

December 2013 | Fact Sheet

Medicaid Expansion Through Premium Assistance: Arkansas, Iowa, and Pennsylvania's Proposals Compared

Arkansas, Iowa, and Pennsylvania have proposed implementing the Affordable Care Act's (ACA's) Medicaid expansion by using Medicaid funds as premium assistance to purchase coverage for some or all newly eligible Medicaid beneficiaries in Marketplace (formerly called Exchange) Qualified Health Plans (QHPs). Arkansas and Iowa's § 1115 demonstration waivers have been approved by the Centers for Medicare and Medicaid Services (CMS), and Pennsylvania's application has been released for public comment.¹ These states seek demonstration waiver authority primarily because they propose to make premium assistance enrollment mandatory for affected beneficiaries.² Iowa and Pennsylvania also propose to waive their obligation to provide wrap-around benefits and to impose premiums not otherwise allowable under federal law; Pennsylvania additionally proposes to require beneficiaries to participate in job search activities. Iowa will cover newly eligible adults with income below 100% FPL through another waiver involving Medicaid managed care, and Pennsylvania's waiver proposal includes some provisions that affect populations currently eligible for Medicaid coverage. This fact sheet compares the states' proposals. Key similarities and differences between the proposals are summarized in Table 1 below and further details are included in Table 2 beginning on the next page.

**Table 1:
Key Similarities and Differences Between States' Medicaid Expansion Premium Assistance Proposals**

	AR (approved)	IA (approved)	PA (proposed)
Overview:	Would use Medicaid funds to pay premiums for Marketplace QHPs for some or all newly eligible Medicaid beneficiaries under the ACA's expansion.		
Duration:	2014-2016		2015-2019
Coverage Groups:	All newly eligible beneficiaries ages 19 to 64: parents between 17-138% FPL, and childless adults between 0-138% FPL. (Would include currently eligible parents and children in future years.)	Newly eligible beneficiaries ages 19 to 64 above 100% to 138% FPL.	All newly eligible beneficiaries ages 21-64: parents between 33-138% FPL, and childless adults between 0-138% FPL.
Enrollment:	Would be mandatory for affected beneficiaries and exempt beneficiaries who are medically frail.		
Premiums for Enrollees:	None	Premiums not to exceed 2% of annual income. Can be waived by meeting specified healthy behavior activities.	Sliding scale based on income, maximum \$25 individual/\$35 household per month in year 1. Required for enrollees from 50-138% FPL. Can be reduced by participating in specified healthy behavior and work search activities.
Cost Sharing:	Required for enrollees between 100-138% FPL. (Would require for those between 50-100% FPL in subsequent years.)	Required for non-emergency use of the emergency room.	
Benefits:	QHPs would provide services in the state's Medicaid Alternative Benefit Plan. Prescription drug coverage would be limited to the QHP formulary.		
Wraparound Benefits:	Provided on a fee-for-service basis.	EPSDT provided FFS. One year waiver of non-emergency medical transportation.	Would not be provided.
QHP Oversight:	Written agreement between state Medicaid agency and QHP (and state insurance departments in AR and IA) covering data reporting and auditing.		

**Table 2:
States' Medicaid Expansion Premium Assistance Proposals Compared**

Element	Arkansas (approved)	Iowa (approved)	Pennsylvania (proposed)
Overview:	Propose using Medicaid funds to pay premiums for Marketplace QHPs for some or all newly eligible Medicaid beneficiaries under the ACA's expansion.		
	<p>Covers all newly eligible beneficiaries (estimated 200,000) statewide.</p> <p>Anticipates developing a pilot project with health savings accounts for demonstration beneficiaries in 2015 or 2016 (not included in current demonstration approval).</p>	<p>Covers newly eligible beneficiaries above 100% to 138% FPL (estimated 36,000) statewide.</p> <p>Also covers beneficiaries up to and including 100% FPL through Medicaid managed care arrangements under another approved § 1115 demonstration.</p>	<p>Would cover all newly eligible beneficiaries (estimated >500,000) statewide.</p> <p>Able-bodied adults ages 21-64 must register for work with state Department of Labor and actively engage in work search or job training activities as condition of eligibility. Must complete 12 approved unspecified work search activities per month during first 6 months to maintain Medicaid eligibility. Exemptions for crisis, serious medical condition or temporary situation that prevents work search, such as domestic abuse or substance abuse treatment. Failure to comply results in 3 months ineligibility for 1st instance, 6 months ineligibility for 2nd instance, and 9 months ineligibility for 3rd instance.</p> <p>Demonstration application also seeks changes to benefits packages, premiums, cost-sharing, and work search requirements applicable to currently eligible beneficiaries who are covered through Medicaid managed care.</p>
Duration:	9/27/13 to 12/31/16	12/10/13 to 12/31/16	2015 to 2019
	Enrollment begins 10/1/13, with eligibility effective 1/1/14.		
Demonstration Goals:	Cite promoting continuity of care, increasing access to care, and increasing Marketplace QHP enrollment.		
Coverage Groups:	<p>Newly eligible parents ages 19-64 between 17-138% FPL, and newly eligible adults without dependent children ages 19-64 between 0-138% FPL.</p> <p>Anticipates amending waiver in 2015 or 2016 to add parents at or below 17% FPL and children (not included in current demonstration approval).</p>	<p>Newly eligible beneficiaries ages 19-64 above 100% to 138% FPL who do not have access to cost-effective employer-sponsored insurance (ESI).</p> <p>(People who have access to cost-effective ESI will be required to receive premium assistance for ESI.)</p>	<p>Newly eligible parents ages 21-64 between 33-138% FPL, and newly eligible adults ages 21-64 without dependent children between 0-138% FPL.</p> <p>(Newly eligible 19 and 20 year olds will be covered under Medicaid managed care.)</p> <p>Provides for premium assistance for cost-effective ESI if available.</p> <p>Eliminates medically needy spend-down coverage group for adults under 65 who are blind/disabled; this group will enroll in premium assistance as newly eligible.</p>

**Table 2:
States' Medicaid Expansion Premium Assistance Proposals Compared**

Element	Arkansas (approved)	Iowa (approved)	Pennsylvania (proposed)
Enrollment:	QHP enrollment required for demonstration beneficiaries.		
Exempt Populations:	<p>People who are medically frail (unless they opt in).</p> <p>Would be identified through state-established process. Waiver application describes 12 question online screening assessment, including health self-assessment, living situation, assistance with ADLs/IADLs, acute and psychiatric overnight hospital stays, and number of physician, physician extender or mental health professional visits.</p> <p>May be disenrolled from QHP if determined medically frail subsequent to enrollment.</p> <p>Could opt for FFS coverage of same ABP offered to new adult group or an ABP that includes state's standard Medicaid benefits package.</p> <p>Also would exempt people with "exceptional medical needs," American Indian/Alaska Natives, pregnant women, and dual eligible beneficiaries.</p>	<p>Would be identified through screening questions on the state's web portal, unless beneficiary opts out of medical frailty assessment.</p> <p>Beneficiaries who become medically frail after QHP enrollment will be able to be reassigned to other Medicaid coverage.</p> <p>American Indian/Alaska Natives can voluntarily opt into demonstration.</p>	<p>Would be identified through screening algorithm focused on higher, more complex physical or behavioral health care needs.</p> <p>Will enroll in the high risk ABP available to currently eligible beneficiaries, unless choose to receive QHP premium assistance.</p> <p>Proposes specific criteria for medically frail determinations.</p> <p>Also would exempt pregnant women, dual eligible beneficiaries, individuals who are institutionalized and those receiving or deemed to be receiving SSI.</p>
Plan Choice and Auto-Assignment:	<p>Beneficiaries will choose between at least 2 silver level Marketplace QHPs and may choose among all silver plans available in geographic region. If beneficiaries do not choose a plan, they will be automatically assigned to one. (IA provides that state must ensure that beneficiaries authorize auto-assignment.)</p> <p>Demonstration QHPs would be "high value" silver level plans.</p> <p>30 days to change QHPs after auto-assignment.</p> <p>Auto-assignment based on target minimum market share of demonstration beneficiaries in each QHP in region.</p>		<p>Beneficiaries would choose between at least 2 QHPs. If ESI not available, could choose among all available QHPs in geographic region.</p> <p>No details on auto-assignment or options counseling provided in demonstration application.</p> <p>Waiver application indicates that: demonstration QHPs would offer 100% actuarial value;</p> <p>beneficiaries may call Medicaid enrollment broker for assistance with QHP selection;</p> <p>beneficiaries must remain enrolled in QHP for 12 months, except for initial 90 day period to change plans for any reason, unless they experience a qualifying event triggering a special enrollment period;</p> <p>auto assignment will be on an alternating basis between QHPs.</p>

**Table 2:
States' Medicaid Expansion Premium Assistance Proposals Compared**

Element	Arkansas (approved)	Iowa (approved)	Pennsylvania (proposed)
<p>Premiums:</p>	<p>State would pay monthly premiums directly to QHPs.</p> <p>Beneficiaries are not responsible for any premium costs.</p>	<p>All premium assistance demonstration beneficiaries (101-138% FPL) will pay monthly premiums which cannot exceed 2% of annual household income. (Iowa's request for premiums for beneficiaries in Medicaid managed care (50-100% FPL) was denied by CMS.)</p> <p>Beneficiary premiums waived for the first year of enrollment. In subsequent years, premiums are waived if beneficiaries complete specified health improvement activities. In year 1, these include completing a health risk assessment and obtaining a wellness examination.</p> <p>State must submit for CMS approval a protocol and document through data and on-going monitoring that enrollees have access to providers in order to apply healthy behavior provisions. Any changes to the healthy behaviors protocol must be approved by CMS.</p> <p>Beneficiaries have a 30 day grace period in the year in which premiums are due to complete the prior year's healthy behaviors and have premiums waived for the remainder of the year.</p> <p>State must grant premium waivers to beneficiaries who self-attest to a financial hardship. Opportunity to self-attest shall be on each premium invoice.</p> <p>Beneficiaries have a 90 day grace period to pay past-due premiums in full before termination of Medicaid eligibility.</p>	<p>Enrollees between 50-138% FPL would pay monthly premiums: 50-100% FPL, \$13 single adult, \$17 household; 100-138% FPL, \$25 single adult, \$35 household. Premiums will be adjusted annually based on inflation.</p> <p>Medicaid eligibility will be terminated for non-payment of premiums for 3 consecutive months. Three months ineligibility for 1st failure to timely pay premiums, 6 months ineligibility for 2nd failure; 9 months ineligibility for 3rd failure.</p> <p>Premiums can be reduced by 25% if beneficiaries engage in healthy behavior activities. In year 1, these include completing a health risk self-assessment, paying premiums on time and having a physical exam. Waiver application seeks authority to change or expand the list of healthy behaviors: after 3 years, state will evaluate health risk assessment data and determine "broader healthy behaviors" such as cholesterol testing.</p> <p>Premiums can be reduced by an additional 25% if beneficiaries are working 30 or more hours per week, effective at time of application and by 15% if working at least 20 but less than 30 hours per week, effective after 6 months Medicaid eligibility.</p> <p>Together, premiums could be reduced by 50% due to health behavior and work thresholds.</p> <p>Premiums set annually but evaluated for reductions every 6 months.</p>

**Table 2:
States' Medicaid Expansion Premium Assistance Proposals Compared**

Element	Arkansas (approved)	Iowa (approved)	Pennsylvania (proposed)
<p>Cost-Sharing:</p>	<p>Cost-sharing limited to 5% of annual income (limit includes premiums in Iowa).</p> <p>Beneficiaries between 100-138% FPL would have cost-sharing consistent with Medicaid and Marketplace QHP rules.</p> <p>No cost-sharing for beneficiaries below 100% FPL in 2014. Waiver application indicates that state intends to add cost-sharing for beneficiaries between 50-100% FPL in 2015 and 2016.</p> <p>No cost-sharing for beneficiaries who are exempt under federal Medicaid law.</p> <p>State will make advance monthly cost-sharing reduction payments to QHPs; providers will collect cost-sharing for which beneficiaries are responsible (up to Medicaid limits) at the point of service.</p>	<p>All demonstration beneficiaries would be subject to a copay for non-emergency use of the emergency room. (amount per state plan in IA; PA proposes \$10.)</p>	<p>State will cover cost of in-network QHP cost-sharing.</p>
<p>Benefits:</p>	<p>QHPs would provide services in the Medicaid Alternative Benefits Package (ABP).</p>		
<p><i>QHP benefits package:</i></p>	<p>ABP will be the same as Medicaid state plan benefits package.</p>	<p>Waiver application indicates that ABP will be at least equivalent to state employee plan benefits package and that state will provide dental benefits through a capitated commercial dental plan carve-out.</p>	<p>QHPs would provide essential health benefits based on small group plan with largest enrollment benchmark.</p> <p>(For currently eligible beneficiaries, state would create 2 adult benefits packages: 1 for "low risk" beneficiaries and 1 for "high risk beneficiaries." Enrollment in benefits package based on health screening during online application. Exceptions to limits on benefits will be granted for chronic illness/serious health condition and denial jeopardizes life or results in serious deterioration; if cost-effective; if necessary to comply with federal law.)</p>

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Element	Arkansas (approved)	Iowa (approved)	Pennsylvania (proposed)
<i>Federally qualified and rural health centers (FQHC/RHC):</i>	Beneficiaries will have access to at least 1 QHP that contracts with at least one FQHC/RHC.		Seeks waiver of FQHC/RHC provider access requirements/would defer to QHP provider network.
	Waiver application indicates that state will develop alternative FQHC/RHC payment methodology that moves from FFS per visit payments to those that account for service intensity and reduction in the uninsured. If unable to do so timely, state reserves right to seek waiver of FQHC/RHC reimbursement rules.	No other FQHC/RHC provisions in demonstration approval.	
<i>Prescription drugs:</i>	Limited to the QHP formulary. Prior authorization within 72 hours instead of 24 hours.		
<i>Family planning providers:</i>	State covers out-of-network family planning providers on FFS basis.		Seeks waiver of requirement to cover all family planning providers.
<i>Wrap-around benefits:</i>	Provided on a FFS basis (non-emergency medical transportation and EPSDT).	One year waiver of obligation to provide non-emergency medical transportation for all newly eligible beneficiaries, after which impact on access to care will be evaluated. EPSDT provided on FFS basis.	Seeks authority to waive provision of any benefits available through low risk ABP that are not included in QHP benefits package, such as non-emergency medical transportation. (Newly eligible 19 and 20 year olds would receive EPSDT through Medicaid managed care plans.)
<i>Retroactive coverage:</i>	Would provide 3 months' coverage prior to application date on FFS basis.	State will provide direct Medicaid coverage between date of eligibility and QHP enrollment. Retroactive coverage not mentioned.	Seeks authority to waive the requirement to provide retroactive coverage.
<i>Appeals:</i>	Demonstration enrollees would use the state fair hearing process for all appeals. State may submit SPA delegating hearing responsibility to another state agency.		Demonstration enrollees would use the QHP appeals process for denials of QHP-covered benefits and state fair hearing process for eligibility appeals.
<i>Financing:</i>	Estimates that the cost of covering the demonstration population will be the same with the waiver as without the waiver: \$118 million in CY 2014, \$126.4 million in CY 2015, and \$135.4 million in CY 2016.	Does not specify cost without the waiver. Estimates that the waiver will cost \$137 million in CY 2014, \$205 million in 2015, \$213 million in 2016, \$221 million in 2017, and \$230 million in 2018.	Waiver application indicates that state "is proposing a per capita budget neutrality model for the populations covered under the demonstration, including [premium assistance] participants. Actual waiver expenditures for these populations will be applied against the without waiver budget limit." No further detail specified.
<i>Cost-Effectiveness:</i>	May use state-developed tests of cost-effectiveness that differ from those otherwise permissible.	Not specified.	

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Element	Arkansas (approved)	Iowa (approved)	Pennsylvania (proposed)
Oversight:	State Medicaid agency (and state insurance departments in AR and IA) will enter into MOU with QHPs regarding enrollment, payment of premiums and cost-sharing reductions, reporting and data requirements, notices, and audits.		
Public comment and waiver submission:	Demonstration approved 9/27/13.	Demonstration approved 12/10/13.	Released for state public comment period prior to CMS submission on 12/6/13.
	Within 6 months of implementation and annually thereafter, state must hold forum for public comment.		
Evaluation:	State must submit draft evaluation design within 60 days of demonstration approval.		Waiver application lists hypotheses to be tested.
		Evaluation shall be conducted by an independent entity.	
Reporting:	State must submit quarterly and annual reports to CMS.		Not specified.

Endnotes:

¹ Arkansas Health Care Independence Program (Private Option), CMS Special Terms and Conditions (Sept. 27, 13), available at <http://www.medicaid.gov/Medicaid-CHIP-Program-Information/By-Topics/Waivers/1115/downloads/ar/ar-private-option-ca.pdf>; see also Arkansas Medicaid, Health Care Independence (a/k/a Private Options) § 1115 Waiver – FINAL (Aug. 2, 2013), available at <https://www.medicaid.state.ar.us/general/comment/demowaivers.aspx>; Iowa Marketplace Choice Plan, CMS Special Terms and Conditions (Jan. 1, 2014-Dec. 31, 2016).; see also Iowa Dep't of Human Servs., *Iowa Marketplace Choice Plan § 1115 Waiver Application* (Aug. 2013), available at http://www.dhs.state.ia.us/uploads/IAMktplaceChoice1115_Final.pdf; Pennsylvania Dep't of Public Welfare, *Draft Healthy Pennsylvania 1115 Demonstration Application* (Dec. 2013), available at http://www.dpw.state.pa.us/ucmprd/groups/webcontent/documents/document/p_039654.pdf.

² For background about the state plan option and demonstration waiver premium assistance authorities and key beneficiary protections in Medicaid expansion premium assistance program, see Kaiser Commission on Medicaid and the Uninsured, *Medicaid Expansion Through Marketplace Premium Assistance* (Sept. 2013), available at <http://www.kff.org/medicaid/fact-sheet/medicaid-expansion-through-marketplace-premium-assistance/>.