

January 2014 | Fact Sheet

## Medicaid Expansion in Michigan

On December 30, 2013, Michigan obtained approval from the Centers for Medicare and Medicaid Services (CMS) to amend its § 1115 demonstration waiver, “Healthy Michigan”, to implement the Affordable Care Act’s (ACA) Medicaid expansion. Beginning April 1, 2014, the waiver and associated state plan amendments will provide Medicaid coverage to all adults in Michigan with incomes up to and including 138% of the Federal Poverty Level (FPL) (about \$32,500 for a family of four in 2013) -- an estimated 300,000 to 500,000 adults.<sup>1</sup> More specifically, when implemented on April 1, 2014, the Michigan waiver will:

- Require copayments for demonstration beneficiaries based on their prior 6 months of copay (with no copayments for first six months). Cost-sharing will be paid into health accounts and can be reduced through compliance with healthy behaviors. Amount of cost-sharing is based on state plan and not changed from what would have been collected without the waiver.
- Require Michigan to develop and submit protocols for health behavior incentives to CMS 90 days prior to planned implementation.
- Require beneficiaries 100-138% FPL to make income-based contributions to health savings accounts (2% of income).
- Prohibit beneficiaries from being denied Medicaid eligibility, enrollment in a plan or access to services for failure to pay copays or premiums.
- Use existing Medicaid Managed Care Organizations (MCOs) and Pre-paid Inpatient Health Plans (PIHPs) to serve the newly eligible population. MCOs will provide acute, physical health, and pharmacy benefits and PIHPs will provide inpatient and outpatient mental health, and substance use disorder and developmental disability services statewide to all demonstration enrollees.

Prior to the ACA’s Medicaid expansion, Michigan had a demonstration waiver to cover childless adults up to 35% FPL with a limited benefits package. As of April 2014, under the amended demonstration, the full Medicaid expansion will be implemented and individuals in the demonstration program will be transitioned to the new Medicaid expansion program for all adults up to 138% FPL.

This fact sheet describes Michigan’s approved § 1115 waiver amendment (see Table 1 for more details about the waiver). After Arkansas and Iowa, Michigan is the third § 1115 demonstration waiver approved by CMS to implement the ACA’s Medicaid expansion. Unlike Arkansas and Iowa, Michigan’s waiver does not use Medicaid funds as premium assistance to purchase private coverage for Medicaid beneficiaries in the Marketplace; instead Michigan will cover newly eligible adults through Michigan’s existing Medicaid managed care delivery system. For more information on premium assistance, see [Medicaid Expansion Through Premium Assistance: Arkansas, Iowa, and Pennsylvania’s Proposals Compared](#).

**Table 1: Michigan's Section 1115 Medicaid Expansion Demonstration Waiver Amendment**

<b>Element</b>	<b>Michigan Waiver Provision</b>
<b>Overview:</b>	<p>Covers childless adults ages 19 to 64 from 0 to 138% FPL (estimated 300,000 to 500,000) statewide.</p> <p>Requires copayments for beneficiaries 0-138% FPL (not greater than those allowable under current law), which can be reduced by participating in specified healthy behavior activities. Also requires beneficiaries 100-138% FPL to make income-based contributions to health savings accounts. Beneficiaries cannot lose or be denied Medicaid eligibility, be denied health plan enrollment, or be denied access to services, and providers may not deny services for failure to pay copays or premiums.</p>
<b>Duration:</b>	12/30/13 to 12/31/18. Enrollment begins 4/1/14.
<b>Demonstration Goals:</b>	Cites reducing uncompensated care, reducing the number of uninsured, encouraging healthy behaviors, improving access, and understanding the impact of contribution requirements and health accounts.
<b>Coverage Groups:</b>	<p>Adults ages 19-64 up to 138% FPL (childless adults 0-138% FPL and parents above pre-ACA levels of 37% FPL for non-working parents and 64% FPL for working parents)</p> <p>Childless adults ages 19-64 from 0 to 35% FPL currently eligible for Michigan's limited benefit package covered by the Adult Benefits Waiver (ABW) will transition to full Medicaid coverage as part of the new expansion group.</p>
<b>Exempt Populations:</b>	Noncitizens eligible only for emergency services; Program for All-Inclusive Care for the Elderly (PACE) participants, and individuals residing in Intermediate Care Facilities for Individuals with Intellectual Disability (ICFs/IDD).
<b>Premiums:</b>	Beneficiaries above 100% FPL will pay monthly premiums in the amount of 2% of income.
<b>Cost-Sharing:</b>	<p>All demonstration beneficiaries will have cost-sharing obligations based on their prior 6 months of copays, billed at the end of each quarter. No cost sharing for first six months of enrollment in MCO. Cost-sharing will be paid into health accounts and can be reduced through compliance with healthy behaviors. Amount of cost-sharing is based on state plan and not changed from what would have been collected without the waiver.<sup>2</sup></p> <p>Beneficiaries cannot lose or be denied Medicaid eligibility, be denied health plan enrollment, or be denied access to services, and providers may not deny services for failure to pay copays or premiums.</p> <p>Cost-sharing and premiums cannot exceed 5% of household income.</p>
<b>Health Account and Healthy Behavior Protocols:</b>	<p>Health accounts and healthy behavior protocols need to be developed by the state and submitted to CMS for approval. Changes to the protocols are also subject to CMS approval. Protocols must be submitted 90 days prior to planned implementation and cannot be implemented until 30 days post-CMS approval. The waiver terms and conditions outline minimum requirements that must be included in the protocols.</p> <p>Copays and premiums must be phased in beginning with beneficiaries above 100% FPL. All beneficiaries must be eligible for copay reductions if certain healthy behaviors are attained or maintained.</p>
<b>Delivery Systems and Benefits:</b>	<p>Beneficiaries will receive the Medicaid Alternative Benefit Plan based on the ACA's 10 Essential Health Benefits. Other covered services will include medically necessary services as prior authorized, as well as other services required to be covered pursuant to state or federal law, regulation or policy.<sup>3</sup> No waiver of beneficiary's free choice of family planning provider.</p> <p>Managed care enrollment is required for demonstration beneficiaries. Will use existing</p>

**Table 1: Michigan's Section 1115 Medicaid Expansion Demonstration Waiver Amendment**

Element	Michigan Waiver Provision
<b>Delivery Systems and Benefits: (continued)</b>	Medicaid Managed Care Organizations (MCOs) and Pre-paid Inpatient Health Plans (PIHPs) to serve the newly eligible population. MCOs will provide acute, physical health, and pharmacy benefits and PIHPs will provide inpatient and outpatient mental health, substance use disorder and developmental disability services statewide to all demonstration enrollees. MCO/PIHP contracts must allow direct access to specialist for beneficiaries with special health care needs as appropriate to health condition. The waiver also specifies benefits should be coordinated and integrated using an interdisciplinary team to coordinate physical and behavioral health. MCOs and PIHPs will refer and coordinate access to services excluded from managed care delivery systems.
<b>Plan Choice and Auto-Assignment:</b>	<p>Enrollment broker will assist beneficiaries with plan selection before relying on auto-assignment.</p> <p>Auto-assignment shall first take into account beneficiary's prior or current MCO history and then MCO affiliation of beneficiary's historic providers.</p> <p>In rural counties, there will only be 1 MCO. In all other areas, beneficiaries will have a choice of MCOs. There will be 1 PIHP per region.</p> <p>MCO lock-in for 12 months after initial 90 days to switch plans.</p>
<b>Financing:</b>	The budget neutrality limit calculations for the "Healthy Michigan Waiver" are estimated to be the PMPM for each year (\$515.85 million in the first year increased by 5.1%) multiplied by the number of eligible member months and adding the products across years and applying the federal share. The waiver application estimated 5 year budget neutral costs of \$15.2 billion: \$2.2 billion in CY 2014, \$3 billion in CY 2015, \$3.2 billion in CY 2016, \$3.4 billion in CY 2017, and \$3.5 billion in CY 2018.
<b>Evaluation:</b>	<p>State must submit draft evaluation design within 120 days of demonstration approval.</p> <p>State proposes the following evaluation topics: uncompensated care analysis, reduction in number of uninsured, impact on healthy behaviors and health outcomes, beneficiary views on impact of demonstration, impact of contribution requirements, and impact of health accounts.</p>
<b>Reporting:</b>	State must submit quarterly and annual reports to CMS. Includes reporting requirements for MCO/PIHP encounter data. The state must also comply with the Tribal consultation requirements and regulations for the Review and Approval Process for Section 1115 demonstrations at 42 CFR. §431.408. The waiver applies these to waiver amendments.

<sup>1</sup> Marilyn Tavenner, Administrator of the Centers for Medicare and Medicaid Services, Waiver Approval Letter, December 30, 2013, [http://www.michigan.gov/documents/snyder/Healthy\\_Michigan\\_1115\\_Demonstration\\_Approval\\_12302013\\_443466\\_7.pdf](http://www.michigan.gov/documents/snyder/Healthy_Michigan_1115_Demonstration_Approval_12302013_443466_7.pdf), last accessed on January 3, 2014.

<sup>2</sup> Beneficiaries are subject to co-pays according to the current state plan (inpatient hospital admission (except emergent admission), \$50; non-emergency use of the ER, brand-name drugs, dental visit, or hearing aid, \$3; physician, podiatry, or vision office visits, \$2; outpatient hospital or chiropractic visit or generic drugs, \$1).

<sup>3</sup> The current ABW program does not cover Early Periodic Screening, Diagnosis, and Treatment (EPSDT) benefits for individuals aged 19 and 20 and non-emergency transportation. As required by law these will be included in the covered benefits for the expansion population. Michigan Department of Community Health, *Public Notice: State Plan Amendment regarding an Alternative Benefit Plan for Expanded Adult Population* (Lansing, Michigan: Michigan Department of Community Health, November 2013), [http://www.michigan.gov/documents/mdch/ABP\\_Amendment\\_Public\\_Notice\\_438191\\_7.pdf](http://www.michigan.gov/documents/mdch/ABP_Amendment_Public_Notice_438191_7.pdf)