To: Members of the Three Star Taskforce
From: Melinda Buntin and Nikki Viverette
Re: Summary of Health Savings Accounts (HSA), Enrollee Cost Sharing, Healthy Behavior Programs, and Payment Enforcement Mechanisms in States with Section 1115 Medicaid Waivers
Date: November 17, 2016

While it is not yet clear exactly what steps the administration and Congress will take in the health care arena, the expansion of Health Saving Accounts (HSAs) and greater state control have been common themes during the campaign and post-election discussions. Accordingly, fleshing out the form an HSA-based reform might take in Tennessee could position the state to take advantage of federal legislative changes.

In this memo we review the program elements of the seven states operating 1115 Medicaid waivers that expand coverage to those below 138% of the Federal Poverty Level (FPL). Most of these states have HSA programs. Further, since most states' HSA programs are closely linked to enrollee cost sharing, healthy behavior incentives, and payment enforcement, we review each of those elements in this memo as well.

In each section of this memo – HSAs, cost sharing, healthy behavior programs, and payment enforcement mechanisms – we describe common themes as well as differences across the states' waiver demonstrations. Details of each state's waiver components are summarized in charts at the end of the memo.

There are a couple of caveats to the information provided below. First, Kentucky submitted an application to CMS in August 2016 to change their traditional Medicaid expansion to an 1115 Medicaid waiver program. The application is still being reviewed by CMS, but is included in the tables and discussion below. And second, the details of some of these programs are not yet specified or may change during implementation.

Health Savings Accounts in States With 1115 Medicaid Waivers

Several states have adopted provisions that require enrollees to make monthly premiums or monthly account contributions into an HSA. These accounts are funded with premiums, enrollee contributions, or state contributions, which can be used for cost sharing, which includes copays and coinsurance.

These contributions have two purposes: 1) to reduce costs to the state, and 2) to increase enrollees' responsibility for their health coverage and familiarize enrollees with private insurance models. The theory behind HSAs is that enrollees have an incentive to use funds in their accounts thoughtfully because they can be rolled over and used for health services needed in the future. The approach is intended to reduce unnecessary use of medical services.

Some have concerns about the effectiveness and efficiency of HSAs for Medicaid enrollees, including that they may be a weak deterrent to unnecessary medical use and that they may be administratively

inefficient because enrollee contributions are small relative to health care costs. In addition, required contributions to an HSA may deter enrollment and limit enrollee access to care. However, others contend that there are benefits merely from having enrollees manage HSAs because it familiarizes them with private insurance models, including the requirement to contribute to the costs of obtaining care.

It is not clear yet how enrollee contribution amounts and structure may encourage or discourage enrollee access to health care. It is also not clear what types of copayments and healthy behavior incentives best motivate enrollees to engage with health care utilization in a thoughtful manner, without deterring enrollment and compromising access to necessary care. Because of this, it may be beneficial to test different models of enrollment contributions and healthy behavior incentives in different parts of the state -- as discussed by the task force in prior meetings. This could provide valuable insight to the State about what contributions and incentives encourage enrollee engagement without deterring enrollment and access.

Common Themes Among States' HSA Programs

- Premiums/ monthly account contributions collect in account and are used to pay cost sharing for services
- HSA funds roll over (in a few states, rollover is attached to a healthy behavior target or payment of premiums/ cost sharing)
- Graduated premiums/ monthly account contributions based on FPL

Differences Among States' HSA Programs

- Premiums/ monthly account contributions – how much, what they are used for, penalties for not paying, linkage to healthy behavior program
- State contribution to accounts

Cost Sharing in States With 1115 Medicaid Waivers

Some assert that having enrollees make financial contributions increases responsibility for health care utilization, makes participation less demeaning, and exposes Medicaid enrollees to private insurance models. However, research indicates that low-income individuals are sensitive to premiums and that charging premiums or premium-like monthly contributions may lead to a reduction in enrollment. Further, similar to HSAs, some believe that budgetary savings are unlikely to be significant because enrollee contributions are small relative to health care costs.

Common Themes Among States' Waiver Cost Sharing Requirements

- Charging copays higher than the standard federal maximum for non-emergent use of ED (Emergency Department)
- All other cost sharing is at or below federal maximums

Differences Among States' Requirements

- Exact amounts of cost sharing
- When cost sharing is due

Healthy Behavior Programs in States With 1115 Medicaid Waivers

Most of the states with 1115 Medicaid waivers use financial incentives, such as a reduction or waiver of premiums, account contributions, or cost sharing, to encourage enrollees to engage in healthy behaviors, including health screenings and assessments, exercise, and disease prevention.

Low-income populations have higher rates of obesity, smoking, and substance abuse than the general population so, in principle, encouraging healthy behaviors may improve health outcomes. However, the evidence for the effectiveness of such healthy behavior programs is not clear-cut. For example, a complete physical exam is expensive and could lead to more utilization of services in the short run, though possibly improving health and reducing utilization in the long run. Health behaviors are also difficult to change, and research on effective programs is sparse. As with HSAs and cost sharing levels, Tennessee may wish to test different types of healthy behavior incentives to determine which are the most salient for these populations.

Common Themes Among States' Healthy Behavior Programs

- Healthy behaviors attached to financial reward: offset/ waive future premiums, cost sharing reduction, access to funds, rollover, enhanced benefits

Differences Among States' Healthy Behavior Programs

- Reward type
- Healthy behaviors rewarded - prevention, disease management, etc (health risk assessment is part of all programs)
- When incentive is offered - immediate or longer-term

Payment Enforcement Mechanisms in States With 1115 Medicaid Waivers

Every state, except New Hampshire, that has expanded Medicaid using an 1115 waiver has enforcement mechanisms for enrollee premiums, account contributions, and cost sharing. These enforcement mechanisms help ensure enrollees continue to participate in cost sharing, and range from losing financial incentives to facing disenrollment and lockout from coverage for up to 6 months.

Common Themes Among States' Payment Enforcement Mechanisms

- Enrollees incur debt to the state for past-due premiums (unless paid or taken from HSA)
- Enrollees above 100% FPL may be disenrolled, denied services, or charged cost sharing at point of service for not paying cost sharing/ premiums/ monthly contributions
- Disenrollment occurs after 60- or 90-day grace period

Differences Among States' Payment Enforcement Mechanisms

- Lockout periods and corrective action to avoid lockouts
- If/ how past-due premiums are collected, and if that is a condition of reenrollment
- Reenrollment process
- Grace periods/ length
- State deducting funds from account

Table 1. Health Savings Accounts in States With 1115 Medicaid Waivers

State	Health Savings Accounts (HSA)
Arizona	Enrollee pays premiums into account. There is no state contribution. Enrollees can withdraw, roll over, and use account funds for non-covered services when premiums are paid and at least one healthy behavior target is met.
Indiana	Enrollee pays premiums into account. State will annually contribute to enrollee account the difference between the enrollee's annual premium and $2500. The State will make an initial $1300 account contribution upon enrollment, and at the end of 12 months, the Managed Care Organization (MCO) and the State will reconcile the account to determine any amounts owed by the State. Claims beyond $2500 will be covered. Amount of rollover depends on enrollment in basic plan or enhanced plan and on obtaining certain preventive services. Rollover funds can be used to reduce premiums in subsequent years.
Kentucky (Proposed)	Kentucky proposes to create two accounts: 1) HSA: State will contribute $1000 for covered services. Once the money is exhausted, the MCO will pay for all covered services. 2) Incentive account: Enrollee can use funds to purchase enhanced benefits not covered by the plan. Can accumulate funds by transferring 50% of remaining state contribution in HSA each year and/or completing activities such as community service, job training, health risk-assessment, or passing the GED. Unused amounts will roll over each year. Enrollees who leave the program and remain employed and privately insured for 18 months can apply to receive the balance of their incentive account funds in cash, up to $500.
Michigan	Enrollees pay premiums and copays into accounts. Copays are then dispersed to the health plan and do not accumulate in the account. Enrollee contributions to the account are not the first source of payment for health care services. The health plan is responsible for 'first dollar' payment of covered services the enrollee receives, up to a specified amount, before the enrollee's account funds are used. The health plan contribution is equal to $1000 minus the enrollee's annual contribution amount. After the 'first dollar' amount is reached, enrollee account funds will be used to pay for covered services. If there are insufficient funds to cover the cost, the enrollee will owe the remainder. In the meantime, the health plan will pay the cost of services provided, and can recover that money from the enrollee.

	Since enrollees below 100% FPL do not pay premiums, health plans will be responsible for payment of all covered services. Funds roll over, but will decrease the health plan's contribution amount the subsequent year. Maximum amount of account funds that can accumulate is capped at $1000. Contributions will be suspended until the account balance falls below $1000. Enrollee can receive account funds when they leave the Medicaid program.
Tennessee (Proposed) **Insure TN**	Used to pay premiums and copays. State loads "small sum" of money into account at enrollment. Enrollees earn additional credits by engaging in healthy behaviors. Once account funds are depleted, enrollee is responsible for premiums and copays up to the cost sharing cap (5% of household income (HHI)). Can roll over unused account funds.

Table 2. Cost Sharing in States With 1115 Medicaid Waivers

Note: Although several states received approval to have enrollees pay premiums or make account contributions, CMS has not increased the nominal cost sharing caps on services under current federal regulations. Further, premiums and cost sharing cannot exceed 5% household income.

State	Premiums	Cost sharing
Arkansas	Below 100% FPL - no premiums. Above 100% FPL - up to 2% HHI.	Enrollees above 100% FPL - subject to copays at point of service. Copays are at or below federal maximums.
Arizona	$25 or 2% of HHI, whichever is less income. Condition of eligibility for those above 100% FPL.	Copays at or below federal maximums except: • Enrollees below 100% FPL - $25 for non-emergent ED use if <20 miles from provider. Otherwise, $8 for first time and $25 for subsequent visits (if not admitted). • Enrollees above 100% FPL - $25 for non-emergent ED use (if not admitted). Copays for missed appointments. Cost sharing for services are paid monthly instead of at point-of-service. Condition of eligibility for those above 100% FPL.
Indiana	2% HHI or $1, whichever is greater. $1 for those at or below 5% FPL. Condition of eligibility for those above 100% FPL.	Basic plan: Copays at or below federal maximums. Enhanced plan: $8 for non-emergent use of ED. For all enrollees, the $8 ED copay is waived if the enrollee calls the MCO's 24-hour nurse hotline prior to using the ED. ED copay is also refunded if the person is found to have an emergency condition. State received permission to charge graduated ED copays - $8 for 1st visit and $25

		for subsequent visits - for a limited group of enrollees to determine if that affects non-emergent use of the ED.
Iowa	Premiums after first year of enrollment: • Between 50-100% FPL - $5/month • Above 100% FPL - $10/ month Premiums are waived if enrollee completes specified healthy behavior activities, or if they attest to financial hardship.	$8 co-pay for non-emergent use of ED (after first year of enrollment).
Kentucky (Proposed)	Premiums based on sliding scale: • Below 100% FPL - Range from $1 for those under 25% FPL to $8 for those between 51-100% FPL. • Above 100% FPL - $15 in the first two years of enrollment. Will gradually increase beginning the third year of enrollment. Max premium is $37.50. Monthly premium will be applied on a family basis and will not be separately charged to each enrollee in the household. Condition of eligibility for those over 100% FPL. Paying premiums will be a condition to access incentive accounts.	Enrollees who pay premiums don't have copays. Enrollees below 100% FPL who don't pay premiums will be responsible for copays. Incentive accounts deducted for non-emergent use of the ED ($20 for the first visit, $50 for the second visit, and $75 for the third and subsequent visits). Incentive account credited $20 each year an enrollee doesn't have an unnecessary ED visit.
Michigan	Below 100% FPL - no premiums. Above 100% FPL - 2% of HHI (after first 6 months of enrollment).	Copays at or below federal maximums. No copays collected the first 6 months of enrollment. After the first 6 months, an average monthly copay will be calculated based on service utilization in the first 3 months of enrollment. Enrollee's copay will be recalculated on a quarterly basis, depending

		on utilization. Reductions for healthy behaviors applied to copays.
Montana	2% of HHI (per household, not individual). Individuals who pay premiums will receive a credit towards accrued copays up to 2% HHI.	Copays at or below federal maximums. Enrollees won't accrue out of pocket expenses for copays until accumulated copayments exceed 2% HHI.
New Hampshire	None	Below 100% FPL - Copays at or below federal maximums, except for $8 for the first non-emergent use of the ED and $25 for each subsequent use. Above 100% FPL - $8 for the first non-emergent use of the ED and $25 for each subsequent use.
Tennessee (Proposed) **Insure TN**	Below 100% FPL - no premiums. Above 100% FPL - 2% of HHI. Condition of eligibility.	Below 100% FPL - Pharmacy copays at or below federal maximums. Above 100% FPL - Copays at or below federal maximum.

Table 3. Healthy Behavior Programs in States With 1115 Medicaid Waivers

State	Healthy Behavior Program
Arkansas	Enrollees below 100% FPL who visit a primary care provider (PCP) during each calendar year will be eligible to receive an incentive benefit. Enrollees above 100% who make three consecutive timely premium payments and visit a PCP will be eligible to receive an incentive benefit. Arkansas has not yet clarified what the incentive benefit might be.
Arizona	Enrollees who meet a healthy behavior target will be exempt from paying premiums for 6 months and will have access to incentive payments from their account. Healthy behavior targets include activities such as wellness exams, flu shots, glucose screening, mammograms, tobacco cessation, asthma management, and substance abuse disorder management. Enrollees will self-attest to having met target; proof of completion not required.
Indiana	Basic plan enrollees can roll over funds if they obtain certain preventive services. Rollover is limited to 50% of the amount of enhanced plan premiums. Enhanced plan enrollees who paid premiums can roll over funds. If they obtain certain preventive services, the rollover will be doubled by the state (not to exceed the enrollee's yearly premiums).
Iowa	Enrollees will be eligible to have premiums waived by completing healthy behaviors. Enrollees who do not complete healthy behaviors will be required to pay their monthly premiums the next enrollment year. If the enrollee completes the required healthy behaviors in the first 30 days of the year when premiums are due, no premiums will be due for the remainder of the year. Healthy behaviors include an online health risk assessment and obtaining a wellness examination. Enrollees who have completed these activities can complete specified preventive health-related activities to earn additional rewards.
Kentucky (Proposed)	Enrollees accrue incentive funds by transferring 50% of remaining state contribution from HSA each year and/or completing activities such as community service, job training, health risk assessment, or passing the GED. Enrollees can use the incentive account to choose from an array of benefits not otherwise covered in the plan, such as dental, vision, over the counter medications, and gym memberships.

Michigan	Medicaid enrollees above 100% FPL are required to complete a healthy behavior. They will have copays reduced if they meet a healthy behavior target. Enrollees must attend an appointment with their PCP, complete a health risk assessment, and agree to address or maintain a healthy behavior. Healthy behaviors include targeting routine ED use for non-emergency treatment, multiple co-morbidities, alcohol abuse, substance use disorders, tobacco use, obesity, and immunization deficiencies. Enrollees below 100% FPL will receive a $50 gift card and enrollees above 100% FPL will get a 50% reduction in monthly contributions. All enrollees will have their subsequent copays reduced by 50% after they have accumulated 2% of income in copays.
New Hampshire	Enrollees can earn up to $200 annually on an incentive card for completing healthy behaviors, which include a well-being survey, well-being exam with PCP, flu vaccine, exercise, or targeting weight, stress, or smoking. Funds can be used to pay for baby care items, healthy groceries, over-the counter medicines, and personal care items.
Tennessee (Proposed) Insure TN	Enrollees can earn funds by engaging in healthy behaviors and/or appropriate use of health care services, such as completing an annual health risk assessment, participating in a disease management program, or refraining from using the emergency room for non-emergency services.

Table 4. Payment Enforcement Mechanisms in States With 1115 Medicaid Waivers

Note: Individuals below 100% FPL cannot be disenrolled, locked out, or denied services for non-payment of premiums, account contributions, or other cost sharing.

State	Payment Enforcement Mechanisms

Arkansas	Non-payment of premiums:
	• Enrollees above 100% FPL
	  o No disenrollment for non-payment of premiums or cost sharing.
	  o Unpaid premiums considered a debt owed to the state.

Arizona	Non-payment of premiums and cost sharing:
	• Enrollees below 100% FPL
	  o Any unpaid amounts count as a debt to the state.
	• Enrollees above 100% FPL
	  o Disenrolled, but no lockout period.
	  o Can reenroll at any time without paying past-due premiums.
	  o If reenrollment occurs within 90 days, a new application is not needed.

Indiana	Non-payment of premiums:
	• Enrollees below 100% FPL
	  o Will be enrolled into basic plan instead of the enhanced plan and will then be responsible for copays.
	  o Will also have $25 deducted from their incentive account and account will be suspended.
	  o Enrollee can resume paying premiums during the annual redetermination process or upon receipt of rollover.
	• Enrollees above 100% FPL
	  o Will be disenrolled after 60-day grace period and locked out for 6 months.
	  o Those disenrolled can be reinstated during the 6-month lockout if a new application is filed and proof of qualifying event is provided: obtained and then lost private insurance coverage; loss of income after loss of eligibility due to increased income; moved to another state and later returned; victim of domestic violence; residing in a county subject to a disaster at the time of non-payment; or medically frail.
	  o Payment of unpaid premiums is not a condition of reenrollment but may be owed as a debt.
	
	Individuals who do not pay their initial premium are not subject to lockout.

Iowa	Non-payment of premiums: • Enrollees above 100% FPL o Enrollees disenrolled after a 90-day grace period.

	○ Disenrolled can reapply for coverage at any time. ○ Unpaid premiums considered a debt owed to the state.
Kentucky (Proposed)	Non-payment of premiums: • Enrollees below 100% FPL ○ After 60-day grace period, will lose $25 from their incentive account and will have account suspended. Can avoid by paying past-due premiums and completing a health/ financial literacy course. ○ Failure to pay initial premium - required to pay Medicaid copays for first 6 months of enrollment, and will not have access to incentive account, enhanced benefits, or the potential $500 available to members after leaving Medicaid. • Enrollees above 100% FPL ○ Disenrolled after a 60-day grace period. ○ 6 months lockout unless debt is paid and financial/ health literacy course is completed. Annual Open Enrollment: • If individual doesn't enroll during this period, they must wait 6 months before reenrolling, unless financial/ health literacy course is completed. Excludes children, pregnant women, and medically frail. Funds deducted from incentive account when enrollee: • Utilizes the ED for a non-emergency condition ($20 deducted for first non-emergency ED visit, $50 for second, and $75 for each subsequent visit). • Excessively misses healthcare appointments without appropriate cancellation.
Michigan	Non-payment of premiums and copays: • No enrollees can lose or be denied Medicaid eligibility, be denied health plan enrollment, or be denied services for failure to pay premiums or copays. • State may attempt to collect unpaid premiums from enrollees.
Montana	Non-payment of premiums and copays: • Enrollees below 100% FPL ○ Unpaid premiums may be considered a collectible debt to the state. • Enrollees above 100% FPL ○ Disenrolled after a 90-day grace period. ○ Reenrollment does not require a new application but is dependent on payment of past-due premiums (or state assessing the debt against income tax refunds). ○ State will establish a process to exempt enrollees from disenrollment for good cause.
Tennessee	Non-payment of premiums and cost sharing:

(Proposed) Insure TN	• Enrollees above 100% FPL
	  o Disenrolled after 60-day grace period with 6-month lockout.
	  o Providers can deny services for non-payment.