

April 2014 | 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 in Marketplace Qualified Health Plans (QHPs) for some or all newly eligible beneficiaries.¹ Arkansas² and Iowa's³ § 1115 demonstrations have been approved by the Centers for Medicare and Medicaid Services (CMS) with enrollment effective in January 2014, and Pennsylvania's⁴ application recently was submitted to CMS. These states seek demonstration waiver authority primarily because they require premium assistance enrollment for affected beneficiaries.⁵ Arkansas' demonstration provides premium assistance to all newly eligible adults, while Iowa provides premium assistance to newly eligible adults above the federal poverty level and covers those below the federal poverty level through Medicaid managed care. Pennsylvania proposes using premium assistance for all newly eligible adults and also includes changes to benefits packages and premiums and a voluntary work search program that would apply to both newly and currently eligible populations. This fact sheet compares the states' proposals. Key similarities and differences are summarized in Table 1 and further details are in Table 2.

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

	AR (approved)	IA (approved, as amended)	PA (pending)
Overview:	Use Medicaid funds to pay Marketplace QHP premiums for some or all adults newly eligible under the ACA's Medicaid expansion.		
Duration:	2014-2016		2015-2019
Coverage Groups Subject to Premium Assistance:	All newly eligible adults ages 19-64: parents between 17-138% FPL, and childless adults between 0-138% FPL. (Would include currently eligible parents and children in future years.) State legislation requires health savings accounts for non-disabled enrollees for demonstration to continue beyond Jan. 2015	Newly eligible adults ages 19-64 between 100-138% FPL. Newly eligible adults up to and including 100% FPL covered through Medicaid managed care.	All newly eligible adults ages 21-64: parents between 33-138% FPL, and childless adults between 0-138% FPL. Changes to benefits and premiums and a voluntary work search pilot program would apply to currently and newly eligible adults.
Enrollment:	Premium assistance is mandatory for newly eligible adults except for those who are medically frail.		
Premiums:	None	\$10/month for premium assistance enrollees from 100-138% FPL and \$5/month for managed care enrollees from 50-100% FPL beginning in year 2. Can be waived by meeting healthy behavior activities.	Required for enrollees from 100-138% FPL beginning in year 2: \$25 individual/\$35 household per month. Can be reduced by participating in healthy behavior and work activities.
Cost Sharing:	Required for enrollees between 100-138% FPL. (State legislation requires approval for those above 50% FPL for demonstration to continue beyond Jan. 2015.)	Required for non-emergency use of the emergency room for all beneficiaries (state plan amount in IA; PA proposes \$10, which exceeds state plan maximum of \$8). Beneficiaries up to 100% FPL pay state plan cost-sharing amounts; those from 100-138% FPL pay state plan cost-sharing in year 1 only.	
Benefits:	QHPs provide services in the state's Medicaid Alternative Benefit Plan for newly eligible adults. Prescription drug coverage limited to the QHP formulary.		
Wraparound Benefits:	Provided FFS. State legislation requires limited non-emergency medical transportation benefit for demonstration to continue beyond Jan. 2015.	EPSDT provided FFS. One year waiver of non-emergency medical transportation.	Would not be provided.
Oversight:	Written agreement between state Medicaid agency and QHP.		

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

Element	Arkansas (approved)	Iowa (approved, as amended)	Pennsylvania (pending)
Overview:	Use Medicaid funds to pay Marketplace QHP premiums for some or all adults newly eligible under the ACA's Medicaid expansion.		
	Covers all newly eligible beneficiaries (estimated 200,000) statewide. State legislation requires CMS approval of a health savings account program for non-disabled enrollees in order for the Medicaid expansion to continue past Jan. 2015. ⁶ (not included in current demonstration approval).	Covers newly eligible beneficiaries above 100% to 138% FPL (estimated 36,000) statewide. Also covers newly eligible beneficiaries up to and including 100% FPL through Medicaid managed care under another approved § 1115 demonstration.	Would cover all newly eligible beneficiaries (estimated >500,000) statewide. Demonstration application also seeks changes to benefits and premiums and voluntary work search program that would apply to newly and currently eligible beneficiaries.
Duration:	9/27/13 to 12/31/16 Eligibility effective 1/1/14.	12/10/13 to 12/31/16	2015 to 2019 Eligibility effective 1/1/15.
Demonstration Goals:	Cite promoting continuity of care, increasing access to care, and increasing Marketplace QHP enrollment.		
Coverage Groups Subject to Premium Assistance:	Newly eligible parents ages 19-64 between 17-138% FPL, and newly eligible adults without dependent children ages 19-64 between 0-138% FPL. Anticipates amending waiver in 2015 or 2016 to add parents at or below 17% FPL and children (not included in current demonstration approval).	Newly eligible beneficiaries ages 19-64 above 100% and up to 138% FPL who do not have access to cost-effective employer-sponsored insurance (ESI). (People who have access to cost-effective ESI will be required to receive premium assistance for ESI.)	Newly eligible parents ages 21-64 between 33-138% FPL, and newly eligible adults without dependent children ages 21-64 between 0-138% FPL. (Newly eligible 19 and 20 year olds will be covered under Medicaid managed care.) Provides for premium assistance for cost-effective ESI if available. Eliminates medically needy spend-down coverage group for adults under 65 who are blind/disabled and Ticket to Work coverage group for working adults with disabilities; these groups will enroll in premium assistance as newly eligible.
Enrollment:	QHP enrollment required for demonstration beneficiaries.		
Populations Exempt from Premium Assistance:	People who are medically frail (unless they opt to receive QHP premium assistance in AR or IA).		
	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. May be disenrolled from QHP if determined medically frail subsequent to enrollment.	Identified through screening questions on the state's web portal, unless beneficiary opts out of medical frailty assessment. Beneficiaries who become medically frail after QHP enrollment will be able to be reassigned to other Medicaid coverage. American Indian/Alaska Natives can voluntarily opt into demonstration.	Would be identified through online self-assessment of health needs and claims data. Proposes specific criteria for medical frailty determinations. Will enroll in the new "high risk" ABP available to currently eligible adults, unless choose to receive new "low risk" ABP available to currently eligible adults. Pregnant women, dual eligible beneficiaries, those who are institutionalized, and those receiving Medicaid in an SSI-related category also are exempt from premium

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

Element	Arkansas (approved)	Iowa (approved, as amended)	Pennsylvania (pending)
	<p>Can 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>People with "exceptional medical needs," American Indian/Alaska Natives, pregnant women, and dual eligible beneficiaries also are exempt from premium assistance enrollment.</p>		<p>assistance enrollment.</p> <p>Beneficiaries identified as medically frail are subject to premiums and cost-sharing unless otherwise exempt.</p>
QHP Choice and Auto-Assignment:	<p>Beneficiaries 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 the state must ensure that beneficiaries authorize auto-assignment.)</p> <p>Demonstration QHPs are "high value" silver level plans.</p> <p>30 days to change QHP after auto-assignment.</p> <p>Auto-assignment based on target minimum market share of demonstration beneficiaries in each QHP in region.</p>	<p>Waiver application indicates that:</p> <ul style="list-style-type: none"> -demonstration QHPs would offer 100% actuarial value; -beneficiaries may call Medicaid enrollment broker for assistance with QHP selection; -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; -auto assignment on an alternating basis between QHPs. 	<p>Beneficiaries choose between at least 2 QHPs. If ESI not available, could choose among all available QHPs in geographic region. State may develop more selective criteria for demonstration QHPs in future years.</p> <p>No details on auto-assignment or options counseling provided in demonstration application.</p>
Premiums:	<p>State pays monthly premiums directly to QHPs.</p> <p>Beneficiaries are not responsible for any premium costs.</p>	<p>Premium assistance demonstration beneficiaries (above 100-138% FPL) will pay premiums which cannot exceed \$10/month. (Medicaid managed care demonstration beneficiaries from 50-100% FPL will pay premiums of \$5/month.)</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</p>	<p>No premiums in demonstration year 1. Beginning in year 2, currently and newly eligible adults over age 21 between 100-138% FPL must pay monthly premiums: \$25 single adult, \$35 household with more than 1 adult, with rates adjusted annually based on inflation.⁷ First month's premium is waived; thereafter, premiums must be paid in full prospectively. Pregnant women, seniors, beneficiaries in institutions, those eligible for Medicaid in SSI-related categories, and those dually eligible for Medicaid and Medicare are exempt from premiums.</p> <p>Medicaid eligibility will be terminated for non-payment of premiums for 3 consecutive months: 3 months ineligibility for 1st failure to timely pay premiums, 6 months ineligibility for 2nd failure; 9 months ineligibility</p>

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

Element	Arkansas (approved)	Iowa (approved, as amended)	Pennsylvania (pending)
		<p>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>for 3rd failure.</p> <p>If beneficiaries complete certain healthy behavior activities during a 6 month period, premiums and cost-sharing will be reduced in the following 6 month period. In year 1, these include paying co-pays on time and having an annual wellness visit; completing a health risk assessment is added in year 2. Future healthy behaviors may include preventive services or other activities related to employment or health promotion and disease prevention. Seeks authority to change or expand the list of healthy behaviors and may add other healthy behaviors such as cholesterol testing based on health risk assessment data.</p> <p>Also proposes voluntary one year pilot program in which currently and newly eligible beneficiaries over age 18 may have premiums and cost-sharing reduced by 40% if work 30 or more hours per week; 25% if work 20-29 hours per week; or 15% if register for work with state Department of Labor and complete monthly job training or work activities (such as attend job fair, review online job postings, resume/interview/career readiness activities, civil service/pre-employment test, job search, GED/post-secondary degree).</p> <p>Also, beginning in year 2, the state will evaluate cost-sharing data from year 1 to consider changes to premiums, cost-sharing, or work requirements for beneficiaries under 100% FPL.</p>
Cost-Sharing:	<p>Cost-sharing limited to 5% of income (limit includes premiums in IA and PA; annual income in AR and PA, quarterly income in IA).</p> <p>Beneficiaries between 100-138% FPL have cost-sharing consistent with Medicaid and Marketplace QHP rules.</p> <p>No cost-sharing for beneficiaries below 100% FPL in 2014. State legislation requires CMS approval of cost-sharing (amount unspecified) for demonstration beneficiaries over 50% FPL in order for the Medicaid expansion to continue beyond Jan. 2015.⁸</p> <p>No cost-sharing for</p>	<p>Demonstration beneficiaries must pay a copay for non-emergency use of the emergency room (amount per state plan in IA; PA proposes \$10 (which exceeds state plan maximum of \$8) beginning in demonstration year 2 for most currently and newly eligible adults ages 18 and older who are not institutionalized).</p>	<p>In demonstration year 1, currently and newly eligible adults ages 18 and older who are not otherwise exempt from cost-sharing will pay cost-sharing per existing state plan. Payments are made to providers at the point of service, and providers may deny service to beneficiaries over 100% FPL for failure to pay.</p> <p>In demonstration year 2, cost-sharing</p>

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

Element	Arkansas (approved)	Iowa (approved, as amended)	Pennsylvania (pending)
	<p>beneficiaries who are exempt under federal Medicaid law.</p> <p>State makes advance monthly cost-sharing reduction payments to QHPs; providers collect cost-sharing for which beneficiaries are responsible (up to Medicaid limits) at the point of service.</p>		<p>for beneficiaries age 21 and older at 100-138% is replaced by monthly premiums; for beneficiaries below 100% FPL, cost-sharing continues but is paid directly to the state.</p> <p>State will cover cost-sharing for in-network services for premium assistance beneficiaries enrolled in QHPs.</p> <p>As described above, cost-sharing can be reduced for completing certain healthy behavior activities and participating in the voluntary work pilot program.</p>
Benefits:	QHPs provide services in the state's Medicaid Alternative Benefits Package (ABP) for newly eligible adults.		
<i>QHP benefits package:</i>	<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 the small group plan with largest enrollment benchmark for newly eligible adults over age 21.</p> <p>Newly eligible children under age 21 will receive current children's state plan benefit package.</p> <p>Proposes a new "low risk" benefits package for most currently eligible adults.</p> <p>Proposes a new "high risk" benefits package for currently eligible adults with complex health needs, newly eligible adults identified as medically frail, pregnant women, beneficiaries eligible for Medicaid in an SSI-related category, those who are institutionalized, those dually eligible for Medicaid and Medicare, and those receiving HCBS or participating in PACE, unless they opt to receive the "low risk" package.</p> <p>Enrollment in the "high risk" benefits package is based on health screening during online application and annual renewal and claims data.</p> <p>Exceptions to limits on benefits will be granted for chronic illness/serious health condition where denial jeopardizes life or results in serious deterioration; if cost-effective; if necessary to comply with federal law.</p>
<i>Federally qualified and</i>	Beneficiaries will have access to at least 1 QHP that contracts with at least one FQHC/RHC.		QHPs must provide access to FQHC/RHC.

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

Element	Arkansas (approved)	Iowa (approved, as amended)	Pennsylvania (pending)
<i>rural health centers (FQHC/RHC):</i>	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 provide free choice of family planning provider.
<i>Wrap-around benefits:</i>	<p>Provided on a FFS basis (non-emergency medical transportation and EPSDT).</p> <p>State legislation requires CMS approval of a "limited state-designed nonemergency transportation benefit" for demonstration beneficiaries for the Medicaid expansion to continue past Jan. 2015.⁹</p>	<p>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.</p> <p>EPSDT provided on FFS basis.</p>	Seeks authority to waive provision of any Medicaid benefits available through low risk ABP that are not included in QHP benefits package, such as non-emergency medical transportation. Also seeks general waiver of federal requirement that services be sufficient in amount, duration, and scope to reasonably achieve their purpose. (Newly eligible 19 and 20 year olds receive EPSDT through existing Medicaid managed care plans.)
<i>Retroactive coverage:</i>	Provides 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 for newly eligible adults; however, those determined presumptively eligible for Medicaid by a hospital will receive benefits FFS from the date of application to the date of QHP enrollment.
<i>Appeals:</i>	Demonstration enrollees 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 provider access issues and the state fair hearing process for appeals relating to eligibility, plan placement, and financial contributions.
<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.	Does not specify costs without waiver. Baseline costs will be adjusted to account for changes in benefits packages and cost-sharing.
<i>Cost-Effectiveness:</i>	May use state-developed tests of cost-effectiveness that differ from those otherwise permissible.	Not specified.	
<i>Oversight:</i>	State Medicaid agency (and state insurance departments in AR and IA) will enter into MOU or agreement with QHPs regarding enrollment, payment of premiums and cost-sharing reductions, reporting and data requirements, notices, and audits.		

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

Element	Arkansas (approved)	Iowa (approved, as amended)	Pennsylvania (pending)
Status:	Demonstration approved 9/27/13.	Demonstration approved 12/10/13.	Submitted to CMS 2/19/14. Federal public comment period ends at 6:00 AM on 4/11/14.
	Within 6 months of implementation and annually thereafter, state must hold forum for public comment.	Demonstration amendments are subject to state level public notice and comment.	
Evaluation:	State must submit draft evaluation design within 60 days of demonstration approval.	Evaluation shall be conducted by an independent entity.	Waiver application lists hypotheses to be tested.
Reporting:	State must submit quarterly and annual reports to CMS.		Not specified.

ENDNOTES:

¹ New Hampshire also recently enacted legislation authorizing the ACA's Medicaid expansion, through direct coverage in the state's Medicaid program beginning in July 2014, and through Marketplace premium assistance beginning in January 2016 (with a § 1115 waiver application to be filed with CMS by December 2014 for the premium assistance program). See N.H. Sen. Bill 413, available at <http://www.gencourt.state.nh.us/legislation/2014/SBO413.pdf>.

² Ark. 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 Ark. 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>. Arkansas subsequently passed legislation that requires three changes to its Medicaid expansion in order for the program to continue beyond January 2015 (a limited state-designed non-emergency transportation benefit, health savings accounts for non-disabled demonstration beneficiaries, and cost-sharing for demonstration beneficiaries above 50% FPL). The state must submit draft state plan amendments or waivers for public comment by Aug. 1, 2014 and file state plan amendments or waivers with CMS by Sept. 15, 2014. Ark. Act 257, § 17 (Feb. 18, 2014), available at <http://www.arkleg.state.ar.us/assembly/2013/2014F/Pages/BillInformation.aspx?measureno=SB111>.

³ Iowa Marketplace Choice Plan, CMS Special Terms and Conditions (Jan. 1, 2014-Dec. 31, 2016), available at <http://www.medicaid.gov/Medicaid-CHIP-Program-Information/By-Topics/Waivers/1115/downloads/ia/ia-marketplace-choice-plan-ca.pdf>; 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. Iowa's waivers were subsequently amended by CMS on Dec. 30, 2013.

⁴ Penn. Dep't of Public Welfare, Healthy Pennsylvania 1115 Demonstration Application (Feb. 2014) and Encouraging Employment proposal (March 2014), available at <http://www.medicaid.gov/Medicaid-CHIP-Program-Information/By-Topics/Waivers/1115/downloads/pa/pa-healthy-pa.pdf>.

⁵ 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/>. For an overview of themes emerging in Medicaid expansion waivers, see Kaiser Commission on Medicaid and the Uninsured, *The ACA and Recent Section 1115 Medicaid Demonstration Waivers* (Feb. 2014), available at <http://kff.org/medicaid/issue-brief/the-aca-and-recent-section-1115-medicaid-demonstration-waivers/>.

⁶ Ark. Act 257, § 17(c)(1)(B) (Feb. 18, 2014).

⁷ These amounts exceed 2% of household income (the limit on premium costs for individuals in the Marketplace) for those closer to 100% FPL.

⁸ Ark. Act 257, § 17(c)(1)(C) (Feb. 18, 2014).

⁹ *Id.* at § 17(c)(1)(A).