Pennsylvania’s Spin on Medicaid Expansion Stresses Managed Care, Cost Sharing

The Healthy Pennsylvania Medicaid expansion waiver can be summed up as follows: Expansion? Yes. Managed care? Yes. On Exchanges? No. Traditional Medicaid benefit changes? Yes.

More specifically, the compromises that made Healthy PA and its Private Coverage Option possible involve cost sharing, rewards for healthy behaviors and a benefit package intended to mirror commercial health insurance. There are also important changes to benefits under the state’s existing Medicaid managed care program.

In this Q&A, Health Management Associates experts Mike Nardone and Izanne Leonard-Haak discuss the workings of Healthy PA and whether it’s a viable model for other states still considering expansion.

Let’s start with a little background. Why didn’t Pennsylvania expand Medicaid under Affordable Care Act (ACA) right from the start?

**Mike Nardone:** It was both politics and cost concerns. It is fair to say that Governor Tom Corbett believed that the growth in the current Medicaid program was unsustainable, and to build off of an unsustainable program was not the way he wanted to proceed. Instead, he sought changes to the existing Medicaid program along with an expansion option that relied more on the private sector.

**Izanne Leonard-Haak:** Governor Corbett was one of the Attorneys General who challenged the Affordable Care Act in the first place. What would have been surprising would have been to have him just move forward with a straight Medicaid expansion. And there are legitimate cost concerns. Medicaid is very expensive, making up 29% of Pennsylvania’s state budget. The Governor tried to find a balance between his concerns related to Medicaid expansion and not doing anything.

**As expected, Tom Wolf – a Democrat – was elected Governor of Pennsylvania. What does this mean for the future of Healthy PA?**

**Nardone:** Throughout the campaign, Governor-elect Tom Wolf consistently voiced his support for a straight Medicaid expansion using the existing HealthChoices Medicaid managed care program to expand coverage. But the Governor-elect does not take office until mid-January 2015, and the Department of Public Welfare continues to press ahead with implementation of the Healthy PA program, recently sending out notices to consumers in anticipation of the December enrollment period. Rather than immediately pulling the plug on Healthy PA, it is anticipated that the new Governor will seek to phase it in using the HealthChoices program as a platform for expanding Medicaid in order to minimize disruption of coverage for newly enrolled individuals while more immediately seeking to roll back the Medicaid benefit limits included in the HealthyPA plan.

**Leonard-Haak:** It is important to note that although Governor Corbett was defeated, the Republicans increased their control of the chambers in both the state House and Senate. The Legislature is likely to resist some of Governor Wolf’s changes, making it difficult to predict at this point how this will all pan out.

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Take us through the nuts and bolts of Healthy PA. Who does it cover, how does it work and how is it different from the state’s existing Medicaid program HealthChoices?

Nardone: There are four basic components. First, there are reforms to the existing Medicaid program which streamline current benefits. Second, there’s the expansion waiver, which provides newly eligible people with a Private Coverage Option that mirrors commercial health insurance in the marketplace. Third, there are new cost sharing requirements and incentives for healthy behaviors. Fourth, there is a voluntary work program in which Medicaid recipients are assigned a career coach and register in the state’s Job Gateway program. The Governor had originally wanted the work program to be mandatory, but he pulled back on that in the face of CMS opposition.

Leonard-Haak: Another thing is the structure of the waiver program. The governor wanted to make it distinct from traditional Medicaid. He aligned the zones for the Private Coverage Option with the nine zones for the federal exchange here in Pennsylvania, rather than with the mandatory Medicaid managed care program HealthChoices, which has five zones. He carved up the state differently, trying to make it feel more like a distinct program.

The Governor also was focusing on trying to get in new players - not just managed care companies participating in Medicaid, but also companies from the private sector. He was not as successful at that as he hoped. Only one non-Medicaid plan is still moving forward on the Private Coverage Option. Finally, the Governor had originally proposed that there would be no medical transportation for those in the Private Coverage Option (PCO). But the final waiver only allowed the state to do this for the first year in order to enable them to ramp up a transportation program for all the new eligibles. Pennsylvania must provide medical transportation for those under the PCO starting in year two of the waiver.

Why didn’t Pennsylvania follow Arkansas’s lead and provide subsidized commercial coverage through the exchange instead of going with commercial coverage through an entirely new and separately contracted Medicaid managed care program?

Nardone: There are things borrowed from the waivers in Arkansas and Iowa. But there are some key differences.

One is the relationship to the health insurance marketplace and the extent to which this is a true premium assistance program.

In Arkansas, the state and Medicaid provide premium assistance for individuals in the expansion population to purchase coverage in the marketplace. You really have one layer of coverage for the expansion population, and then it’s the same plans that are in the marketplace. Iowa is a hybrid – straight Medicaid expansion up to 100% of poverty and premium assistance between 100% and 138% of poverty.

The Pennsylvania program will result in three layers of coverage as incomes change. Traditional Medicaid for those currently eligible or the medically frail. The Private Coverage Option for people above current Medicaid eligibility levels up to 138% of poverty. And finally the third layer, which is the health insurance marketplace for those over the 138% of poverty.

Leonard-Haak: As Mike mentioned earlier, Pennsylvania also has incentives for healthy behaviors. In Pennsylvania, individuals with incomes above 100% of the federal poverty level will pay a premium equal to 2% of their income beginning in year two of the program. Arkansas does not require any premium payment, though Iowa does. Then there are the incentives. Both Pennsylvania and Iowa enable people to lower their premiums if they engage in healthy behavior as defined by the state. Arkansas does not.

What’s your view on this 2% premium contribution for people above 100% of poverty? Doesn’t requiring eligibles to pay premiums discourage them from joining?

Nardone: That is a concern. The evidence is pretty clear that increases in premiums and cost sharing do lead to a reduction in the take-up of health insurance coverage. I think the administration would say that the premiums are in lieu of other cost sharing requirements under traditional Medicaid. Almost all co-payments go away and are replaced by premiums for those over 100% of poverty. I think the Administration would also point out that the premiums don’t go into effect until year two. One of the goals is that people will engage in healthy behaviors and not have to pay the full premium amount.
Leonard-Haak: The state has proposed going from 14 separate plans down to two – a low-risk plan for people who are healthier and a high-risk plan for people who have more complicated medical situations.

In the past, most services were covered without limits. Now the state is adding limits – more limits for the low-risk plan and fewer under the high-risk plan. For example, in the low-risk plan there is proposed a limit of two hospital admissions (non-emergency), but a limit of three in the high-risk plan. For radiology, where there used to be no limit, now it’s six radiology tests per year in the low-risk and eight in the high-risk. Targeted case management will not be covered under the low-risk plan, which is quite controversial here in Pennsylvania, though hopefully those who really need it will be covered by the high-risk plan. For the high-risk, targeted case management is only for the seriously mentally ill. Two side notes here: the state has not issued information on the final high-risk package of benefits, and the state has promised an exceptions process which may help to mitigate some of the impact of these proposed benefit changes.

Nardone: The limits are high under the high-risk plan and low under the low-risk plan, with the intent being that people will be assigned a package based on their needs. One of the key questions will be whether people get into the right package and how smooth is the transition from various coverages.

What kind of measures is the state looking for in evaluating HealthyPA? In other words, what would constitute success, and what would constitute failure?

Leonard-Haak: Pennsylvania reported in their waiver application that they hope to demonstrate that a private health plan option improves beneficiary access to care and health outcomes. They also want to prove that incentives for engaging in healthy behaviors and for utilizing preventive care will result in better health outcomes and lower overall healthcare costs. Third, they want to show that premiums in lieu of cost sharing will affect utilization, increase the use of preventive services, or improve beneficiary satisfaction. The state has not detailed how they are going to go about demonstrating this. They are required to submit a draft within 60 days, and CMS asked that the state use nationally recognized measures. As you can imagine, the advocates will be watching this evaluation process closely.

Nardone: Finally, is this an approach other states can look to when considering expansion?

Nardone: Pennsylvania, Arkansas and Iowa – I think they all provide a possible road map to expand coverage. There are things that can be borrowed from Pennsylvania’s experience – especially given the reality of the situation in our state, with a Republican governor who opposed the ACA. At the end of the day, when you talk to many of the Medicaid advocacy groups, most would probably say that while they may not agree with everything in the Governor’s Healthy PA plan, at least the administration found a way to get to “yes” on expanding coverage for people who previously were uninsured.