

December 17, 2013

The Honorable Kathleen Sebelius
Secretary, U.S. Department of Health and Human Services
200 Independence Avenue, S.W.
Washington, DC 20201

Re: Comments on Michigan's Proposed Amendments to its Section 1115 Demonstration Project

Dear Secretary Sebelius,

Community Catalyst greatly appreciates the opportunity to comment on the Healthy Michigan Plan proposal.

Community Catalyst is a national non-profit advocacy organization dedicated to quality affordable health care for all. Since 1997, Community Catalyst has been working to build the consumer and community leadership required to transform the American health system. With the belief that this transformation will happen when consumers are fully engaged and have an organized voice, Community Catalyst works in partnership with national, state and local consumer organizations, policymakers, and foundations, providing leadership and support to change the health care system so it serves everyone - especially vulnerable members of society.

Thank you for ensuring that the public gets an opportunity to weigh in on this important proposal. Given that it is technically a waiver *amendment* so it is not required to be subject to a 30-day public comment period, we are very pleased that you are offering the public a chance to weigh in. This is an important precedent that will ensure transparency and public input for all significant changes to state Medicaid programs, whether they are submitted as a new waiver proposal or as a waiver amendment.

We enthusiastically support Michigan's decision to accept federal Medicaid funding to move forward with the extension of coverage to low-income parents and adults. This expansion will reach 300,000 to 500,000 Michigan adults, improving their health and their financial well-being. The value of providing coverage to these low-income uninsured families cannot be overstated.

However, we do have concerns with specific aspects of the proposal that can and should be addressed during the approval process.

We urge you to ensure that the proposal is not amended to increase cost-sharing requirements above levels allowed by law, or to deny services or Medicaid eligibility for enrollees who fail to make their monthly contributions. Community Catalyst generally opposes waivers to charge premiums

in Medicaid for those earning below 150% FPL, because a substantial body of literature demonstrates that even nominal premiums deter enrollment into the program. This is especially true among the lowest-income enrollees, who are struggling to afford basic necessities like housing and food; some literally have zero monthly income. Premiums would no doubt impose severe financial hardship and/or deter these families from enrolling in coverage.

The Healthy Michigan Plan would impose monthly contributions on all newly eligible enrollees, including those with no incomes whatsoever. While this is troubling, the unique design of these monthly contributions distinguishes them from traditional premiums in a few important ways, which helps to minimize their potential harm on consumers. We would strongly prefer to see no monthly contributions, but we can tolerate the monthly contributions outlined in this proposal (as long as these important distinctions remain intact) as a compromise to achieve expanded coverage under Medicaid.

The following components of the existing plan are essential to minimizing the harm on consumers, and we urge CMS to ensure they remain in the final approved amendment:

- *Enrollees will not be charged monthly contributions for their first 6 months in a plan, and they cannot be denied care or disenrolled from Medicaid for nonpayment of monthly contributions.* Since the monthly contributions don't begin until 6 months into enrollment, families are much less likely to be deterred from initial enrollment in the program by these contributions. And since enrollees cannot be removed from Medicaid for failure to pay their monthly contributions, they are less likely to lead to loss of coverage and high churn rates that characterize the experience of other states that have introduced premiums in Medicaid or Medicaid-like programs. These design elements protect consumers against the worst consequences of premiums.
- *The monthly contributions essentially smooth out enrollees' cost-sharing obligations, and those cost-sharing obligations comply with the limits in existing Medicaid law.* Under this proposal, enrollees do not have to pay more than they would under a standard Medicaid plan with nominal cost-sharing; they just pay those cost-sharing amounts averaged on a monthly basis rather than at the point of service. The underlying cost-sharing amounts used to calculate the monthly contributions are no higher than allowed by law. Community Catalyst urges CMS to ensure that the cost-sharing amounts included in the final waiver amendment comply with these limits.

We also recommend that you require a careful review and evaluation of the new account structure and monthly contribution requirements. The cumulative cost of copayments could deter enrollees from accessing needed care, particularly among those with little to no income. There are also several aspects of the MI

Health Account structure and monthly contributions that could confuse enrollees. For example, they could incorrectly believe that if they have a low MI Health Account balance they cannot access needed care. We suggest that Michigan be required to carefully monitor copay requirements and collection practices to make sure enrollees are accessing the right care at the right time, and that inability to pay copayments does not become a barrier to care. Michigan should also evaluate the impact of the monthly contributions on enrollment and churn in the program.

We recommend you work with Michigan to eliminate the additional contributions on those above 100% FPL. The Healthy Michigan waiver amendment would require *additional* monthly contributions from those earning above 100% FPL, totaling 2% of their income. We urge CMS to work with Michigan to eliminate this contribution requirement. We already know, from a substantial body of literature¹, that even nominal premiums deter enrollment and increase churn in the program. We therefore do not need a demonstration program to understand the impacts of premiums on Medicaid beneficiaries, and premiums cannot meet the requirement that section 1115 waivers “assist in promoting the objectives of” the Medicaid program.

If it is not possible to remove these additional contributions from the waiver amendment, we urge CMS to ensure that the state maintains the essential consumer protection currently articulated in the amendment waiver: enrollees cannot be denied care or disenrolled from Medicaid for nonpayment of these monthly contributions.

We recommend you require Michigan to provide further detail about the healthy behaviors they intend to incent among beneficiaries, and that you place strict parameters on the program. The Healthy Michigan waiver amendment would reduce beneficiaries’ monthly contribution amounts if they meet certain “healthy behavior” standards. While we support some programs to incentivize healthy choices in Medicaid, we are concerned by the lack of details in Michigan’s proposed framework. We urge CMS to obtain more information about how Michigan plans on implementing this proposal, and to place certain parameters on this incentive program:

- *Allow rewards, not punitive measures, as incentives for healthy behaviors.* Consistent with the design of the Medicaid Incentives for the Prevention of Chronic Diseases, we believe incentives for beneficiaries to participate in preventive measures should be *rewards*, not punishments.

¹ For a summary of the literature, see Artiga, Samantha and Molly O’Malley, “Increasing Premiums and Cost Sharing in Medicaid and SCHIP: Recent State Experiences”, May 2005. <http://kaiserfamilyfoundation.files.wordpress.com/2013/01/increasing-premiums-and-cost-sharing-in-medicaid-and-schip-recent-state-experiences-issue-paper.pdf>

- *Disallow outcome measures of “healthy behaviors”.* Many factors that contribute to measurable health outcomes, like healthy weights and smoking status, are outside of enrollees’ control. For example, no one can control whether healthy foods or safe places to exercise at night are available in their neighborhoods. In general, and especially when the incentive is a punishment on enrollees who fail to meet the healthy behavior standards, we urge CMS to restrict healthy behavior metrics to process or participation measures. For example, a state may incentivize enrollees to complete a risk assessment with a health care provider, or to complete a smoking cessation program. It should *not* create rewards or punishments based on whether they successfully quit smoking or whether their underlying health improves. This is consistent with the types of measures included in the recently-approved Iowa Wellness Plan.

It should be noted that in order to fairly incentivize participation in these programs, CMS should ensure that the state makes them truly available to the range of people enrolled in Medicaid, such as by making them accessible to people living with various disabilities, with restricted time availability, and with language barriers.

We urge you to encourage the state to take up streamlined enrollment options you outlined last spring. We strongly support the enrollment strategies outlined in the Healthy Michigan waiver amendment to help recapture people who applied for coverage during open enrollment but were denied because the state had not yet implemented the Medicaid expansion. In particular, we are glad that Michigan plans to identify applications submitted on or after October 1st whose income fell between current Medicaid eligibility standards and 100% FPL. We are also very supportive of Michigan’s plans to identify people between 100 and 133% FPL enrolled in QHPs and let them know they will be eligible for Healthy Michigan.

However, we recognize that these strategies will require highly-limited administrative resources to be implemented quickly and efficiently, so we encourage Michigan to also adopt existing strategies that can easily identify eligible individuals and quickly enroll them. In particular, we urge you to encourage the state to take up two enrollment options outlined in May 17th guidance from CMS: enrolling individuals into Medicaid based on Supplemental Nutrition Assistance Program (SNAP) eligibility, and enrolling parents into Medicaid based on children’s income eligibility. These policies can help find and quickly enroll tens of thousands of newly eligible enrollees, and help boost enrollment that may otherwise be depressed due to the late start on the Medicaid expansion in Michigan.

Despite our policy concerns with certain aspects of this waiver amendment, we enthusiastically support Michigan’s decision to accept federal Medicaid funding to move forward with the extension of coverage to low-income parents and adults.

This expansion will be invaluable to the 300,000 to 500,000 Michigan adults who will now have the opportunity to enroll in health insurance.

Thank you for your willingness to consider our comments. If you would like any additional information, please contact Katherine Howitt, Senior Policy Analyst, at khowitt@communitycatalyst.org or 617-275-2849.

Respectfully submitted,

A handwritten signature in cursive script that reads "Robert Restuccia".

Robert Restuccia
Executive Director
Community Catalyst