

**STATE OF CONNECTICUT
DEPARTMENT OF SOCIAL SERVICES**

**SECTION 1115 DEMONSTRATION DRAFT WAIVER APPLICATION
TO THE
CENTERS FOR MEDICARE & MEDICAID SERVICES

MEDICAID LOW-INCOME ADULT COVERAGE DEMONSTRATION**

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Connecticut Department of Social Services
Section 1115 Demonstration Authority Request for Medicaid Low-Income Adult (LIA)
Coverage Demonstration
DRAFT

A Sustainable Approach to Providing Medicaid Coverage to
Low-Income Adults in the State of Connecticut

I. 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 for Low-Income Adults (LIA) program effective April 1, 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 has spurred the need to seek a more targeted program, sustaining services for those with the most significant need and few alternatives for coverage.

II. BACKGROUND

Connecticut has long demonstrated its commitment to health care 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 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 Section 2001 of the Affordable Care Act (ACA). This new Medicaid LIA program included individuals who were previously enrolled in a more limited benefit package under SAGA. The conversion provided long-term care/skilled nursing facility services and home health care benefits to this population, provided greater access to non-emergency medical transportation, and expanded the provider network available to participants. Although income eligibility remained unchanged at 56% of the federal poverty level (FPL) (with an additional 12% income disregard for shelter costs in Region A/Fairfield County), the SAGA asset limit of \$1,000 was eliminated to comply with federal requirements. (Note: The FPL limit was updated in 2012 to 55% of the FPL.)

The Medicaid expansion for low-income adults has resulted in significant unbudgeted costs. Since the program's expansion, the State has been grappling with the unanticipated consequences of escalating caseloads and the resultant 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 67% from 46,156 clients in June 2010 to 77,015 clients in April 2012. The June 2012 caseload is 77,798. In State fiscal year (FY) 2011, Connecticut spent \$575.6 million; in FY 09, the year prior to the expansion, expenditures were \$265.6 million. This increased caseload created significant state FY 11 shortfalls in the funding that supports Medicaid LIA services, with shortfalls totaling \$160 million. Last year when the FY 12 and FY 13 budget was being developed, the projected FY 11 shortfall (at that time, projected at \$139 million), was trended forward into the estimates for FY 12 and FY 13. Yet, despite this, the current caseload level of more than 77,000 was not projected to be reached until November 2013. Even with the annualization of prior year shortfalls, the higher caseloads are causing another projected shortfall in FY 12 of approximately \$50 million for the Medicaid LIA program. In the last six months, caseload has increased 5% and it is expected to continue to grow in the foreseeable future.

The Connecticut Department of Social Services (DSS) 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, DSS 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:

- The establishment of a single statewide medical administrative services organization (ASO) 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 the contracted medical ASO with performance measures and incentives; and
- The Connecticut Behavioral Health Partnership (BHP), a joint initiative with the Departments of Children and Families and Mental Health and Addiction Services to establish an integrated system for the management of behavioral health services for Medicaid, including Medicaid LIA, members.

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 is expected to be available to cover the costs of these individuals in 2014.

III. DEMONSTRATION PROPOSAL: DESCRIPTION, GOALS AND OBJECTIVES

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 and, in the absence of such changes, will jeopardize the State's ability to provide coverage to its most needy citizens. Effective October 1, 2012 through December 31, 2013, or whenever coverage becomes available to demonstration participants as "newly eligibles" under ACA, Connecticut proposes to implement a new coverage group under 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. As noted above, there are currently 77,798 Connecticut residents receiving medical assistance under this program.

While the Governor and legislature are committed to serving the state's neediest citizens, they are opposed to spending scarce resources on individuals who could otherwise pay for their coverage. As of December 2011, LIA expenditures for those under the age of 21 have grown to 4.3% of total expenditures with expenditures in the first six months of this fiscal year totaling \$12.5 million. The caseload for this age group has increased from 0.1% in June 2010 to 8.2% of the total caseload (or 6,114 cases) in December 2011 and is expected to continue to climb as more parents with college-age children become aware of the availability of LIA coverage. This demonstration proposal reflects the State's position that families who can cover dependent children, including young adult children, on their private insurance should do so. Households with sufficient financial resources should not be receiving publicly subsidized medical assistance.

To this end, under the demonstration, Connecticut is proposing to:

- Institute an asset (resource) test on all participants. The DSS will implement a \$10,000 asset test (excluding home property and one motor vehicle) on current LIA participants as well as all new applicants;
- Count parental income and assets for individuals under age 26 who either live with parents or are claimed as a dependent on a parent's income tax return; and
- Limit the nursing facility benefit to 90 days per admission, unless the LIA client meets the eligibility requirements for regular ABD Medicaid rules, including the Medicaid asset/resource test.

The goals of this demonstration are:

- Preservation of Connecticut's commitment to coverage for the most needy low-income, adult residents in need of health care services in preparation for the expansion of Medicaid under ACA in 2014;
- Continued reliable access to affordable, quality health care services for Connecticut's most needy citizens;
- Coordination of health care services for demonstration participants through the implementation of person-centered medical homes; and
- Manageable program growth and expenses through 2013;

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

IV. DEMONSTRATION ELIGIBILITY

Under the demonstration, an individual will be eligible for coverage if he or she meets the following eligibility requirements currently in place under the approved Medicaid state plan coverage group for LIA:

- Individuals ages 19 through 64;
- Not pregnant;
- Ineligible for coverage under Medicare or the Children's Health Insurance Program (CHIP);
- Residents of Connecticut;
- U.S. citizens or eligible non-citizens; and
- Not described in 1902(a)(10)(A)(i)(I) through 1902(a)(10)(A)(i)(VII) of the Social Security Act.

Under the demonstration, Connecticut intends to institute an asset test. While there has been no asset test for LIA clients since the State converted its SAGA program to the Medicaid state plan coverage group for LIA in April 2010, the proposed asset limit of \$10,000 (excluding home property and one motor vehicle) will be higher than the \$1,000 asset limit previously in place under SAGA. Targeting resources towards the State's neediest populations will contribute toward the financial sustainability of the program between when the demonstration is approved and 2014 when LIA participants are expected to be covered under the Medicaid expansion authorized under ACA.

Connecticut also intends to count parental income for those individuals ages 19-25 who are living with a parent or are claimed as a dependent on a parent's tax return. Although ACA provided parents the opportunity to cover children under their health

insurance up to age 26, due to the difficult economy, Connecticut is concerned that more families are shifting coverage for their children to LIA because family income is not counted.

Connecticut does not intend to implement additional changes to eligibility criteria for LIA clients under the demonstration. Income eligibility under the demonstration will continue to be set at or below 55% of the FPL and, except as noted above, the methodology for determining this income will continue as is currently established for LIA in the Medicaid state plan and described in Attachment A. Except as noted below with respect to self-attestations and verifications at redeterminations for the current LIA participants transitioning to eligibility under the demonstration, individuals will apply for eligibility under LIA much as they do today under the existing Medicaid program. Individuals must, however, apply for Medicaid LIA directly with DSS using the application forms used for the aged, blind and disabled Medicaid populations and will no longer be able to apply with the DSS enrollment broker using the HUSKY/Charter Oak application form.

Transition from Medicaid LIA to the Demonstration

All demonstration participants will be reviewed under the new demonstration eligibility criteria. Connecticut intends to implement this transition as follows:

In June 2012, DSS will send a letter to all LIA recipients notifying them of the proposed income, asset and nursing facility benefit changes and the State's intention to seek an 1115 waiver for this program. This will allow individuals who may have higher income and assets under the demonstration rules time to obtain alternative insurance coverage, including coverage under the Charter Oak Program, and assure as little client disruption as possible.

New Applicants

DSS will begin notifying the public about the proposed changes to the LIA program and requesting information on applicants' assets and parental income/assets (if applicable). Beginning October 1, 2012 (or immediately upon approval of the demonstration), all new applications will be reviewed under the demonstration eligibility criteria. New applicants must provide income and asset information, including parental income and asset information (if applicable), in order to be determined eligible for the demonstration.

LIA Applications in Process

For individuals whose applications are in process, DSS intends to begin collecting income and asset information and notifying clients of the potential change in the program. DSS will also assist in finding alternatives for insurance coverage so as to assure as little client disruption as possible.

Current Medicaid LIA Participants

DSS will not apply the changes sought through the demonstration to current LIA participants until October 1, 2012 or upon federal approval. As noted above, LIA participants will be provided advance notice of the changes DSS is seeking through the demonstration and an opportunity to demonstrate continued eligibility under the demonstration based on self-declaration of income and assets or verification of income and assets if DSS is conducting a redetermination of eligibility.

Beginning in July 2012, LIA participants who are currently undergoing a redetermination of eligibility, as well as participants who are due to be redetermined within the next two months, will be asked to provide verification of their assets and parental income/assets (if applicable). Additionally in July, current LIA participants who are not due for a redetermination in the next two months will be mailed information confirming the eligibility changes and benefit changes, and a self-attestation form.

The deadline for completion and return of the self-attestation form or redetermination verifications to the State's contractor will be July 31, 2012. The contractor will track the clients who were mailed the information, those who returned the self-attestation form or redetermination verifications and those who did not return the self-attestation form or redetermination verifications. During August, the contractor will attempt to contact LIA participants who did not return the self-attestation or redetermination verifications, urge them to do so or apply for the Charter Oak program if ineligible.

The contractor will refer all self-attestation forms and redetermination verifications to DSS. If DSS determines a client to be ineligible based on the income and asset information provided by the client, DSS will provide notice to the client and the contractor will notify ineligible clients of the availability of coverage through the State's Charter Oak Program.

Clients who meet the new program requirements based on self-attestation or redetermination verifications will remain eligible for coverage under the Medicaid LIA program (subject to the new nursing facility benefit limit described below in "Demonstration Benefits.") Clients who remain eligible based on their self-attestation will, however, be required to verify the new eligibility requirements at the time of their next scheduled redetermination.

As noted above, for Medicaid LIA recipients that do not return the self-attestation form or redetermination verifications by July 31, 2012, a second attempt will be made by the contractor to contact these clients by mail and/or phone. Upon contact, the changes to the Medicaid LIA program will be reiterated to the clients and the need to provide the self-attestation form or redetermination verifications. It also will be explained that failure to return the form will result in loss of benefits. Clients will be given until August 20, 2012 to return the form to the contractor.

The contractor will provide DSS with a list of clients who do not respond by August 20, 2012. DSS will discontinue Medicaid LIA assistance for these clients effective September 30, 2012 (assuming October 1, 2012 federal approval). These clients will be able to request hearings to maintain medical benefits pending the outcome of the hearing.

Again, however, DSS will not take any formal "action" on applications or redeterminations unless and until the demonstration application receives CMS approval.

V. DEMONSTRATION BENEFITS

Connecticut currently provides the approved state plan Medicaid benefit package to the LIA population. Under the demonstration, Connecticut will continue to provide the Medicaid state plan benefit package to the LIA population, with the exception of coverage for nursing facility stays. Payment for nursing facility stays under the demonstration will be limited to 90-days per admission.

This benefit limit is being implemented to introduce a level of parity between regular Medicaid and LIA. Under the current state plan benefit package for LIA participants, individuals have access to long-term nursing facility benefits without having to spend-down assets to levels necessary for eligibility for non-LIA Medicaid populations. Any LIA participants who appear to have long-term care needs (including individuals approaching the 90-day limit) will be encouraged to apply under Medicaid ABD eligibility in order to provide continuity of coverage.

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

Cost-sharing

There will be no cost-sharing requirement under the demonstration for LIA participants.

VI. DEMONSTRATION DELIVERY SYSTEM

Medicaid LIA demonstration participants will receive services through the existing Medicaid delivery system and provider network at the Medicaid state plan reimbursement rates, as they do today under the state plan coverage group. There will be no difference in delivery system. Demonstration participants will be included in the new initiatives that are being introduced in Connecticut's Medicaid program, including the new PCMH initiative, the Connecticut Behavioral Health Partnership, and the medical ASO initiative to manage medical benefits. These initiatives do not require additional federal authorities or waivers for Medicaid state plan populations, therefore Connecticut does not anticipate the need for additional authority under this demonstration for those initiatives.

VII. ESTIMATED IMPACT ON EXPENDITURES AND ENROLLMENT

DSS estimates that savings from the initiative will be approximately \$52 million in SFY 13. In addition, DSS estimates that 15,000 to 20,000 LIA participants will lose eligibility as a result of the proposed changes during SFY 13.

VIII. DEMONSTRATION HYPOTHESIS AND EVALUATION PARAMETERS

DSS proposes to use the demonstration experience to better understand the reasons and extent to which families with dependents under age 26 seek coverage under Medicaid as an alternative to continued parental coverage available under ACA. As noted earlier, Connecticut believes that families with college-age children are shifting coverage from private coverage to Medicaid LIA because family income and assets are not counted under current rules.

DSS also proposes to gather demonstration cost and utilization experience in order to better understand the costs and utilizations patterns of the Medicaid expansion population in 2014 and compare to those of current Medicaid state plan populations.

IX. WAIVER AND EXPENDITURE AUTHORITIES REQUESTED

Connecticut requests expenditure authority under section 1115(a)(2) for expenditures for health care-related costs for non-pregnant adults ages 19 through 64 who are not otherwise eligible under Medicare or CHIP, not described in 1902(a)(10)(A)(i)(I) through 1902(a)(10)(A)(i)(VII) of the Social Security Act, are residents of Connecticut, are citizens or eligible aliens, have limited assets and who have income at or below 55% of the FPL in accordance with Attachment A and the changes proposed under this demonstration, including parental income and assets for individuals under age 26 who live with their parents or are claimed as a dependent on a parent's federal income tax return.

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State: CONNECTICUT

Agency*	Citation(s)	Groups Covered
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A. Mandatory Coverage – Categorically Needy and Other Required Special Groups (Continued)

In determining whether an individual's income is at or below the State's income standard for this group, the State will use the following methodology:

- The income rules of the SSI program.
- The income rules of the SSI program, and the following less restrictive income disregards and exclusions than are used by SSI.
- A methodology based on rules other than those of the SSI program. The methodology the State will use is described below.

Disregard an additional 12% of FPL as a high shelter deduction for individuals in Region A as described in Supplement 1 to Attachment 2.6-A.

Disregard \$150 of monthly earned income.

Disregard all income for the three month period that begins with the first month that the individual would otherwise become ineligible solely due to an increase in earned income.

Deduct from income medical expenses incurred by the individual or family or financially responsible relatives that are not subject to payment by a third party.

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