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Commissioner

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October 27, 2011

Richard McGreal, Associate Regional Administrator
Department of Health and Human Services
Centers for Medicare & Medicaid Services
JFK Federal Building, Suite 2275
Boston, MA 02203-0003

Re: Demonstration Proposal – 1115 Waiver to Provide Coverage for Low Income Adults

Dear Mr. McGreal:

Connecticut was proud to be the first in the nation to expand coverage to uninsured low-income individuals under section under Section 1902(k)(2) of the Social Security Act. The Connecticut Medicaid Low Income Adults (LIA) program was established effective April 1, 2011 with an income limit of 56% of the federal poverty level and no asset test.

The Medicaid LIA program has generated enormous interest and enrollment has far exceeded our projections. The strain on the state's budget is considerable. In the first year alone, the program's caseload growth of nearly 60% has resulted in a deficit of \$139 million. For this reason, we have explored various mechanisms to control growth such as imposition of an asset test, counting family income for 19 and 20 year olds, limiting skilled nursing facility admissions to 90 days, and establishing an alternative benefit package. It appears that only the last of these options is permissible under current law, and this option is unlikely to result in significant mitigation of program costs.

Under the enclosed demonstration proposal, Connecticut will continue sustain its commitment to coverage for some of the State's most vulnerable citizens. However, effective February 1, 2012, we are proposing to implement a new coverage group under Section 1115 demonstration authority that would replace the current state plan Medicaid LIA coverage group. If approved, we believe that this proposal would enable Connecticut to preserve its commitment to providing quality health care coverage to the State's most vulnerable single adults in a manner that is financially sustainable.

Mark Schaefer, Director of Medical Care Administration, is the lead on this initiative. He will be in touch with your office to schedule a time to review this proposal.

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We appreciate your continued efforts, and in particular your leadership on Connecticut's Medicaid State Technical Assistance Team, to support our goal of delivering value and sustainability in Connecticut's Medicaid program.

Sincerely,



Roderick L. Bremby
Commissioner

cc: Benjamin Barnes, Secretary, Office of Policy and Management
Anne Foley, Undersecretary, Office of Policy and Management
Claudette Beaulieu, Deputy Commissioner
Irv Rich, CMS
Marie Montemagno, CMS
Mark Schaefer
Lee Voghel

Connecticut Department of Social Services
Section 1115 Demonstration Authority Concept Paper

A Cost-Effective and Sustainable Approach to Providing Medicaid Coverage to
Low-Income, Childless Adults in the State of Connecticut

INTRODUCTION

The State of Connecticut (Connecticut/State) has led the nation in providing coverage to the uninsured. The effort undertaken to serve individuals through the Medicaid Low-Income Adults (LIA) program effective April 2010 reflects our long commitment to ensuring that our citizens have access to quality health care. While the program has been exceptionally successful in providing coverage, its growth in both numbers enrolled and service utilization has spurred the need to seek a more tailored program design, sustaining services for those with the most significant need and few alternatives for coverage.

BACKGROUND

Connecticut has long demonstrated its commitment to healthcare coverage for its most vulnerable citizens. For several decades, the State and its municipalities administered a general assistance program to provide medical assistance to low-income uninsured adults. In 1998, the legislature established the State Administered General Assistance (SAGA) program which transferred all administrative and financial responsibility for the general assistance LIA program to the State. On June 21, 2010, Connecticut became the first state in the nation to gain approval from the federal government to expand Medicaid coverage to an estimated 45,000 individuals under a new Medicaid for the LIA program, many of whom had previously been enrolled in a more limited benefit package under SAGA. The conversion extended long-term care and home health benefits to this population, provided greater access to non-emergency medical transportation, and expanded the provider network available to enrollees. Although income eligibility remained unchanged at 56% of the federal poverty level, the SAGA asset limit of \$1,000 was eliminated to comply with federal requirements.

The Medicaid expansion for low-income adults has resulted in significant unbudgeted costs. Elimination of the asset test, poor economic conditions, as well as inclusion of populations who did not formerly qualify for SAGA, created an unanticipated level of caseload growth, increasing by 60% from 46,156 clients in June 2010 to 73,915 clients in August 2011. This increased caseload, along with higher than anticipated service utilization, created significant state fiscal year (FY) 2011 shortfalls in the funding that supports Medicaid LIA services, with shortfalls totaling \$139 million. In fact, last year when the FY 12 and FY 13 budget was being developed, the projected FY 11 shortfall of \$139 million was trended forward into the estimates for FY 12 and FY 13 and yet, despite this, the current caseload level of 73,900 was not projected to be reached until March 2013. As a result of this higher growth, the Department of Social Services (DSS) is

already projecting a shortfall in FY 12 of over \$90 million for the Medicaid LIA program. Caseload is estimated to continue growing at a rate of 2% per month through June 30, 2012.

Connecticut has undertaken major investments in resources to support improvements in care and service delivery for Medicaid populations, including the LIA population. These initiatives are intended to support the transformation of the service delivery system and the data available to participants in that system to continuously drive better performance. At the same time, Connecticut is pursuing a number of access, quality, and cost-containment efforts that are intended to reduce the rate of program growth. Examples of these initiatives include:

- Establishing a single statewide medical administrative services organization to undertake customer service, utilization management, intensive care management, and quality management for LIA and other medical assistance populations. There will be a special focus on health risk stratification and health data analytics to improve population health management and support targeted intensive care management. Other data analytics will support provider profiling and pay for performance initiatives;
- The Connecticut Person-Centered Medical Home (PCMH) initiative supported by utilization management through a contracted administrative services organization with performance measures and incentives;
- The Connecticut Behavioral Health Partnership Program, an integrated behavioral health service system providing mental health and substance abuse services to Medicaid, including Medicaid LIA, members; and
- Assessment of a benchmark benefit plan for LIA members as an alternative to the current Medicaid state plan benefit.

Despite these efforts, given current budgetary conditions, Connecticut estimates that caseload growth in the Medicaid LIA program has created an expansion program that has become financially unsustainable through the end of 2013 when 100% federal funding will be available to cover the costs of these individuals in 2014.

DEMONSTRATION PROPOSAL

Connecticut must make changes to the Medicaid LIA program in order to keep up with the expenditure demands of program growth. To date, such growth is well beyond the level that had been budgeted. Under this demonstration proposal, Connecticut will continue to demonstrate a sustained commitment to coverage for some of the State's most vulnerable citizens with a partial early implementation of the expansion authorized under the Affordable Care Act for 2014.

Effective February 1, 2012, Connecticut proposes to implement a new coverage group under the Section 1115 demonstration authority that will replace the current state plan

Medicaid LIA coverage group authorized under Section 1902(k)(2) of the Social Security Act.

The goals of this demonstration are:

- Preservation of Connecticut's commitment to coverage for low-income, single adult residents in need of health care services;
- Manageable program growth and expenses through 2013;
- Continued reliable access to affordable, quality health care services; and
- Increased coordination of health care services for demonstration enrollees through the implementation of person-centered medical homes.

These components are all linked in mission – to preserve Connecticut's commitment to providing quality health care coverage to the State's most vulnerable single adults in a manner that is financially sustainable.

DEMONSTRATION ELIGIBILITY AND ENROLLMENT

Under the demonstration, Connecticut is proposing to:

- Reinstigate an asset test on all applicants. DSS is in the process of evaluating the level of such an asset test and estimating the impact of an increased asset test on the more than 30,000 LIA enrollees that are assumed to have assets above the previous SAGA program limit of \$1000; and
- Count family income when determining eligibility. Although parents are allowed to continue to cover their children under their health insurance up to age 26, due to the difficult economy, more parents are shifting coverage for their children in college to LIA because family income is not counted.

Connecticut intends to otherwise maintain the existing income limits and methodology for determining this income as is currently described in the approved state plan for the Medicaid LIA population.

Transition from Medicaid LIA to the Demonstration

All demonstration enrollees will be required to submit a new application for eligibility under the demonstration eligibility criteria. Current LIA enrollees will be offered the opportunity to apply and, if qualified, gain eligibility under the demonstration without any break in coverage. In order to ensure continuity of coverage for those Medicaid LIA individuals who will qualify for coverage under the demonstration, DSS will mail notices at least 30 days prior to the termination of the LIA program in order to give individuals the opportunity to apply for coverage under regular Medicaid or under the demonstration.

Further, current LIA enrollees will be made presumptively eligible under the demonstration based on their LIA enrollment for a period not to exceed 60 days in order to provide individuals the additional opportunity to submit a new eligibility application under the demonstration eligibility criteria. Current LIA enrollees who do not apply or who apply and are determined ineligible will be disenrolled from the demonstration once determined ineligible, but no later than the end of the presumptive eligibility period. LIA enrollees who qualify under the demonstration eligibility criteria will receive the benefit plan approved under the demonstration.

Managing Enrollment

Connecticut anticipates that available funding will support the enrollment of all individuals eligible under the demonstration eligibility criteria. However, in order to manage enrollment so that it does not exceed available funding, DSS requests the flexibility to limit additional program enrollment if funding does not permit. Any such enrollment limit would be applied prospectively and any disenrollments would occur through regular program attrition. DSS would provide sufficient notice to CMS and the public before imposing such a limit. Individuals subject to an enrollment cap would continue to be screened for eligibility in other programs.

DEMONSTRATION BENEFITS

Connecticut currently provides the full Medicaid benefit package to the LIA population. Under the demonstration, Connecticut will provide a benchmark benefit or benchmark benefit-like package of services. These benefit packages are currently under development. Examples of benefit changes under consideration include:

- Home health visits limited to 60 days per episode;
- Nursing facility coverage limited to 90 days per admission;
- Limits on the number of non-emergency visits to the emergency room;
- Occupational, physical, and speech therapy services limited to 20 visits per year;
- Limits on the number of outpatient hospital visits, excluding chemotherapy and radiology visits from the limits;
- Increased authorization requirements for the pharmacy benefit; and
- Provision of a mental health and substance abuse benefit reflective of the needs of the expansion population based on experience to date. Connecticut continues to provide state-funded behavioral health services to LIA enrollees as a wrap-around to the Medicaid benefit in response to the prevalence of mental illness and substance abuse in the LIA population. These services may be appropriate for inclusion in the demonstration benefit design, particularly once Connecticut has had the opportunity to compare the LIA benefit to the forthcoming rules on “essential health benefits.”

Enrollment in the demonstration benefit package will be mandatory for all demonstration enrollees.

Demonstration enrollees will be included in the new initiatives that are being introduced in Connecticut's Medicaid program, including the new person-centered medical home initiative, the Connecticut Behavioral Health Partnership Program, and the administrative services organization initiative to provide utilization management services to the State.

Cost-sharing

At this point in the benefit design development, Connecticut does not anticipate imposing any cost-sharing for demonstration enrollees. However, any cost-sharing in the final benefit design will be in compliance with all federal requirements.

Budget Neutrality

Connecticut will provide services to individuals under the demonstration at a level of expenditures that will be at least budget-neutral to the federal government. Connecticut anticipates that the caseload growth under the demonstration will be lower than under the approved Medicaid LIA state plan population, and the per-member-per-month cost of providing the demonstration benefit to the demonstration population will be lower than the current cost of the Medicaid benefit provided to the same population.