

HEALTHY UTAH



PROVIDE COVERAGE,
PROTECT THE TAXPAYER, PROMOTE INDIVIDUAL RESPONSIBILITY

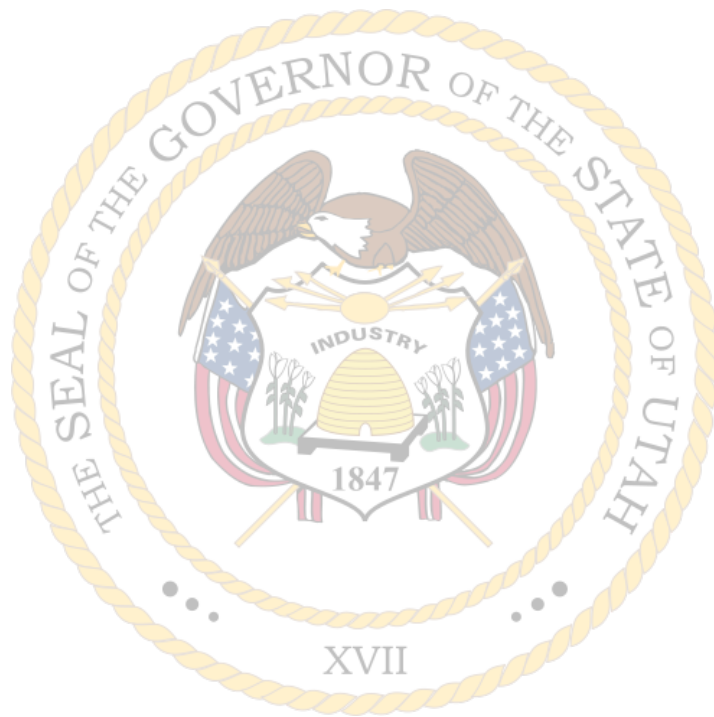


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INTRODUCTION

Fellow Utahns,

The State of Utah has a long and impressive track record when it comes to cultivating homegrown solutions to some of the most pressing challenges of our times. We are a people that value self determination and we know Utahns can solve Utah problems better than a distant bureaucracy.

Utah's ability to solve its own problems has been recognized through national accolades and validated by statistical measures. No one is better suited to meet our own challenges. The challenge of protecting Utah taxpayers while covering the uninsured is no exception.

The federal government and the Affordable Care Act tried to force states into a one-size-fits-all approach to address their health care challenges. We've developed Healthy Utah to better suit our values of supporting private markets and promoting personal responsibility.

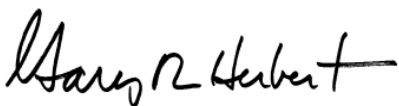
Healthy Utah will primarily rely on the private market to provide insurance to approximately 95,000 low-income Utahns. The plan will use federal funding that would have come to the state to expand Medicaid to instead buy private plans, either through Utah's online exchange, Avenue H, or through coverage offered by a recipient's employer.

In negotiating Healthy Utah, we have garnered unprecedented flexibility from the federal government. This flexibility will ensure our program is run in a manner that promotes individual responsibility and maximizes state flexibility. All recipients will be responsible for making co-payments, and some will be responsible for paying monthly premiums as well. Able-bodied adults who are not employed will automatically be enrolled in an integrated work program. Guiding these recipients into the workforce will encourage independence and help eliminate their reliance on public assistance programs.

Finally, Healthy Utah was written with the Utah taxpayer in mind. As a three-year pilot program, Healthy Utah will be evaluated extensively, and if the program isn't working, or if the federal funding is not delivered as promised, we are not bound by a long-term commitment.

Utahns are known as caring people concerned with helping their neighbors in need. Utahns also believe taxpayer dollars should be guarded carefully and spent wisely.

Healthy Utah accomplishes these goals.



Gary R. Herbert
Governor



HEALTHY UTAH OVERVIEW

AN ALTERNATIVE TO MEDICAID EXPANSION

Who is Covered?

During the first year of the Healthy Utah plan, approximately 95,000 Utahns will receive coverage. These individuals are adults between the ages of 19-64 who earn incomes less than \$15,521 per year.



————— FEDERAL POVERTY LEVEL —————

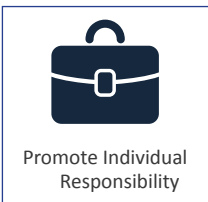
100% **\$11,670/yr**



Program Features



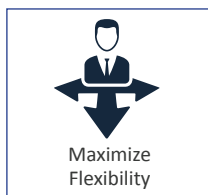
- Recapture some of the Affordable Care Act (ACA) taxes Utahns are already paying
- Terminate plan if promised federal funding is not delivered



- Charge premiums for adults over the poverty level
- Collect copays from all adults
- Automatically enroll adults who can work in an integrated work program
- Incentivize healthy behaviors



- Use employer-sponsored insurance when available
- Provide assistance to buy private market plans
- Use Utah's Avenue H to facilitate plan selection and enrollment



- Use savings achieved from Utah's current waiver program to support quality improvement efforts
- Allow Medicaid children to join parents on private plans
- Evaluate the effectiveness of the program over a three-year period

Benefits



ADULTS WITH INSURANCE OPTIONS THROUGH THEIR EMPLOYER

Adults with access to insurance through their employer or through their parents' plans will enroll in those plans. Medicaid will provide premium assistance, cost sharing, and wrap-around coverage.



ADULTS WITHOUT OTHER INSURANCE OPTIONS

Adults without access to health insurance coverage will receive premium assistance to purchase private insurance through Utah's health insurance marketplace, Avenue H. There will be some cost sharing. Coverage will meet minimum federal requirements.



MEDICALLY FRAIL ADULTS

Adults deemed medically frail or exempt will have the choice to enroll in Healthy Utah or to receive traditional benefits through the current delivery system, including Utah's Accountable Care Organizations.

Estimated Enrollment and Costs

Healthy Utah*	FY16**	FY17	FY18	FY19 Half Year***
Enrollment	95,000	133,000	138,000	140,000
Net State Funds	\$4,615,500	\$25,817,500	\$45,639,000	\$25,470,000
Utahns' ACA Taxes Returned to the State	\$445,749,000	\$518,014,000	\$546,942,500	\$283,205,500
0-100% FPL Only*	FY16	FY17	FY18	FY19 Half Year
Enrollment	67,000	87,000	89,000	90,000
Net State Funds	\$91,603,000	\$106,290,000	\$117,390,000	\$61,163,000
Utahns' ACA Taxes Returned to the State	\$247,664,000	\$274,698,000	\$294,532,000	\$152,594,000
0-100% FPL, Medically Frail Only*	FY16	FY17	FY18	FY19 Half Year
Enrollment	9,000	10,000	10,000	10,000
Net State Funds	\$21,385,000	\$25,379,000	\$27,516,000	\$14,244,000
Utahns' ACA Taxes Returned to the State	\$54,994,000	\$59,937,000	\$64,158,000	\$33,213,000

* All estimates include the woodwork effect.

** Coverage July-December 2015 will be provided through the Bridge Plan.

*** Healthy Utah's 3-year pilot period will run from January 2016 through December 2018.

133% IS more cost EFFECTIVE for Utah

The ACA fines employers when their employees receive tax credits in the marketplace. Beginning in 2016, large businesses in Utah will likely face \$11 to \$17 million less in tax penalties each year if their employees making between 101% and 133% FPL are enrolled in a state-sponsored program rather than a Health Insurance Marketplace (Marketplace) plan with a tax credit.

Federal match rate policy makes it more cost effective for Utah to cover those making up to 133% of the Federal Poverty Level (FPL).

Businesses face \$11-17 million less in tax PENALTIES

WHY IS HEALTHY UTAH NECESSARY?

Why We Need Healthy Utah

The decision we face as a state is not a result of policies enacted here in Utah, it comes as a result of the Affordable Care Act. While the Governor continues to support efforts at the federal level to fix the ACA or to repeal and replace it, the unfortunate fact is, Utah is left to deal with the realities of the law and make the best deal possible for its citizens.

The ACA left approximately 62,000 Utahns living below the federal poverty level (earning less than \$11,670 per year) with no financial assistance to purchase health care. Nearly two-thirds of the people in this group are employed, many working more than one job to make ends meet. Of the remaining third, many are the medically frail, who have conditions that make it impossible for them to work.

Utahns are known for caring for the less fortunate among us. Turning a blind eye to those in need is not the Utah way. While Utahns did not create this problem, we can and we must find a Utah solution. The Healthy Utah plan is the right path forward.

Supreme Court Decision

In June 2012, the United States Supreme Court ruled the ACA provision requiring states to expand their Medicaid programs to an entirely new population group was unconstitutional. Thus, states were allowed to keep their current federal Medicaid funding regardless of whether or not they chose to expand Medicaid. The ruling left intact the other ACA provisions, including the new taxes. Ultimately, the decision left Utah to make the decision of how to cover adults who earn up to 133% FPL.

Medicaid Gap

Utah's uninsured adults who have incomes above Medicaid eligibility levels but below the poverty level fall into a "coverage gap" of earning too much to qualify for Medicaid but not enough to qualify for federal Health Insurance Marketplace premium tax credits. Most of these people have very limited coverage options and are likely to remain uninsured.

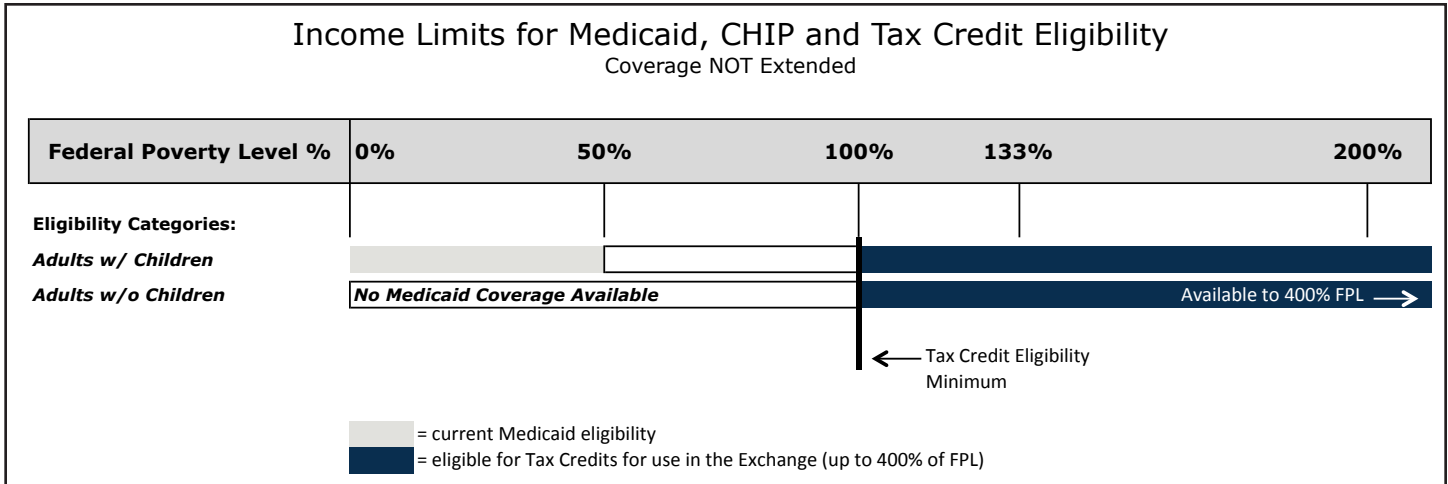
Healthy Utah is fair to adults living below the poverty level. Those who earn slightly above the poverty level are now receiving several thousands of dollars a year in tax credits to purchase coverage. Without Healthy Utah, most adults below the poverty level will receive no assistance.

New Adult Eligibility Group

The Affordable Care Act (ACA) expanded eligibility by creating a new eligibility category for adults and by increasing the income eligibility level for adults to 133% FPL (\$15,521 per year for an individual).

Traditionally, Medicaid has not provided medical assistance to all low-income individuals. It has only been available to people in certain categories. Low-income individuals who did not fit into one of these categories, such as childless couples or adults without disabilities, did not qualify for Medicaid—regardless of how low their income was.

WHY IS HEALTHY UTAH NECESSARY?



Uncompensated Care and Cost Shifting

Uninsured individuals often migrate to whatever treatment is available because they don't have a primary care provider. Some will seek intermittent care in community health centers or the emergency room. Emergency rooms are very costly places to receive care when only basic, nonemergent care is needed. The Public Consulting Group (PCG) estimated that Utah hospitals and community centers provide \$331 million in uncompensated care each year. This uncompensated care results in a burden on the overall health care system that is shifted to employers and employees in the form of higher health insurance rates.

Because tax credits already cover adults with incomes over the poverty level, Healthy Utah's real impact on uninsured numbers will be adults 0-100% FPL. Providing coverage to this group is estimated to reduce uncompensated care by over \$51 million per year.

Number of Uninsured	407,000
Estimated Uncompensated Care per Uninsured per Year	\$814
Annual Uncompensated Care	\$331,355,341

* FY 2011 figures from PCG report, p. 59

Estimated Reduction in Uninsured from the Healthy Utah Plan (Individuals 0-100% FPL)	63,000
Estimated Annual Reduction in Uncompensated Care Costs	\$51,282,000

The Role of Charity Care

Charity care, or health services that are provided free or at reduced prices, is one important tool that can help alleviate the problem. However, charity care is often uncoordinated, and therefore less effective for the individual. Providers are less likely to be aware of services provided and duplicate tests may be ordered or important follow-up visits missed. It is difficult for uninsured individuals to get coordinated care in today's patchwork charity care network.

We will need to maximize and coordinate charity care to the greatest extent possible, recognizing that alone it will not be sufficient to meet all the needs of Utah's uninsured.

WHO IS ELIGIBLE?

Demographics

To be eligible for Healthy Utah benefits, adults must be between the ages of 19-64, and have an income up to 133% FPL. Additionally, they must be U.S. citizens, or legal residents who have been in the country for at least five years. Some key demographics of this group include:

- 52% are female
- 58% are under age 35
- 56% have a job or are self-employed
- * Behavioral Risk Factor Surveillance System (BRFSS) data for 2012

- Over 85% of families have at least one working adult
- Among those who did not work in the previous year, the most prevalent reason cited (one-third of the total) for not working is “taking care of family.” Other reasons include being ill, retired, a student, or not being able to find work.
- * Dr. Norman Waitzman’s report

Income Guidelines

Maximum Gross Income Per Year by Federal Poverty Level		
Family Size	100%	133%
1	\$ 11,670	\$ 15,521
2	\$ 15,730	\$ 20,921
3	\$ 19,790	\$ 26,321
4	\$ 23,850	\$ 31,721
5	\$ 27,910	\$ 37,120
6	\$ 31,970	\$ 42,520
7	\$ 36,030	\$ 47,920
8	\$ 40,090	\$ 53,320

Enrollment Estimates

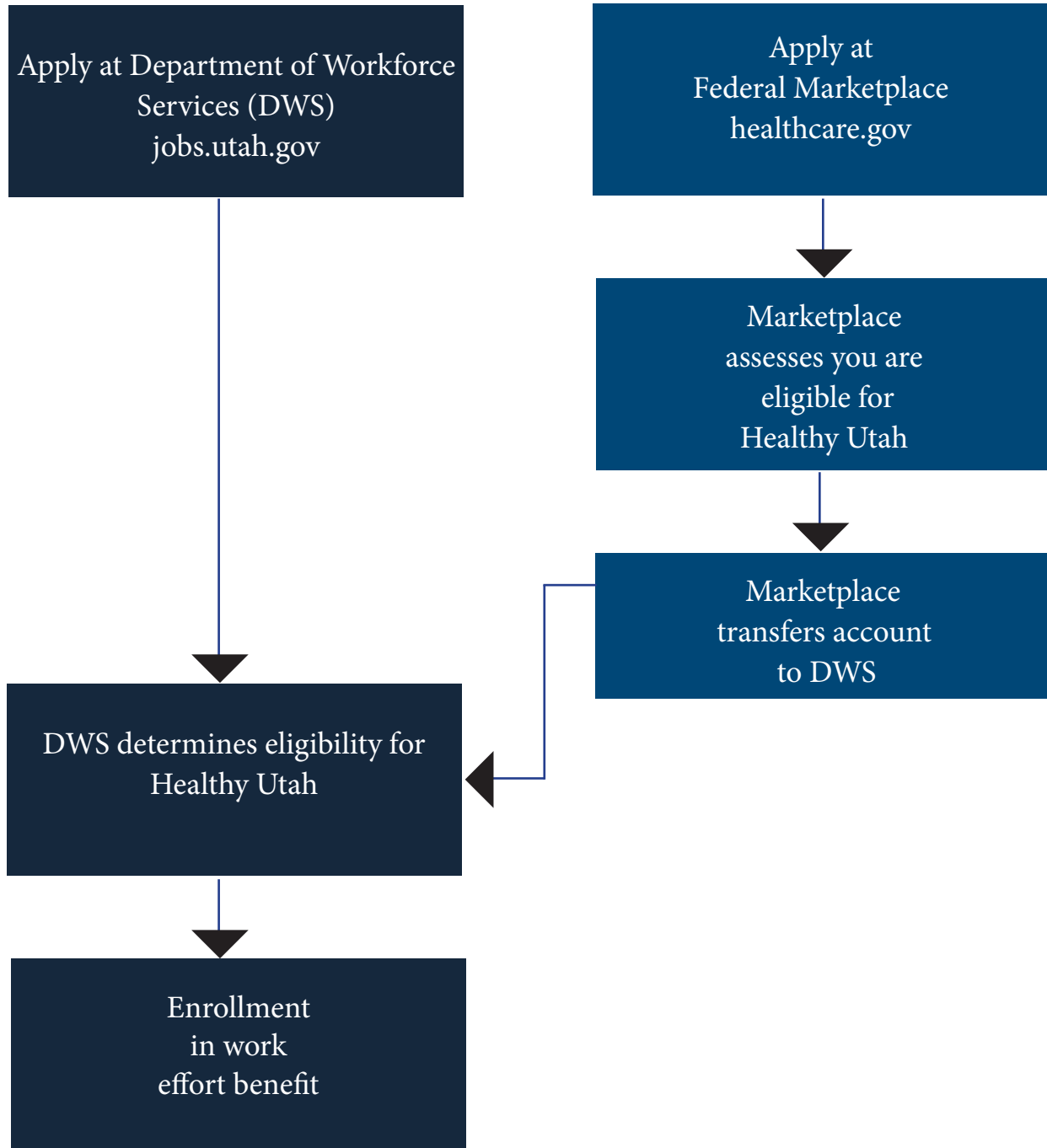
	FY16	FY17	FY18	FY19
Adults with Dependent Children	26,000	31,000	32,000	32,000
Adults without Dependent Children	46,500	64,000	66,500	68,000
Total Healthy Utah Enrollment	72,500	95,000	98,500	100,000

	FY16	FY17	FY18	FY19
Above the Poverty Level	19,500	32,000	34,000	35,000
Below the Poverty Level	53,000	63,000	64,500	65,000
Total Healthy Utah Enrollment	72,500	95,000	98,500	100,000

*Enrollment estimates don’t include the woodwork effect.

Two Ways To Apply

Those applying for benefits through Healthy Utah can begin the process either through the Marketplace (healthcare.org) or through the Department of Workforce Services (jobs.utah.gov). The more direct route is through DWS, as applicants through the Marketplace will be transferred to DWS once eligibility is assessed.



HOW DOES THE PLAN RESPECT THE TAXPAYER?

ACA Taxes

Healthy Utah is respectful of Utah taxpayers. Utahns already pay higher taxes under the ACA but they are not getting the full benefit from those dollars. Utah's taxes will not be reduced if the state turns back this funding.

2013-2022 (in billions)

Medicare taxes on higher income families	\$318
"Cadillac tax" on high-cost plans	\$111
Employer mandate	\$106
Annual tax on health insurance providers	\$102
Individual mandate	\$55
Annual tax on drug manufacturers/importers	\$34
Excise tax on medical device manufacturers/importers	\$29

* National figures

Federal Match Rate

The ACA sets an established schedule for federal participation in the cost of services for the new adult population. This schedule only applies to services and not any of the program's administrative costs, which are generally matched 50 percent by the federal government. The service rate does not vary by state and does not depend on when a state enters into the program; it only varies by the calendar year in which the service is provided. There is no end date in current law to the designated match rates.

Calendar Year	Federal Match Rate
2014-2016	100%
2017	95%
2018	94%
2019	93%
2020 and beyond	90%

HOW DOES THE PLAN RESPECT THE TAXPAYER?

Option to Terminate Plan

Because the federal government has committed itself to such a high match rate and has had trouble keeping its budget on track over the last few years, there have been questions about what Utah would do if federal funds failed to be paid as promised. In the nearly 50 years of Medicaid history, the states have always been paid the appropriate federal share as promised, and it appears likely that the federal government will continue to do so.

However, if the federal government ever fails to pay as promised, the Medicaid 1115 waiver authorizing Healthy Utah will contain a clause that will allow Utah to end the program. This trigger clause could also be activated if federal law changes and the match rate changes.

As U.S. Health and Human Services Secretary Sylvia Burwell stated in a letter to Gov. Herbert, *“The state is free to adopt or discontinue coverage under the new adult group at any time.”*

How We Pay For the Plan

State Savings

Some services provided with state funds will be replaced by Healthy Utah, which is primarily federally-funded. This shift results in savings to the state. The state estimates the following savings in state funds.

State Savings	FY16	FY17	FY18	FY19 Half Year
Behavioral Health	\$6,112,000	\$5,160,000	\$3,469,000	\$1,404,000
Primary Care Network (PCN)	\$4,500,000	\$4,500,000	\$4,500,000	\$2,250,000
Inpatient Services for Prisoners	\$2,151,000	\$2,207,000	\$2,224,000	\$1,145,000
Total State Fund Savings	\$12,763,000	\$11,867,000	\$10,193,000	\$4,799,000

Provider Assessments

In addition to relying on savings, another way states raise funds for their share of Medicaid spending is through provider taxes. Provider taxes are imposed by states on health care services where the burden of the tax falls mostly on providers, such as a tax on inpatient hospital services or nursing facility beds. Under current regulations, states may not use provider tax revenues for the state share of Medicaid spending unless the tax meets three requirements:

- must be broad-based,
- must be uniformly imposed, and
- cannot hold providers harmless from the burden of the tax.

Federal regulations cap provider assessments at six percent or less of net patient revenues. Utah already has provider assessments on its hospitals and nursing facilities. The nursing facility assessment is closest to the six percent cap. Utah has not implemented assessments on other provider groups. Healthy Utah costs that exceed the savings achieved from implementation of the program could be covered through increased provider assessments. Generally, it would make the most sense to increase assessments for provider groups that stand to benefit the most from the increased coverage provided by Healthy Utah.

Cost Sharing

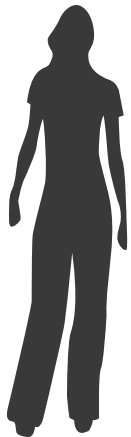
Healthy Utah promotes personal responsibility. All members will pay some form of copay. Members above the poverty level will have higher copays and pay a premium. Those who can work will be automatically enrolled in an integrated work program that will help them get work. Members will have incentives to improve their health.

Members will have different cost sharing obligations depending on their income. Healthy Utah has three income groups:

- 0 to about 40% FPL
- About 40% FPL to 100% FPL
- 101-133% FPL

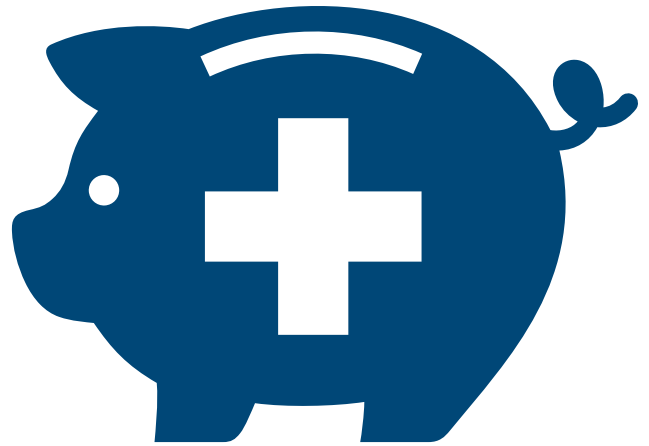
Those with incomes from 0 to 100% FPL will have minimal cost sharing. Those with incomes from 101 to 133% FPL will:

- Pay approximately 2% of their income toward premiums
- Pay coinsurance of approximately 10% on many services



\$15,521

yearly income



\$580

maximum annual
medical costs &
premiums

*estimated cost sharing for 101-133% FPL members.

Emergency Room Copays

Healthy Utah will test if higher copays for non-emergent use of the emergency room will reduce inappropriate use of the emergency room.

In discussions with the federal government regarding Healthy Utah, the state was able to reach agreement on a pilot program that will allow Healthy Utah to charge a \$50 copay for nonemergent use of the emergency room. This amount is 625 percent higher than the \$8 copay allowed in federal regulations. The federal government requires that members must voluntarily enroll in this pilot. Therefore, Healthy Utah will offer two health plan options to members above the poverty level:

- Plan C – Regulation level copays, higher monthly premiums
- Plan D – Regulation copays + \$50 copay for nonemergent use of the emergency room, lower monthly premiums

Copay Chart

The following chart details the copays, out of pocket maximums, and premiums for the different groups.

		Copay or Coinsurance Amount			
		0-40% FPL*	41-100% FPL	101-133%	
				Regulation (Control)	Higher ER (Test)
Medical Event	Related Service	Plan A	Plan B	Plan C	Plan D
Provider's Office or Clinic	Primary Care - Preventive	\$-	\$-	\$-	\$-
	Primary Care - Other (Non-preventive)	\$-	\$4	\$5	\$5
	Specialist Visit	\$-	\$4	\$8	\$8
	Preventive care / screening / immunization	\$-	\$-	\$-	\$-
Diagnostic Testing	X-Ray	\$-	\$4	**10%	**10%
	Blood Work	\$-	\$-	\$-	\$-
	Imaging	\$-	\$4	\$15	\$15
Prescription Drugs	Generic Drugs	\$-	\$4	\$4	\$4
	Preferred Brand Drugs	\$-	\$4	\$4	\$4
	Non-Preferred Brand Drugs	\$8	\$8	\$8	\$8
	Specialty Drugs	\$-	\$4	\$30	\$30

HOW DOES THE PLAN PROMOTE INDIVIDUAL RESPONSIBILITY?

		Copay or Coinsurance Amount			
		0-40% FPL*	41-100% FPL	101-133%	
				Regulation (Control)	Higher ER (Test)
Medical Event	Related Service	Plan A	Plan B	Plan C	Plan D
Outpatient	Facility Fee	\$-	\$4	\$30	\$30
	Physician / Surgeon Fees	\$-	\$4	\$8	\$8
Immediate Medical Attention	Emergency Room Services (Emergent)	\$-	\$-	\$-	\$-
	Emergency Room Services (Nonemergent)	\$8	\$8	\$8	\$50
	Emergency Medical Transportation	\$-	\$-	\$-	\$-
	Urgent Care	\$-	\$4	\$8	\$8
Hospital Stay	Facility Fee	\$-	\$50	\$100	\$100
	Physician / Surgeon Fees	\$-	\$4	\$8	\$8
Mental Health, Behavioral Health, or Substance Abuse Needs	Mental / Behavioral Health Outpatient Services	\$-	\$4	\$5	\$5
	Mental / Behavioral Health Inpatient Services	\$-	\$50	\$100	\$100
	Substance Use Disorder Outpatient Services	\$-	\$4	\$5	\$5
	Substance Use Disorder Inpatient Services	\$-	\$50	\$100	\$100
Pregnant	Prenatal and Postnatal Care	\$-	\$-	\$-	\$-
	Delivery and Inpatient Services	\$-	\$50	\$100	\$100
Recovery and Other Special Needs	Home Health Care Nurse (2 hrs)	\$-	\$4	\$8	\$8
	Home Health Care Aide (4 hrs)	\$-	\$4	\$8	\$8
	Rehabilitation Services	\$-	\$4	**10%	**10%
	Habilitation Services	\$-	\$4	**10%	**10%
	Skilled Nursing Care	\$-	\$4	\$15	\$15
	Durable Medical Equipment	\$-	\$4	\$15	\$15
	Hospice Service	\$-	\$-	\$-	\$-
Eye Care	Eye Exam	\$-	\$-	\$-	\$-
	Glasses	\$-	\$-	\$-	\$-
Dental Care	Dental Check-up	Not Covered	Not Covered	Not Covered	Not Covered
Out of Pocket Maximum (Single)	Annual Maximum	NA	\$200	\$400	\$400
Out of Pocket Maximum (Couple)	Annual Maximum	NA	\$300	\$500	\$500
Member Premium	Monthly Amount for a Single Member	\$-	\$-	\$15	\$10
	Monthly Amount for Each Additional Member	\$-	\$-	\$10	\$5

* Income eligibility for Plan A would match the current income limits for parents and caretaker relatives

** 10% of cost copays will likely be converted into fixed dollar amounts when the plan is implemented

Integrated Work Program

Utahns know the surest route out of poverty is a secure job, that's why as a part of the Healthy Utah plan individuals who are not currently working will be automatically enrolled in an integrated work program. This benefit will help people improve their skills and provide them opportunities to improve their employment situation.

In order to take full advantage of this work benefit, members will go online and provide additional information about their skills, education, work history, etc. Through the benefit, members can complete an online assessment and sign up for training in areas they feel they need improvement. Members can search job opportunities and allow employers to see their resume information. DWS studied the effects of this benefit on current participants in other programs and found individuals who fully participate in the program are highly successful in finding employment.

The following groups will not be automatically enrolled:

- Medically frail or exempt
- Members with employer-sponsored insurance
- Members who are participating in a Food Stamp or Temporary Assistance for Needy Families (TANF) work program
- Members who meet certain federal Food Stamp work exemptions. Options for federal Food Stamp exemptions include, but are not limited to:
 - o An employed or self-employed person working a minimum of 30 hours weekly
 - o A parent or other household member responsible for the care of a dependent child under 6 or an incapacitated person
 - o A person 60 years of age or older

The state is exploring various options to ensure and maximize compliance with the integrated work plan. This could include delaying or withholding state benefits for the general assistance program at DWS, state exemptions within the employment and training SNAP program, withholding or reducing TANF benefits, weatherization, phone assistance, rapid re-housing, section 8 housing, travel discounts, or setting work conditions on non-profit recipient funding priorities, as well as other benefits including the revoking of driver licenses.

Incentives for Improving Key Health Behaviors

Members will be provided incentives to maintain and improve their health. If members can improve their health, not only do they benefit, but the cost of providing their care decreases.

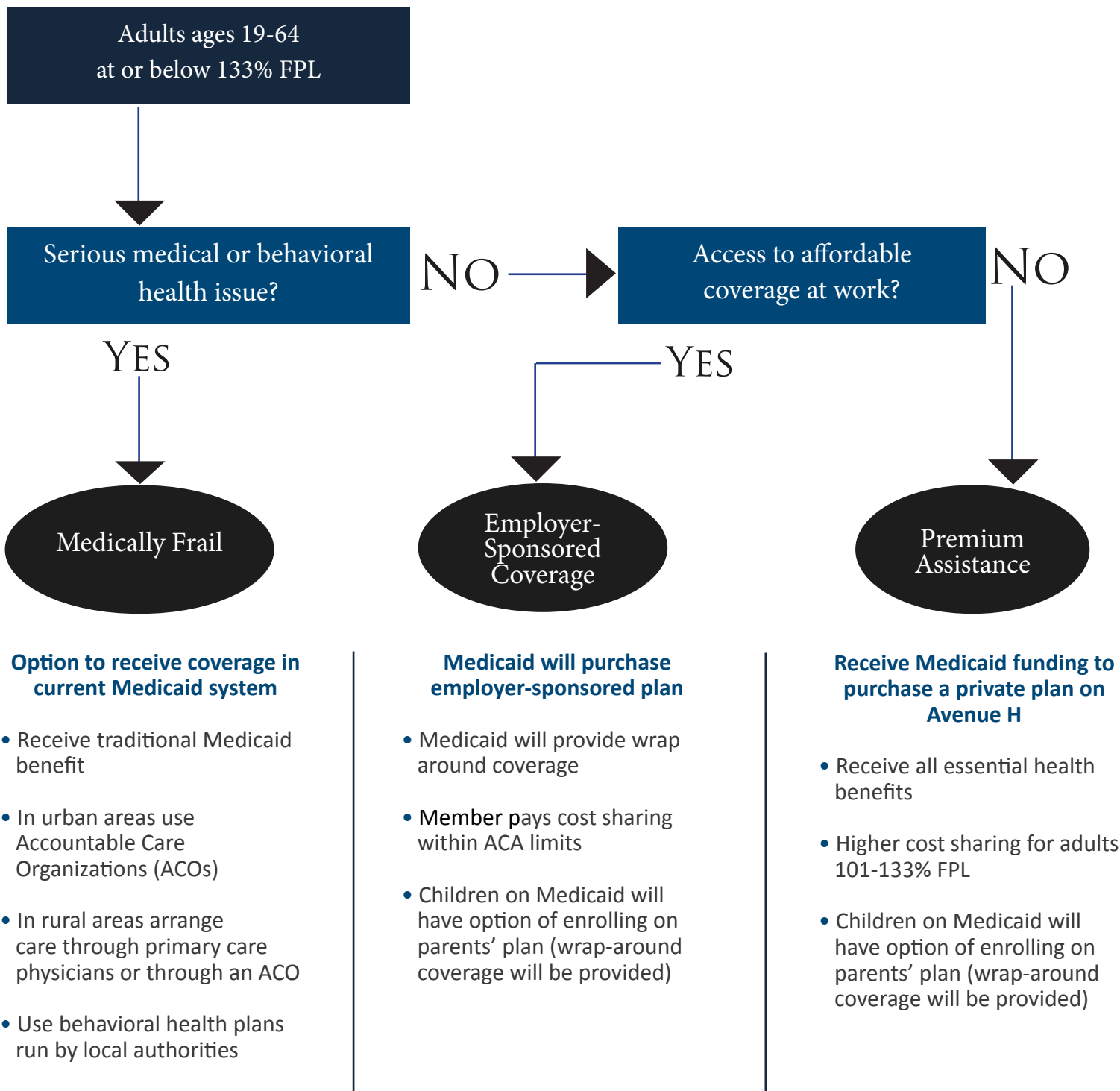
When members apply for Healthy Utah, they will be asked if they use tobacco. Members who indicate they use tobacco will be referred to the state's Quit Line where they can participate in tobacco cessation programs.

In the second and third year of Healthy Utah, incentives to improve health will be instituted. The Utah Department of Health has considered adding benefits similar to those offered to state employees; which is an incentive if they have an annual screening that checks their weight, cholesterol, blood pressure, etc. Employees are offered a second incentive if the check shows they are healthy. Employees who are not healthy in one area can still earn the second incentive by improving an element of health concern (e.g., controlling blood sugar).

Where Members Will Receive Services

Enrollment Flow Chart

Healthy Utah primarily uses private plans to help adults gain coverage. These private plans are likely to pay rates to physicians and other providers that are closer to market rates than what Medicaid currently pays. Expanding coverage through this model reduces the burden of unpaid or underpaid services for these groups.



Medically frail ADULTS WOULD HAVE a choice

HEALTHY
UTAH
PLAN

OR

ACCOUNTABLE
CARE
ORGANIZATION



Medically Frail/Exempt

Federal regulation exempts certain groups of individuals from being automatically enrolled in the premium assistance benefits of Healthy Utah. As described in federal code, these exempt groups include those who would already be covered under the current Medicaid program (such as individuals entitled to Medicare benefits).

Because of their complex medical needs and unique protections under federal law, the Healthy Utah plan exempts refugees and American Indians/Alaskan Natives from the premium assistance requirements. These groups will have the option to enroll in Medicaid's traditional ACO-based program.

Medically exempt also includes a category called medically frail.

Who Qualifies as "Medically Frail"?

Includes those with:



DISABLING MENTAL DISORDERS



CHRONIC SUBSTANCE USE DISORDERS



SERIOUS AND COMPLEX MEDICAL CONDITIONS



PHYSICAL, INTELLECTUAL OR DEVELOPMENTAL DISABILITIES



DISABILITY DETERMINED BY SOCIAL SECURITY



ANY OTHER SITUATION DEFINED BY THE STATE OR DESCRIBED IN 42 CFR 438.50(D)(3)

Process of Identifying Medically Frail

Application

The application will include questions that will identify someone as medically frail.

Referral

If a member is not identified as medically frail at application, the member can obtain a referral from his or her doctor or mental health provider.

Providers will have a referral form that they can fill out for the member to identify which category the member qualifies under.

Review

The Utah Department of Health will review claims information over the course of the year and identify individuals that appear to be medically frail.

Option to Select Traditional Medicaid

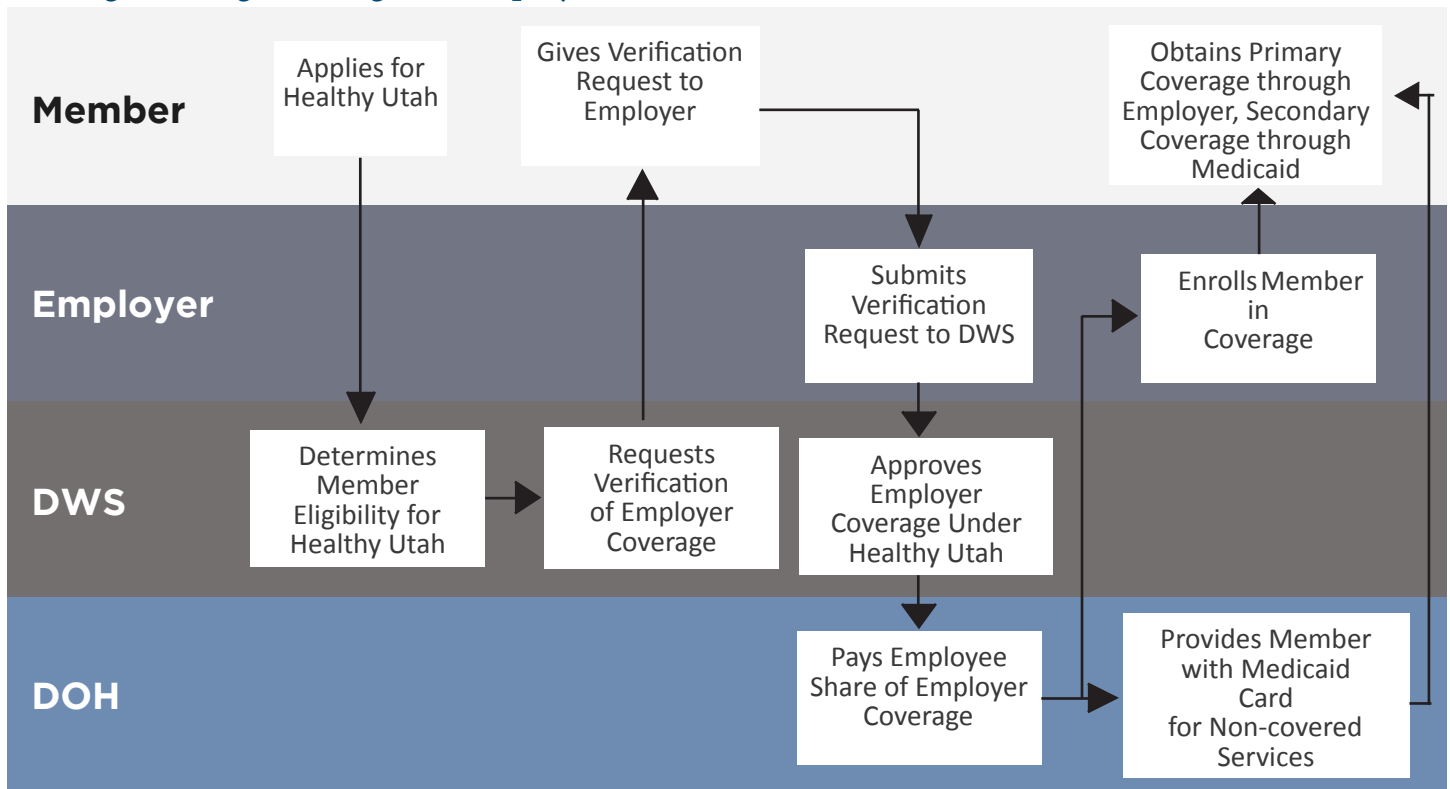
Federal regulation requires that the medically exempt (including medically frail) be given the choice between traditional ACO-based Medicaid and Healthy Utah.

Health program representatives from the Utah Department of Health will be available to consult with members who prefer to enroll in Healthy Utah rather than traditional Medicaid.

If traditional benefits are selected, members will receive services through the current delivery system. Those living in urban areas will receive services through an ACO and those living in rural areas will have care arranged through primary care physicians or an available ACO. Behavioral health services are available through each county's prepaid mental health plan.

Employer-Sponsored Insurance

Getting Coverage Through an Employer's Plan



Process to Identify Qualified Employer Insurance

Healthy Utah will help members enroll in their employer's health insurance plan as long as the plan provides sufficient benefits and the cost will not exceed the amount that would be paid through the premium assistance program.

Employers will certify their plan covers certain basic benefits. A similar process is used today for Utah's Premium Partnership (UPP). The list of required benefits would likely include, but is not limited to:

- Coverage of physicians visits, hospital inpatient services, and pharmacy
- A deductible of \$2,500 per person (or less)
- Payment of at least 70% of inpatient costs after the deductible

Employers will also indicate the member's share of the premium for the employer's plan. The member's share will be compared to maximum amounts established by the Utah Department of Health. The department will set these maximums based on the cost of coverage available to the same individual through the Healthy Utah premium assistance program. If the member's share exceeds the maximum allowed amount, the member will not be enrolled in the employer's plan, but will instead be enrolled in a qualified health plan through Healthy Utah.

Premium Assistance

Premium assistance would be provided to families from 0-133% FPL under Healthy Utah.

Since January 2014, adults in the 101-133% FPL range have been eligible for tax credits on the federal Marketplace. Healthy Utah would move these individuals to similar private plans offered through Avenue H, Utah's health insurance marketplace for small businesses.

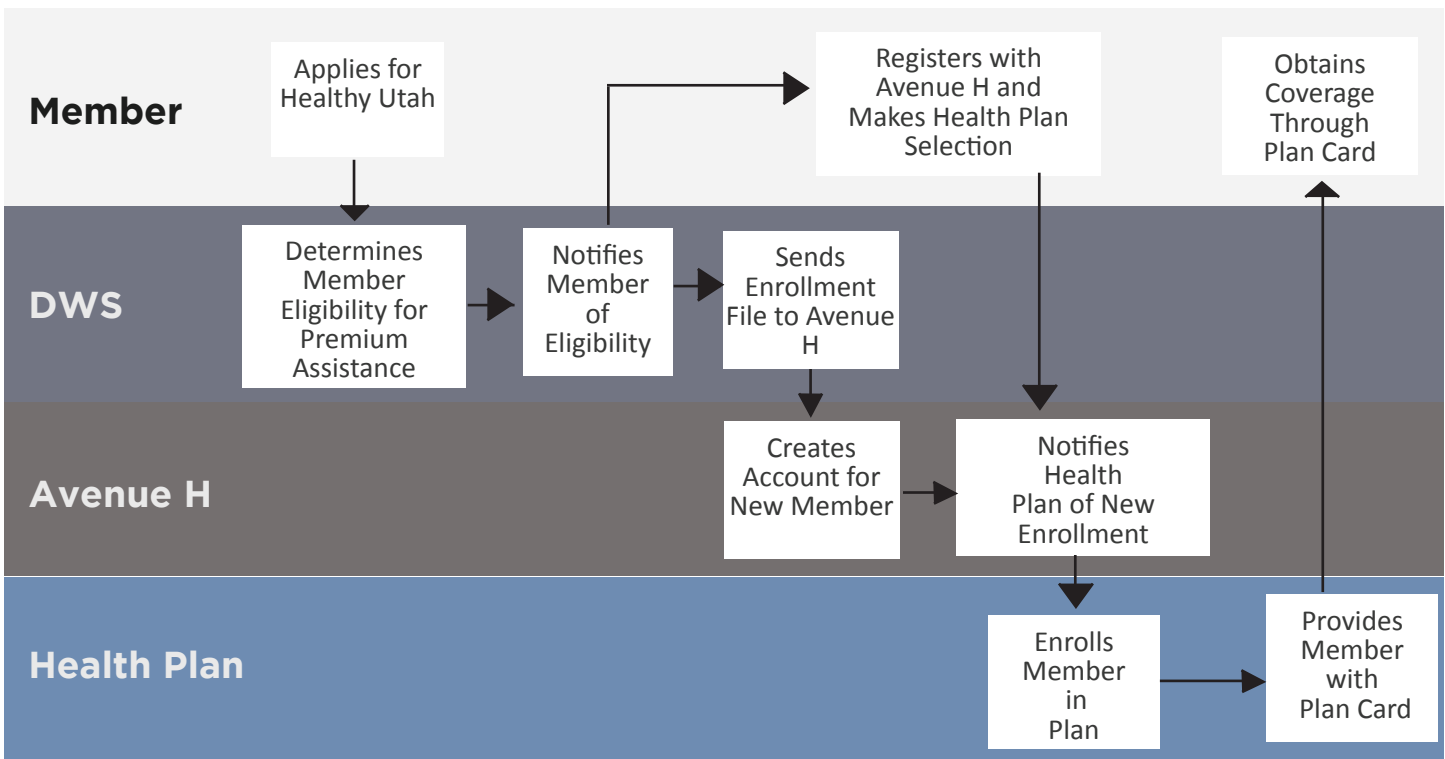
Healthy Utah will help families obtain coverage through a single plan. Families whose children currently receive Medicaid would be given the option to include their children on the same plan the parents select. Medicaid would continue to provide cost sharing and wrap-around coverage for these children to ensure they continue to receive the same level of coverage they do today.

Avenue H

Once DWS determines an adult is eligible for premium assistance through Healthy Utah, DWS will send appropriate enrollment information to Avenue H, where the account will be created. The adult will then go to Avenue H in order to activate the account and select a health insurance plan. Avenue H will present information about the plans that can help a member make a plan selection. Members will be able to enter in a doctor or hospital where they would like to receive care. Avenue H will show the member which plans include that doctor or hospital in the plan network. In addition, members will also be able to compare plans based on the different premium and copay options.

Once a member has selected a plan, Avenue H will notify the health plan of the selection. The plan will send the member a health insurance card and the member will be able to receive care through the health plan network.

Process to Receive Premium Assistance



Qualified Health Plan

Healthy Utah will use plans that are available in the federal Marketplace. These plans cover all of the required essential health benefits:

- ambulatory patient services
- emergency services
- hospitalization
- maternity and newborn care
- mental health and substance use disorder services, including behavioral health treatment
- prescription drugs
- rehabilitative and habilitative services and devices
- laboratory services
- preventive and wellness services and chronic disease management
- pediatric services, including oral and vision care

Healthy Utah benefits will be similar to Qualified Health Plans in the Marketplace. Additional benefits required under federal law include:

- Early and periodic screening, diagnostic and treatment for adults ages 19-20
- Out-of-network family planning services
- Community health center services

Healthy Utah coverage will be provided through silver-level plans available in the Marketplace. Because the Healthy Utah population will be new to these plans, there is a good chance the new members' use of services will be very different than existing populations. This uncertainty puts pressure on plans to avoid this new market or charge higher prices to account for this higher risk. However, by using the existing silver-level plans, Healthy Utah will benefit from the reinsurance, risk adjustment, and risk corridors provided for Marketplace plans. These 3 "Rs" will provide health plans an assurance that their costs will not be too far above what they had estimated and therefore will make entry into the market more inviting.

The state hopes all Marketplace plans will be willing to participate in Healthy Utah. In 2015, the six plans participating in the Marketplace in Utah will be:

- Altius
- Arches
- Bridgespan
- Humana
- Molina Healthcare of Utah
- SelectHealth

Note: The Marketplace has divided Utah into geographic regions and all plans may not be available in all regions of the state.

When deciding which plans to offer to members, Healthy Utah will look at the costs of these plans in each Marketplace region. The plan with the second lowest-cost will be selected as the basis for comparison in each region. Healthy Utah will then establish a defined contribution limit, which may include a small buffer above the second lowest cost plan to ensure network adequacy, consistency in plan options year over year, and competition between plans. Members will be allowed to enroll in plans whose premiums are at or below the defined contribution limit.

Unprecedented Flexibility

Governor Herbert has obtained unprecedented flexibility from the federal government for Healthy Utah.

- Members who can work will be automatically enrolled in a job program.
- Adults above the poverty level will pay both premiums and copays.
- The Marketplace plans will be able to charge some adults above the poverty level a higher copay for non-emergent visits to the emergency room.
- Utah can use savings from its existing waiver program for new quality initiatives.
- Children can join their parents on private plans - children will still have all cost sharing protections.
- Utah will receive the new match rate for the employer-sponsored insurance portion of Healthy Utah.

In several cases, Utah is the first state to obtain approval of these provisions or was able to achieve a higher degree of individual responsibility than what has been granted in other states.

Access Savings From Previous Waiver

Since 2002, Utah has operated a Medicaid 1115 waiver to offer benefit programs that were different than the traditional Medicaid program. Through this waiver, parents on Medicaid were given a slightly reduced benefit. The savings generated from this reduction were used to generate the federal match that has funded the Primary Care Network (PCN) program.

With the implementation of Healthy Utah, the adults on PCN will transition to Healthy Utah and Utah will be able to close PCN. However, over the 12 years of operating the PCN waiver, Utah has generated a large reserve of waiver “savings.” These savings provide the authority to draw down federal match for programs or services related to the Medicaid program but then are not normally matchable. In order to access these funds, Utah will need to provide matching funds at the current match rate (about 30 percent state match).

The federal government has authorized Utah to use some of these “savings” for quality improvement efforts around the state. Some options that have been discussed for these savings include:

- Projects not funded by a State Innovations Model (SIM) grant. Stakeholder groups (including health plans, health care facilities, and medical associations) participated in the development of the SIM testing grant application. During the development process, the groups identified more value-based care projects than could be funded by the grant. Some examples of these projects include:
 - o Practice facilitation and quality improvement training to help 15-20 small independent practices in a region adapt to value based care and recruit payers to do value based care reimbursement
 - o A multi-disciplinary pain clinic, including a physical medicine and rehabilitation physician, behavioral health specialists, and health coaches; the focus would be on non-surgical and non-narcotic treatment
 - o Development of electronic Physician Orders for Life-Sustaining Treatment (ePOLST) and advance directive registry, including linking them to electronic medical records
- The University of Utah Health Care system provides a wide range of services from clinical care to a Level-1 trauma center. The system is very interested in piloting projects in various service areas to determine if they can lower or reduce costs while increasing the quality of care. The system has reviewed the Delivery System Reform Incentive Program (DSRIP) funding model used in other states and is considering projects that could be based on a similar model, such as:
 - o Behavioral health integration
 - o Emergency department diversion
 - o Telemedicine
 - o Palliative care
- Other quality improvement proposals from other organizations

Children May Join Parents on Private Plans

Over the years, families on Medicaid have complained about the difficulty of managing different plans for different members of their family. In extreme cases, it has been possible to have one child on a Medicaid plan, another child on a Children's Health Insurance Program (CHIP) plan, and the parents on PCN. Health insurance is difficult enough to manage without having to deal with three different plans and three different programs.

Healthy Utah allows parents to include their children on the private plan. It is hoped that having a single primary health plan for the family will simplify coverage for the family. The federal government has previously denied Utah's requests to use Medicaid funding to purchase these private plans. However, through the Healthy Utah negotiations, Utah was able to obtain approval for this type of assistance.

In order to ensure that the children enrolled in private plans receive the full services and cost sharing available under Medicaid, they will also be provided a Medicaid card to cover services not covered by their private plan. In this way, Healthy Utah ensures that the children don't lose any benefits when families choose this plan.

Three-Year Pilot and Evaluation

Healthy Utah is proposed as a three-year pilot program. As a Medicaid 1115 waiver, the pilot includes an evaluation to determine the effectiveness of the demonstration. Healthy Utah proposes to test the following hypotheses:

- Primary care doctors will be paid better through private plans than through the traditional Medicaid program.
- Members will have equal or greater access to primary care physicians when enrolled in a private plan than members enrolled in the traditional Medicaid program.
- Members on the higher copay plan for nonemergent care will have lower medical costs while maintaining an equal level of health as those members on the low copay plan.
- Members who work or who complete the job assessment and training program will be on Healthy Utah for a shorter time than parents on the Medicaid program who are not automatically enrolled in this work effort benefit.

Because Healthy Utah will be operated through a Medicaid 1115 waiver, Utah will submit amendments during the three-year pilot period if adjustments are needed along the way. These amendments would be negotiated with the federal government and could be put into place while the pilot period is still underway.

The waiver for Healthy Utah will clearly state that Utah will be able to end the program at the end of the pilot period if it decides to do so. If Utah ended Healthy Utah, members over the poverty level would be transitioned to the Marketplace. Utah would not have any financial obligation for these costs. Utah would have to decide if it wants to provide any benefit to adults 0-100% FPL. If Healthy Utah were shut down, state funds from the program could be used to provide a limited benefit to a limited number of adults.

“Governor Herbert’s plan is the most thoughtful and common-sense. It serves needy people, brings our tax dollars home, is fiscally responsible and doesn’t tie us to long-term obligations. I hope the Legislature will work with the governor to win federal waivers and implement this plan.”

- A. Scott Anderson
President & CEO, Zions Bank
Medicaid Gap: The Governor’s Plan is a Common-sense Solution, Deseret News, 5-30-2014

“As long as Utahns are required to shoulder hundreds of millions of dollars of new Obamacare taxes, rejecting a cost-sharing plan that addresses the unmet health needs of the poor does not make sense.”

- Deseret News Editorial
In Our Opinion: Expanding Medicaid, Deseret News, 2-16-2014

“I’d like to emphasize an important aspect that should be central to the thinking in the current ongoing discussion: There are positive economic impacts in embracing the governor’s solution to expanding health care coverage in Utah.”

- Mark Miller
CEO, Mark Miller Auto Group
Healthy Utah Plan Good for Utahns and Utah Business, Salt Lake Tribune, 6-27-2014

“Healthy Utah would give us the best opportunity to stop the cycle of people in and out of jail by ensuring effective substance abuse and mental health treatment. It’s the right thing to do — for our uninsured residents and for our county budget.”

- Ben McAdams
Salt Lake County Mayor
- Sam Granato & Aimee Winder Newton
SL County Council Members
Healthy Utah Plan Ensures Utahns’ Tax Dollars Serve Health Care Needs,
Deseret News, 6-22-2014

“The Utah Hospital Association strongly supports Governor Herbert’s Healthy Utah Plan. It is a financially prudent, well thought out plan to help the poorest among us to have access to quality health care in Utah.”

- Greg Bell
President/CEO, Utah Hospital Association

“A program like this, literally about keeping Utahns healthy, is exactly what we need for our state.”

- Dr. Vivian Lee, MD, Ph.D, MBA

Senior VP, University of Utah Health Sciences; CEO, University of Utah Health Care; Dean, University of Utah School of Medicine

'Let's Keep Utah Healthy' and Support Gov. Herbert, Deseret News, 6-22-2014

“Governor Gary Herbert has proposed a potential solution that would provide at least some of the necessary coverage, while maintaining the fiscally conservative values of the state.”

-The Most Rev. John Wester

Bishop of Salt Lake City

Intermountain Catholic, 6-20-2014

“The economics of Governor Gary Herbert's Healthy Utah plan are simple and powerful. They bring money into the state, will save hundreds of millions in uncompensated health care, will strengthen the insurance industry and will improve the fiscal picture for the state and county governments.”

-Sven Wilson, Ph.D,

Professor, Brigham Young University

Healthy Utah Plan Would Provide Stability, Deseret News, 10-8-2014

“Governor Herbert has exhibited thoughtful economic leadership in crafting the Healthy Utah plan. This flexible, innovative, Utah-specific solution keeps taxpayer dollars in our state and is the best path forward.”

-Lane Beattie

President/CEO, Salt Lake Chamber

“Providing this insurance is a laudable policy goal and right for Utah families so long as it is done correctly. We have to carefully navigate the balance between fiscal prudence and needed assistance. The governor's plan finds this balance.”

-Natalie Gochnour

Associate Dean, David Eccles School of Business at the University of Utah

Chief Economist, Salt Lake Chamber

The Right Medicine, Utah Business Magazine, 11-7-2014

79%

of Utah Republicans say they support the Healthy Utah alternative.

- Utah Policy Daily, 9-15-2014 Poll: Once Republicans Understand Herbert's Healthy Utah Plan, They Support It

67%

of Utah voters favor accepting federal funds to extend health care coverage to all 111,000 people in the Healthy Utah target population.

- Utah Voter Poll, 4-11-2014

59%

of Utahns support the plan because it requires individuals to pay premiums and co-pays. 68 percent of Utahns support the plan because it allows greater flexibility for how Utah spends federal dollars.

- Voices for Utah Children Healthy Utah Poll Results, 9-9-2014

How does Healthy Utah differ from Medicaid expansion?

Healthy Utah is different and better than Medicaid expansion. It is based on private insurance, meaning doctors and hospitals can expect higher reimbursement rates than they receive from Medicaid, and clients can expect better access to care. Health care providers will likely never know that a patient has private insurance supported by the Healthy Utah plan. In addition, cost sharing is different and better than traditional Medicaid expansion, the linkage to work programs is different and better, and the incentives for healthy behaviors and appropriate use of emergency departments is different and better than traditional Medicaid expansion. The Healthy Utah plan is similar to Medicaid expansion only in that it recovers the Obamacare taxes paid by Utah residents and returns them to the Utah economy to pay for health coverage for needy Utahns.

How would Healthy Utah help those who are currently on waiting lists for other services?

There is a waiting list for intellectual or developmentally disabled people in the Division of Services for People with Disabilities (DSPD). Some of the individuals waiting for services on the DSPD waiting list would receive assistance under the Healthy Utah Plan, depending on their family's income level.

Why not just rely on Utah's charity care system to cover the Healthy Utah population?

The majority of Healthy Utah recipients are working poor, nearly two-thirds are employed, and more than 85% live in a household where at least one adult is working. Many are "medically frail" with serious health and intellectual disabilities that won't allow them to work. Others are single parents or parents who do not earn enough to receive a federal subsidy for health insurance, but too much to qualify for Medicaid. Utah's charity care network currently does an admirable job of serving many of these individuals. However, the charity care network is not able to provide the specialty care many people need. Healthy Utah would fill that gap.

How will Healthy Utah encourage people to get into the workforce, and off public assistance?

Any able-bodied adult who is not employed will be automatically enrolled in a work effort benefit designed to get them back into the workforce and off of public assistance programs. The concurrent work effort benefit enrollment is an integral part of the Healthy Utah plan. Consequences that include loss of State benefits for not engaging in the work effort benefit can be considered. The federal government has agreed in principle to integrating work effort benefit into the Healthy Utah plan.

How is Healthy Utah different from plans in other states?

The primary similarity between the Healthy Utah Plan and other plans, namely the Arkansas plan, is that they use private insurance instead of traditional Medicaid. The Arkansas plan had some flaws, and the healthcare environment in Utah is much different than the environment in Arkansas. Utah has learned from the Arkansas experience as well as those of other states. Having an existing managed care environment and state-operated small business exchange significantly improves our ability to implement health reforms.

How will individuals transition off Healthy Utah?

The Healthy Utah Plan is designed to seamlessly transition individuals from private health plans supported by the State under Healthy Utah to the same or similar plan supported by federal subsidies if their income exceeds the plan's limits. Limits imposed by the ACA on premiums and out-of-pocket maximums apply to health plans qualifying for either Healthy Utah or the federal marketplace.

How will Healthy Utah impact traditional Medicaid clients' abilities to obtain care?

The plan is to incentivize providers to offer services to Healthy Utah patients unlike the low reimbursement rates for traditional Medicaid recipients that disincentivize access to care. Utah covers most of its current Medicaid recipients with managed care through Accountable Care Organizations (ACO). In ACOs, recipients enroll in a private health plan. Utah Medicaid pays a per capita reimbursement rate (capitated rate) to the health plan but individual providers within the plan negotiate their own rates with the health plan much like private insurance arrangements.

Will covering more people strain Utah's health care system and actually harm the poor?

Uninsured adults are already receiving care today through emergency rooms, free clinics, and doctors who are donating their services. The issue is not whether providing insurance coverage to an additional 95,000 individuals will stress the system but instead is whether covering these individuals can help make sure the existing health system is efficiently used. Healthy Utah will encourage individuals to use the system appropriately through primary care providers rather than stressing overworked emergency departments.

Does Healthy Utah create a dependency on government programs?

Healthy Utah will help cover some of the costs of healthcare coverage for the medically frail, low income adults who are employed but without (or very limited) employer-sponsored insurance and other Utahns who are uninsured. One of the objectives of Healthy Utah is to assist individuals overcome health-related barriers to employment and become less dependent on government programs.

Why doesn't Healthy Utah include a real work requirement?

Healthy Utah provides a strong incentive for unemployed able-bodied individuals to find work. All but a small percentage of those who receive benefits under Healthy Utah will already be working or will be limited in their ability to work due to physical, mental or behavioral health conditions. Governor Herbert made several strong efforts to get the federal government to accept a work requirement in Utah's proposal and met personally with United States Health and Human Services Secretary Sebelius, Secretary Burwell and several White House officials. Ultimately, Secretary Burwell said she went to the President who decided not to agree to conditioning receipt of a health benefit on maintaining employment. Healthy Utah calls for an integrated work program where individuals will be concurrently enrolled in a work assistance program operated by the Department of Workforce Services when they enroll in Healthy Utah. The State has the discretion to withhold State benefits as an incentive for individuals to engage in the employment activities of an integrated work plan.

Does Healthy Utah create disincentives for people to work?

No. Healthy Utah will be part of an integrated healthcare system that fills the gap where currently the poorest Utahns are not offered assistance for healthcare coverage while those earning income over the poverty level are given assistance through federal subsidies. Work provides its own incentive by increasing an individual's income. Health coverage needs to be provided in a way that supports rather than hinders an individual's desire to have more income. Healthy Utah supports this goal by providing a tiered benefit that gradually increases individual responsibility as an individual's income increases. This stair step approach reduces the final transition that will occur when an individual's income increases to the point they leave Healthy Utah and enter the federal Marketplace. In addition, a major component of Healthy Utah is to support employer sponsored insurance further providing incentives for individuals to find employment and continue working.

Will Healthy Utah shrink the private sector and slow economic growth in Utah?

Exactly the opposite will happen when Healthy Utah is implemented; an infusion of over \$400 million every year will improve the economic health of the healthcare industry and all supporting industries in Utah. Economists from major universities in Utah have predicted economic growth as a result of implementing Healthy Utah.

Will the costs of Healthy Utah explode?

Economic conditions can always change but the costs of Healthy Utah have been evaluated by the nation's leading health actuarial firm and predicted as well as possible. The difficulty in projecting expenditures is one of the reasons why Governor Herbert has negotiated with the federal government that Utah will conduct a three-year pilot of the Healthy Utah plan while the federal government is paying nearly all of the service costs of the plan. After the pilot period, we will evaluate the effectiveness and cost of the program and be prepared to continue, modify or discontinue the program based on our evaluation. According to federal law, the decision of the Supreme Court and written assurances by the federal government, Utah can withdraw from participation in Healthy Utah at our discretion.

GARY R. HERBERT
GOVERNOR

STATE OF UTAH
OFFICE OF THE GOVERNOR
SALT LAKE CITY, UTAH
84114-2220

SPENCER J. COX
LIEUTENANT GOVERNOR

November 6, 2014

The Honorable Sylvia M. Burwell
Secretary of Health and Human Services
200 Independence Avenue, S.W.
Washington, D.C. 20201

Dear Secretary Burwell:

Thank you for meeting with me during my recent visit in Washington, D.C., to discuss the best way to extend coverage to low income adults in Utah. I appreciate the time you spent, as well as the more detailed informal discussions that have taken place between staff of the Utah Department of Health and Centers for Medicare and Medicaid Services (CMS) about initiatives Utah may pursue in advancing coverage for these adults. These conversations have been productive, and we look forward to continued dialogue with you and your staff.

As you know, I will be discussing the Healthy Utah Plan with the Utah State Legislature. To inform these legislative discussions, I am seeking confirmation that the approaches we have discussed with you and with CMS staff are within the boundaries of what CMS could approve as a potential section 1115 demonstration to extend coverage to low-income adults. Additionally, I am also seeking confirmation that using these approaches would qualify Utah for the enhanced matching rate available for expenditures of newly eligible individuals.

As we discussed, the Healthy Utah Plan will employ an alternative benefit plan (ABP) by providing premium assistance for either Employer Sponsored Insurance (ESI) or qualified health plans (QHPs) offered on the marketplace. Medically frail and other exempt individuals will be offered coverage options, including enrollment in a Medicaid Accountable Care Organization or premium assistance.

For those covered through a QHP, Utah's small business health insurance marketplace (Avenue H) will provide the online portal through which beneficiaries will select a plan. For beneficiaries in either a QHP or ESI, benefits and cost sharing will be "wrapped" to meet Medicaid requirements as necessary. For those enrolled in a QHP, we will enter into agreements with QHPs to provide the additional benefits required by the Medicaid statute. Each QHP

APPENDICES

Letter from Governor Herbert

enrollee will have the choice of at least two silver level plans with the premium and copayment amounts described below.

Under this approach, beneficiaries under 100 percent of the FPL will not be charged premiums, but will be subject to cost sharing at Medicaid permissible levels. Individuals above 100 percent of the FPL will have a choice of plans with a monthly premium of \$15 and cost sharing that will not exceed Medicaid permissible levels or plans with a monthly premium of \$10 and cost sharing that will include a co-payment for non-emergent use of the Emergency Department (ED) at \$50 (cost sharing will otherwise not exceed Medicaid permissible levels). We believe the Healthy Utah Plan proposes a unique and untested approach to cost sharing that will help determine if this higher copay can help reduce unnecessary use of the ED.

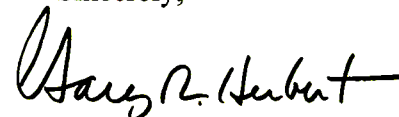
As we have discussed, we will also automatically enroll eligible low-income adults in a work program offered by the Utah Department of Workforce Services (DWS). If these adults take advantage of the program, the DWS will help them find or increase employment and improve their situation. These adults will be concurrently enrolled in both the Healthy Utah Plan and the work benefit. Participation in one benefit will not impact participation in the other.

Other elements of our proposal will include allowing parents of children eligible for Medicaid to have their children join them on their QHP or ESI, with “wrapped” benefits for the children that are consistent with CMS regulations. We will also provide beneficiaries financial incentives, if they engage in activities to improve their health and wellness. In addition, as other states have done, we may seek to waive the requirement that we provide non-emergency medical transportation (NEMT) to the expansion population during the first year of the program; we understand that continuation of this waiver would be subject to evaluation of the waiver on beneficiary access to services. Also as a part of the demonstration, we will continue our Utah’s Premium Partnership (UPP) program, which provides financial assistance for individuals with incomes 134-200 percent of the FPL with ESI.

We have designed the Healthy Utah Plan as a three-year pilot and stipulate that this demonstration would remain in effect only while the federal funding levels remain as described in the Affordable Care Act. There will be no maintenance of effort (MOE) requirement imposed on the state of Utah by CMS as a result of Utah’s pursuing this pilot program. Before submitting an official waiver request for the Healthy Utah Plan, we will conduct an appropriate public input process that meets federal requirements.

We have appreciated the opportunity to discuss these important issues with you and with your staff. We believe the Healthy Utah Plan is a model the federal government can support and is right for Utah residents.

Sincerely,



Gary R. Herbert
Governor



THE SECRETARY OF HEALTH AND HUMAN SERVICES
WASHINGTON, D.C. 20201

NOV 13 2014

The Honorable Gary R. Herbert
Governor of Utah
Salt Lake City, UT 84114

Dear Governor Herbert:

Thank you for your letter and for your interest in extending coverage to low-income adults in Utah. I agree that our conversations have been productive, and we look forward to continuing to work together on this important initiative.

The Utah Department of Health has had extensive policy discussions with the Centers for Medicare & Medicaid Services (CMS) about the potential components of a Utah-specific approach to Medicaid expansion. In CMS's conversations with state officials, we have indicated that the elements of your design for a potential premium assistance demonstration, as articulated in your letter, appear to be approvable, consistent with demonstrations we have recently approved.

As our staffs have discussed, enhanced match would be contingent upon the state amending its state plan to establish eligibility for the new adult group and the benefits for this group through an Alternative Benefits Plan (including provisions for those determined to be medically frail), and we understand that the state would be prepared to do so. In addition, as we have discussed, no demonstration authority would be required for the state to encourage employment through concurrent enrollment in a state-sponsored job training and work-related benefit so long as Medicaid coverage will not be affected by this state initiative. We also agree that Utah's Avenue H may be used as the online portal for beneficiaries to select a qualified health plan.

Under your proposed model, Utah would pursue waiver authority under section 1916(f) of the Social Security Act to test higher copayments for non-emergency use of emergency room services. We agree that you have described a framework that could be consistent with the requirements of federal law that govern experimental approaches to Medicaid co-payments. Finally, regarding your concern about maintenance of effort, I can confirm that, as HHS has stated previously, the state is free to adopt or discontinue coverage under the new adult group at any time.

While we are pleased to confirm the elements of those discussions, it is important to note that to date, CMS has not received a demonstration proposal. As we have discussed, and your letter acknowledges, once the state has developed such a proposal, the proposal will need to be open to public comment both at the state and federal levels. The U.S. Department of Health and Human Services (HHS) cannot approve a demonstration until it has been submitted and reviewed under our transparency processes.

The Honorable Gary R. Herbert
Page 2

We appreciate the opportunity we have had to discuss these policies with you and with your staff. Thank you again for your work with us on this issue, which is so important to the health of Utah's residents. We look forward to our next steps together.

Sincerely,



Sylvia M. Burwell

Bridge Plan

In order to implement Healthy Utah, several different steps need to be taken:

Legislative Approval of Healthy Utah Funding

State law requires the Legislature approve the federal funds for Healthy Utah before the state can accept them.

Obtain Federal Approval of the Waiver

The state has engaged the federal government over the summer in informal discussions about a Medicaid waiver in order to implement Health Utah. United States Secretary for Health and Human Services Sylvia Burwell has sent the state written assurance that Healthy Utah appears to be a plan she could approve. However, the state must still publicly release a waiver request, hold a 30-day public comment period, and then officially submit the request. Then the federal government must hold its own 30-day public comment period before it can approve the request.

Update State Systems to Administer the New Program

The eligibility system at the Department of Workforce Services, the claims payment system at the Utah Department of Health, and the plan selection and enrollment system overseen by Avenue H must all be updated to implement the new requirements for Healthy Utah.

Private Health Plans Need to Factor Healthy Utah into Rates

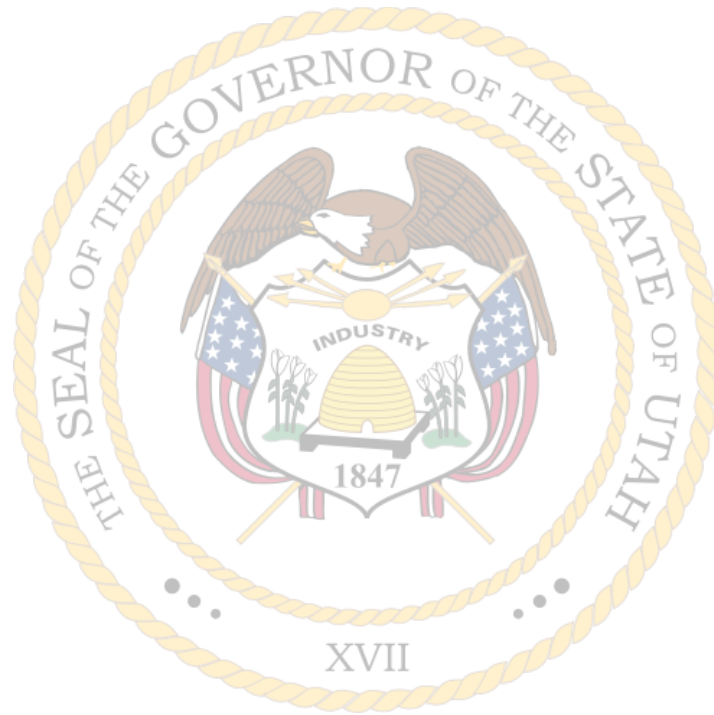
When health plans submitted their rates for 2015, they did not envision many of their enrollees would come from Healthy Utah. Their next opportunity to update their rates would be January 2016.

Due to these factors, the best date to implement the Healthy Utah plan is January 2016. However, it is important the uninsured have a coverage option to help fill the gap until then. If the Legislature approves funding for Healthy Utah during the General Session, the state will operate a six-month bridge plan that will provide adults with interim coverage and help transition them to Healthy Utah. The bridge plan would operate from July to December 2014. Adults will be enrolled in a modified version of the current Nontraditional Medicaid plan. Benefits will be provided by Accountable Care Organizations (ACO) in Weber, Davis, Salt Lake, and Utah Counties. In other areas of the state, adults may elect to receive their benefit through an ACO or directly from providers.

Woodwork Effect

Healthy Utah is targeted to assist uninsured adults who are not currently eligible for Medicaid. However, the creation of this new group will lead to an increased total number of medical assistance applications because of the overall interest in the new program. Many individuals that are currently eligible for Medicaid but, are not enrolled, will also apply. When currently eligible individuals enroll in the existing Medicaid program as a result of coverage being extended to a new population it is known as the “woodwork” effect.

This document includes enrollment and cost estimates for the “woodwork” effect related to Healthy Utah. It is estimated that some currently eligible adults with dependent children as well as a significant number of currently eligible children will apply for benefits and will be found eligible for Medicaid. Adults with dependent children whose incomes are from 0-50% FPL will be eligible for the current Medicaid Parent/ Caretaker Relative program. Children whose family incomes are from 0-133% FPL will be eligible for the current Medicaid children’s program. Because these populations are not a newly eligible group, the federal government matches their costs at the state’s current match rate (approximately 70% federal/30% state) rather than the new enhanced match rate.



HEALTHY UTAH