STATE OF MICHIGAN
DEPARTMENT OF COMMUNITY HEALTH
LANSING

RICK SNYDER
GOVERNOR

JAMES K. HAVEMAN
DIRECTOR

September 4, 2014

Megan E. Stacy, Project Officer
Centers for Medicare and Medicaid Services
7500 Security Boulevard
Mail Stop S2-01-16
Baltimore, Maryland 21244-1850

Dear Ms. Stacy,

Re: Project Number 11-W-00245/5 – Healthy Michigan Plan

Enclosed is the quarterly report for Healthy Michigan Plan. It covers the 3rd quarter of federal fiscal year 2014. The report provides operational information, program enrollment, and policy changes related to the waiver as specified in the Special Terms and Conditions.

Should you have any questions related to the information contained in this report, please contact Jacqueline Coleman. She may be reached by phone at (517) 241-7172, or by e-mail at colemanj@michigan.gov.

Sincerely,

Brian Keisling, Director
Actuarial Division

cc: Alan Freund
Angela Garner

Enclosure

Michigan Adult Coverage Demonstration

Section 1115 Quarterly Report

Demonstration Year: 5 (10/1/2013 – 12/31/2014)

Federal Fiscal Quarter: 3 (4/1/2014 – 6/30/2014)

Approval Period: December 30, 2013 through December 31, 2018

Introduction

In January 2004, the "Adult Benefits Waiver" (ABW) was approved and implemented as a Title XXI funded Section 1115 demonstration. The ABW provided a limited ambulatory benefit package to previously uninsured, low-income non-pregnant childless adults ages 19 through 64 years with incomes at or below 35 percent of the Federal poverty level (FPL) who are not eligible for Medicaid.

In December 2009, Michigan was granted approval by the Centers for Medicare and Medicaid Services (CMS) for a new Medicaid Section 1115 demonstration, entitled "Michigan Medicaid Nonpregnant Childless Adults Waiver (Adult Benefits Waiver)," to allow the continuation of the ABW health coverage program after December 31, 2009 through the use of Title XIX funds. The new ABW demonstration allowed Michigan to continue offering the ABW coverage program through September 30, 2014, under terms and conditions similar to those provided in the original Title XXI demonstration.

In December 2013, CMS approved Michigan's request to amend the Medicaid demonstration, entitled "Healthy Michigan Plan Section 1115 Demonstration (Project No. 11-W-00245/5)," formerly known as the Medicaid Nonpregnant Childless Adults Waiver [Adult Benefits Waiver (ABW)]. On April 1, 2014, Michigan expanded its Medicaid program to include adults with income up to 133 percent of the FPL. To accompany this expansion, the Michigan ABW was amended and transformed to establish the Healthy Michigan Plan, through which the Michigan Department of Community Health (MDCH) will test innovative approaches to beneficiary cost sharing and financial responsibility for health care for the new adult eligibility group. The new adult population with incomes above 100 percent of the FPL will be required to make contributions toward the cost of their health care. In addition, all newly eligible adults from 0 to 133 percent of the FPL will be subject to copayments consistent with federal regulations.

A MI Health Account will be established for individuals enrolled in managed care plans to track beneficiaries' cost-sharing and service utilization. Beneficiaries will receive quarterly statements that summarize the MI Health Account activity. Beneficiaries will have opportunities to reduce their cost-sharing amounts by agreeing to address or maintain certain Healthy Behaviors. Healthy Michigan Plan beneficiaries will receive a full health care benefit package as required under the Affordable Care Act including all of the Essential Health Benefits as required by Federal law and regulation. There will not be any limits on the number of individuals who can enroll. Beneficiaries who received coverage under the ABW program transitioned to the Healthy Michigan Plan on April 1, 2014.

To reflect its expanded purpose, the name of the demonstration is changed to Healthy Michigan Plan. The overarching themes used in the benefit design will be:

- Increasing access to quality health care;
- Encouraging the utilization of high-value services; and
- Promoting beneficiary adoption of healthy behaviors and using evidence-based practice initiatives.

Organized service delivery systems will be utilized to improve coherence and overall program efficiency.

MDCH's goals in amending the demonstration are to:

- Improve access to healthcare for uninsured or underinsured low-income Michigan citizens;
- Improve the quality of healthcare services delivered;
- Reduce uncompensated care;
- Encourage individuals to seek preventive care and encourage the adoption of healthy behaviors;
- Help uninsured or underinsured individuals manage their health care issues;
- Encourage quality, continuity, and appropriate medical care; and
- Study the effects of a demonstration model that infuses market-driven principles into a public healthcare insurance program by examining:
    - The extent to which the increased availability of health insurance reduces the costs of uncompensated care borne by hospitals;
    - The extent to which availability of affordable health insurance results in a reduction in the number of uninsured/underinsured individuals who reside in Michigan;
    - Whether the availability of affordable health insurance, which provides coverage for preventive and health and wellness activities, will increase healthy behaviors and improve health outcomes; and
    - The extent to which beneficiaries feel that the Healthy Michigan Plan has a positive impact on personal health outcomes and financial well-being.

Enrollment and Benefits Information

As previously indicated, MDCH's Healthy Michigan Plan began on April 1, 2014. Enrollment into the program happened in two ways. First, beneficiaries who were enrolled in the ABW were automatically transitioned into the Healthy Michigan Plan effective April 1, 2014. Second, MDCH began enrolling new beneficiaries into the new program beginning April 1. Enrollment grew steadily during the first three months of the program, which is evidence of the high demand for the services offered. Information regarding enrollment and disenrollment is available in the *Enrollment Counts for Quarter and Year to Date* section of this report. Potential enrollees can apply for the program in one of three ways. They can apply via the Michigan Department of Human Services' (MDHS') website, call a toll-free number or visit their local MDHS office.

At this time, MDCH does not anticipate any changes in the population served or the benefits offered. MDCH does expect that enrollment will continue to grow as the program matures.

During the quarter covered by this report, the State has worked collaboratively with CMS on the Healthy Behaviors Incentives Program and Contributions Accounts and Infrastructure operational protocols. Future quarterly reports will include more information about the status of these protocols.

Most Healthy Michigan Plan beneficiaries have elected to choose a health plan rather than being automatically assigned a health plan. As of June 1, 2014, 122,775, or 71%, of the State's 170,299 Healthy Michigan Plan health plan enrollees chose a health plan. The remaining managed care enrolled beneficiaries were automatically assigned to a health plan. All Medicaid Health Plan members have an

opportunity to change their plan within 90 days of enrollment into the plan. During the quarter that ended June 30, 8,730 of all Healthy Michigan Plan health plan enrollees, regardless of whether they chose a health plan or were automatically assigned, changed health plans. MDCH is in the process of making changes to allow for more refinement in the reporting of the number of beneficiaries who change plans after being automatically assigned into a health plan. This information will be available beginning in August, and will be incorporated into future quarterly progress reports.

Enrollment Counts for Quarter and Year to Date

The enrollment counts below are for unique beneficiaries for the identified time periods. The unique enrollee count will differ from the June 2014 count from the *Beneficiary Month Reporting* section as a result of disenrollment that occurred during the quarter. Disenrollment can occur for a variety of reasons including change in eligibility status, such as an increase in income, or as part of a redetermination cycle, for example.

Demonstration Population	Total Number of Demonstration Beneficiaries Quarter Ending – 06/14	Current Enrollees (04/14 - 06/14)	Disenrolled in Current Quarter
ABW Childless Adults	0	0	0
Healthy Michigan Adults	335,857	335,857	11,494

Outreach/Innovation Activities to Assure Access

On March 20, Governor Snyder announced to the public that the State would begin taking applications for the new Healthy Michigan Plan effective April 1, 2014. Enrollment into the program has exceeded the State's expectations, with over 335,000 unique beneficiaries enrolled during the first three months.

MDCH developed a new Health Michigan Program website (http://www.michigan.gov/healthymiplan/), with information available to both beneficiaries and providers. There is a frequently asked question and answer section that provides additional information to users of this site. Advertisements for the program have been running on the radio and television. In addition, MDCH has worked closely with provider groups through meetings, Medicaid provider policy bulletins, and various interactions with community partners and provider trade associations. MDCH also created a mailbox, healthymichiganplan@michigan.gov, for questions or comments about the Healthy Michigan Plan.

MDCH has held post award forums with the Medical Care Advisory Council (MCAC) to discuss the Healthy Michigan Plan. The purpose of the MCAC is to advise MDCH on policy issues related to Medicaid. In addition, the Council is involved with the issues of access to care, quality of care, and service delivery for managed care and fee-for-service programs.

MDCH has committed to providing the MCAC with an update on the progress of the Healthy Michigan Plan implementation during the MCAC meetings scheduled during 2014 and will continue to do so at regularly scheduled quarterly meetings. Please see the 2014 meeting schedule below. These meetings provide an opportunity for attendees to provide program comments or suggestions.

- February 11, 2014
- May 27, 2014
- August 19, 2014
- November 19, 2014

Most program beneficiaries are expected to enroll into one of the State's 13 licensed Medicaid Health Plans. MDCH monitors the adequacy of the health plans' networks to ensure there is capacity to serve all of the new beneficiaries, and avoid access to care issues. In most cases, beneficiaries are able to choose from at least two health plans to provide their coverage.

Collection and Verification of Encounter Data and Enrollment Data

MDCH has a mature managed care program that began in the late 1990s and has evolved over time to become an efficient healthcare delivery system for Michigan's Medicaid beneficiaries. This same system was expanded on April 1, 2014, to include the Healthy Michigan Plan. Once a beneficiary is determined to be eligible for the new program, the State's enrollment broker provides the beneficiary with an opportunity to select the Medicaid Health Plan into which he/she would like to enroll. If no plan is chosen, the beneficiary is automatically assigned to a plan using an MDCH defined algorithm. Until such time that a person is enrolled in a plan, he/she receives coverage through MDCH's fee-for-service system. On average, beneficiaries spend approximately 40 days in the fee-for-service environment before enrolling into a plan. This same process is used for traditional Medicaid beneficiaries. Enrollment data are readily available and provide useful information regarding characteristics of the new waiver population. These data are used to generate monthly capitation payments to the health plans.

The Medicaid Health Plans have started to submit encounter data to MDCH for the services its providers have provided to Healthy Michigan Plan beneficiaries. However, the data are incomplete due to the general lag that accompanies the submission of these data.

While MDCH is not currently aware of any encounter data issues, it will closely review and validate the data submitted by the Medicaid Health Plans. The plans have extensive experience with encounter data for the traditional Medicaid population. MDCH will work with the plans to correct any issues that are discovered as part of the review and validation process. Additional information regarding encounter data will be provided in future quarterly reports.

Operational/Policy/Systems/Fiscal Developmental Issues

On December 30, 2013, CMS approved the State's Healthy Michigan Plan, which began on April 1, 2014, the first day of the quarter covered by this report. Health coverage under this program includes both Federal and State mandated essential health benefits such as ambulatory patient services, emergency services, hospitalization, mental health and substance abuse disorders, prescription drugs, rehabilitative and habilitative services, laboratory services, preventive and wellness services, and pediatric services for 19 and 20 year olds.

MDCH holds bi-monthly meetings with the staff of Medicaid Health Plans to address operational issues, programmatic issues, and policy updates and clarifications. Updates and improvements to the Community Health Automated Medicaid Processing System (CHAMPS), the State's Medicaid Management Information System (MMIS) happen continually, and MDCH strives to keep the health plans informed and functioning at the highest level. At these meetings, Medicaid policy bulletins and letters that impact the program are discussed, as are other operational issues.

The following Health Michigan Plan policies were issued by the State during the lead up to the program.

Feb 27, 2014: A policy bulletin was released to provide information to providers regarding eligibility for the Healthy Michigan Plan; describe the transition of ABW beneficiaries into the Healthy Michigan Plan; describe the delivery system of the new program; describe the Health Risk Assessment component of the program; describe the beneficiary cost sharing requirements; and provide a list of the program's covered services.

Feb 27, 2014: A policy bulletin was released to provide information to providers regarding eligibility determinations for the Healthy Michigan Plan, effective April 1, 2014.

Financial/Budget Neutrality Development Issues

MDCH continues to evaluate its budget neutrality calculations and has engaged with CMS staff during the waiver's bi-weekly CMS/Michigan Implementation conference calls to discuss issues surrounding items that were initially excluded from the calculations. The State is committed to this process and is working diligently to ensure all appropriate program costs are included in the budget neutrality numbers. Prior to the end of the State's fiscal year that ends on September 30, 2014, MDCH will submit a request to CMS for an increase to its budget neutrality cap. Additional information regarding this request will be discussed with and provided to CMS in the coming weeks and months.

In accordance with Paragraph 52, Quarterly Progress Reports, of the Healthy Michigan Special Terms and Conditions, MDCH will provide a completed budget monitoring spreadsheet once its budget neutrality issues have been resolved.

Beneficiary Month Reporting

The beneficiary counts below include information for each of the designated months during the quarter, and include retroactive eligibility through July 25, 2014.

Eligibility Group	April 2014	May 2014	June 2014	Total for Quarter Ending 06/14
Healthy Michigan Adults	232,228	293,161	324,363	849,752

Consumer Issues

For a variety of reasons, MDCH responds to a number of phone calls and contacts by beneficiaries through MDCH's Beneficiary Helpline. Between April 1, 2014 and June 30, 2014 the Beneficiary Helpline received 356 Healthy Michigan Plan related grievances. As enrollment increased from April 2014 to June 2014, the Beneficiary Helpline experienced increases in contacts from beneficiaries from month to month. Seventy percent of Beneficiary Helpline contacts resulted from enrollment and eligibility recognition issues. Beneficiaries reported issues with their enrollment and eligibility not being recognized and difficulty in obtaining prescriptions or other covered services stemming from a defect in the State's Medicaid eligibility system. The defect lead to the retroactive enrollment of Healthy Michigan Plan beneficiaries into the managed care plans. As such there was a disconnect between information supplied via the Eligibility Verification Systems and the information that the plans received. The managed care plans were notified immediately of the defect and instructed to recognize the enrollment to remove any barriers to care. With the correction of the retroactive enrollment defect, the number of contacts regarding enrollment and eligibility recognition issues is likely to decrease significantly over the next quarter.

Another significant area of complaint, 27 percent of total contacts, was beneficiary issues in obtaining prescriptions. As a result of the aforementioned retroactive enrollment issue, some beneficiaries experienced difficulties obtaining prescriptions. The remaining 3 percent of contacts were for a variety of issues including covered services, medical supplies and transportation, for example.

Overall, with nearly 850,000 member months during the quarter, MDCH is encouraged by its low rate of contacts during the early months of the program. MDCH will continue to monitor calls to the Beneficiary Helpline to identify problems or trends that need to be addressed.

Quality Assurance/Monitoring Activity

MDCH completes Performance Monitoring Reports for the 13 Medicaid Health Plans that are licensed and approved to provide coverage to Michigan's Medicaid beneficiaries. These reports are based on data submitted by the health plans. Health plans submit data for the following items: grievance and

appeal reporting, a log of beneficiary contacts, financial reports, encounter data, pharmacy encounter data, provider rosters, primary care provider-to-member ratio reports, and access to care reports.

Information for the Healthy Michigan Plan will be included in this report. The program will also be part of any other current monitoring or quality assurance activities. The measures for the Healthy Michigan Plan population will mirror those used for the traditional Medicaid population. In addition, MDCH will monitor trends specific to this new population over time.

Managed Care Reporting Requirements

MDCH has established a variety of reporting requirements for the Medicaid Health Plans, many of which are compiled, analyzed and shared with the plans in the Performance Monitoring Reports described in the Quality Assurance/Monitoring Activity section of this report. These reports have historically been used for the traditional Medicaid population, and, as indicated above, will also include information for the Healthy Michigan Plan population. MDCH is in the process of developing processes to collect and report on information for this new population separately from the traditional Medicaid population.

MDCH requires the Medicaid Health Plans to report on the adequacy of their provider network annually as well as submit an electronic file of the complete provider network monthly. The contract also requires plans to notify MDCH of any significant changes in the provider network. Prior to the launch of the Healthy Michigan Plan, the health plans and MDCH completed extensive analyses surrounding the adequacy of their networks with their membership potentially facing an increase of up to 500,000 new members. Based on these analyses, the health plans and MDCH concluded that managed care plan networks were adequate, and that the influx of new members would fall within the acceptable ratio of beneficiaries-to-providers. For example, the health plans are required to have 1 primary care physician for every 750 enrollees. Plans did not have an issue meeting this requirement.

MDCH collects data from the health plans for other measures annually and is working to update its process to collect the information in a manner that will be more valuable. First, MDCH will collect data specific to Healthy Michigan Plan to allow for a more narrow focus in future waiver quarterly reports. Second, MDCH will collect data from the plans more frequently. Collecting information from the plans in this manner will allow for more robust reporting in the future.

Lessons Learned

MDCH has learned, and continues to learn, from the experience of launching a program the size of the Healthy Michigan Plan. Through the first three months, nearly 336,000 unique beneficiaries were enrolled in the program, and that number continues to rise.

The State's experience demonstrates the demand for the services offered by this program. One of the initial challenges faced by the State centered on call volume and wait times in the earliest stages of enrollment. MDCH, in conjunction with its enrollment broker, was able to adapt to high call volume and wait times in a timely manner by closely monitoring call data. The State's enrollment broker also

demonstrated the ability to meet the demands of high enrollment with its foresight in increasing staff and cross-training its employees. The ability of State personnel to rapidly adapt to new challenges was put to the test with enrollment exceeding expectations in the first quarter of the program.

MDCH established a multidisciplinary response team, comprised of departmental leadership and subject matter experts, who initially met on a daily basis in order to monitor the status of the program and quickly respond to any and all issues. Frequency of these meetings decreased as the program became established. The value of having this team in place to make critical decisions in an expedient manner was an important element of launching the program.

The State experienced an unanticipated challenge in receiving Health Risk Assessments earlier than planned. Initially the State expected that the Health Risk Assessments would be submitted after the Healthy Michigan Plan beneficiaries were enrolled in Medicaid Health Plans. In response to this, the State worked with its community stakeholders and health plan partners to develop a mechanism for processing Health Risk Assessments, including the beneficiary and provider incentives, completed prior to health plan enrollment. MDCH is encouraged by early engagement of primary care physicians.

The near concurrent timing aspect of the Healthy Michigan Plan implementation and the Modified Adjusted Gross Income (MAGI) rules served as a challenge to the State. The State invested significant personnel hours to meet the complexity of developing and enhancing systems with the capability to meet the new requirements for each of these significant undertakings. Aside from incorporating MAGI rules into the State's existing systems, another component was the difficult task of determining the claims logic associated with the Healthy Michigan Plan. As a result of the collaboration and dedication of various personnel, the State has achieved its goal in completing multiple complex implementation activities simultaneously.

Demonstration Evaluation

MDCH has engaged the University of Michigan's Institute for Healthcare Policy and Innovation (IHPI) to serve as the Health Michigan Plan independent evaluator. The IHPI has developed a comprehensive plan to address the needs of the State and CMS. In accordance with paragraph 67 of the waiver special terms and conditions, the State submitted a draft of its initial evaluation design to CMS on April 28, 2014, and received formal comments from CMS on July 9. After reviewing CMS feedback, MDCH revised the draft demonstration evaluation and submitted a final proposal to CMS on August 19.

Enclosures/Attachments

N/A

State Contact(s)

If there are any questions about the contents of this report, please contact one of the following people listed below.

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Date Submitted to CMS

September 10, 2014