: \$1.4 billion cushion
- During second waiver period: began spending more in a year than would have without waiver.
- At end of second waiver period: \$788 million cushion
- Nearing end of third waiver period: MA projects little to no cushion
- Need waiver neutrality strategy with CMS to continue to fund expansion populations going forward

Recap

- Many questions to consider when developing a childless adult waiver.
- Many answers will depend on amount of state and federal dollars that will be available for program.
- Program design will be an iterative process as work through budget neutrality calculation.