Alternative Approaches to Medicaid Expansion

Introduction
On April 21 and 22, 2015, the National Governors Association held a two-day meeting of state officials to discuss how states are transforming their health care systems. This paper provides an overview of the session focused on alternative approaches for expanding Medicaid coverage for adults, which featured a presentation and associated panel discussion among state and federal officials and other national experts.

Key Goals
The purpose of the session was to provide an overview of alternative approaches to expanding Medicaid coverage for adults, identify where the Centers for Medicare and Medicaid Services (CMS) has approved Medicaid Section 1115 demonstrations to accommodate alternative expansions (referred to as “expansion waivers”), and hear from states with recently approved Medicaid expansion waivers.

Challenges, Strategies, and Solutions
A number of states have considered alternatives to the expansion of Medicaid coverage for adults included as part of the Affordable Care Act (ACA). States pursuing alternatives indicated that the expansion included in the ACA does not fit well with their particular goals and political culture. Notable alternatives focus on personal responsibility and connections to work or protecting state taxpayers from paying for the unanticipated costs of the expansion (discussed more fully below). The challenges associated with such approaches include internal debate within states as to whether a Medicaid expansion plan should be adopted under any circumstances, as well as negotiating approval for various approaches from CMS.

The panelists offered an array of strategies for states interested in pursuing alternative Medicaid expansions, which included:

- **Approach CMS with a clear vision.** Panelists from Indiana, Michigan, and Utah highlighted that CMS was willing to work with them to develop an alternative approach to Medicaid expansion. In approaching CMS, they suggested making the case for the state’s approach, as opposed to just requesting the same expansion waiver as another state. However, they also reported that CMS has indicated a willingness to approve provisions the agency had approved in other states’ waivers (such as the private option premium assistance).

- **Ask CMS to signal when approaches are approvable.** State panelists highlighted that CMS was willing to issue letters and public statements that signaled when a state’s concept for alternative expansion likely would be approved. Such reassurances often proved helpful to governors’ offices in addressing skepticism as to what CMS would sanction.

- **Consider the flexibility available to tailor expansions to a state’s priorities.** Panelists highlighted that CMS

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2. Panel participants include Hemi Tewarson, NGA Center; Jocelyn Guyer, Manatt Health Solutions; Nathan Checketts, Utah Department of Health; Tim Hill, Centers for Medicare & Medicaid Services; Brian Neale, Office of Indiana Governor Mike Pence; Chris Priest, Office of Michigan Governor Rick Snyder; Seema Verma, SVC,Inc.
has approved waivers allowing states to promote personal responsibility through the use of premiums (up to 2 percent of individuals’ income for those above the federal poverty line), as well as the creation of health savings–like accounts. States have promoted personal responsibility and created greater choices for beneficiaries by, for example, offering lower premiums to individuals who make payments to health savings accounts.

- **Be aware of the “hard lines” imposed by CMS on certain issues.** Panelists indicated for certain concepts, CMS continues to maintain a firm position that it will not or does not have the authority to grant waivers. Those include requiring individuals to work as a condition of Medicaid eligibility and obtaining the enhanced match when expanding Medicaid coverage only to a portion of low-income adults.

- **Consider sunset provisions and special financing arrangements to address concerns about Medicaid expansion burdening state taxpayers.** The panelists highlighted that states expanding Medicaid often include sunset language that terminates the expansion if the federal government reduces the federal Medicaid matching rate for the expansion population. States also have created financing mechanisms, such as lock boxes or special savings accounts to retain the savings available in the early years of expansion to finance the state share that will increase in later years as the federal matching rate is reduced as scheduled.

- **Take a comprehensive approach to evaluating the fiscal implications of expansion.** Early research prepared for the Robert Wood Johnson Foundation on the actual fiscal effect of expansion has identified some unexpected sources of savings for states. Those savings include reductions in disability determinations (because those determinations are no longer required to secure Medicaid coverage), reductions in Medicaid spending on pregnant women (as those women remain enrolled in coverage in the new adult group at the enhanced matching rate), and savings in general revenue fund spending on behavioral health programs.

**Figure 1. States Use a Range of Features For Alternative Medicaid Expansions**

<table>
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<tr>
<th>Premiums. CMS has granted waivers to states permitting them to charge limited premiums for expansion adults (up to 2% of income). Under certain circumstances, CMS has authorized states to condition coverage on payment of premiums. In one state, CMS permitted a six-month lockout period for individuals who did not pay their premiums within 60 days.</th>
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<td>Cost Sharing. Although CMS has limited authority to grant cost-sharing waivers, states have significant discretion to impose cost-sharing charges as consistent with Medicaid law.</td>
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<td>Health Savings-Like Accounts. To increase consumer sensitivity to cost, CMS has authorized certain states to use health savings-like accounts under their expansion waivers.</td>
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<td>Connecting to Work. States are finding ways to connect newly eligible adults to job search and job training programs. However, CMS has never permitted a state to condition coverage on work-related requirements.</td>
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<td>Benefits and Coverage. In certain states, CMS has waived the requirement to provide non-emergency medical transportation (NEMT), but has not waived Early and Periodic Screening, Diagnostic, and Treatment (EPSDT) to 19- and 20-year olds who are newly-eligible adults. CMS has allowed some states with existing waivers of retroactive coverage to move them to new adults.</td>
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