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medicaid and the uninsured
THE HENRY J. KAISER FAMILY FOUNDATION

June 2008

Summary of
Healthy Indiana Plan: Key Facts and Issues

Why it is of Interest: On January 1, 2008, Indiana began enrolling adults in its new Healthy Indiana Plan. The plan is the first that allows a state to provide a benefit package modeled after a high-deductible plan and health savings account to a low-income population using Medicaid funds. The state is operating the plan under a federally-approved waiver, which allows it to waive specified federal Medicaid program requirements.

Who it Covers: The plan covers very poor and other low-income uninsured parents (22%-200% FPL or $3,872-$35,200 per year for a family of three in 2008) and other adults (0-200% FPL or $0-$20,800 per year for an individual in 2008) who do not have access to employer-based coverage, Medicare, or regular Medicaid. About 13,000 adults were enrolled as of June 2008. Enrollees tend to be poor (69%), women (65%), age 40 or older (58%), and without dependent children (59%). Enrollment for adults without dependent children currently is capped at 34,000 enrollees; the state estimates it will eventually enroll 86,000 parents.

What it Covers: The benefits include three components provided through managed care plans:

- High-deductible coverage: After meeting a $1,100 deductible, individuals are covered for state-specified benefits up to a $300,000 annual cap and a $1 million lifetime cap.
- POWER Account: This account is used to cover the $1,100 deductible. It is funded by the enrollee (and sometimes an employer), state, and federal government and administered by the enrollee's managed care plan.
- Preventive care: Individuals are covered for preventive care that is not subject to the deductible and does not draw from the POWER Account.

What Enrollees Pay: To obtain and maintain coverage, enrollees must make monthly POWER Account payments, which are scaled by family income and range from 2%-5% of income. The state (along with federal match funds) pays for the gap between enrollees' payments and the $1,100 deductible for the POWER Account. If an enrollee misses a monthly payment, the individual loses coverage, forfeits 25% of his or her POWER Account contributions, and is barred from re-enrolling for 12 months. By obtaining state-specified preventive care, enrollees can carry over state POWER Account contributions to the next year, which helps offset required enrollee payments.

How the Plan is Financed: As a Medicaid waiver program, the plan must be budget neutral to the federal government. The state plans to offset the coverage expansion costs by using a portion of their Disproportionate Share Hospital funds and achieving savings in its existing Medicaid coverage for pregnant women, children, and parents. To assure budget neutrality, the federal government established a per capita cap on federal funds for Healthy Indiana Plan expansion enrollees as well as pregnant women, children, and parents covered through Medicaid. Beyond the savings needed for budget neutrality, the state also has agreed to achieve further savings of $15 million (state and federal) over the five-year waiver period.

Key Issues to Consider: Based on current state estimates, the plan could potentially expand coverage to 120,000 previously uninsured adults; over time, key issues to consider include:

- The affordability and adequacy of the coverage;
- Enrollees' understanding of the coverage;
- The plan's ability to promote personal responsibility, cost transparency, and preventive care;
- The cost-effectiveness of the plan; and
- The impacts on already-eligible Medicaid beneficiaries.

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