Section 3.1-H.

ALTERNATIVE BENEFITS

STATE PLAN AMENDMENT
HEALTH OPPORTUNITY ACCOUNTS DEMONSTRATION PROGRAM

I. Approved State Demonstration Programs

The implementation date of this program is ___________. (must be after January 1, 2007)

Check all items (marked ___/) that specifically apply to this amendment.

II. Program Elements

A. 1938(a)(1) — The State elects to operate a demonstration program to provide alternative benefits, as defined in section V. The alternative benefits consist of at least (1) coverage for medical expenses in a year for items and services which would otherwise be provided under Medicaid, after an annual deductible has been met and (2) contributions into a Health Opportunity Account (HOA) as defined under subsections (c) and (d) under section 1938 of the Social Security Act (the Act).

B. 1938(c) — The State will contribute to an HOA. The amount of the annual deductible must be at least 100 percent and no more than 110 percent of the amount of the HOA contribution. See section VI. B. for the specific amount the State will contribute for each eligibility group.

C. 1938(a)(3) — The State demonstration program addresses/incorporates all of the following criteria as described in section 1938(a)(3) of the Act. Describe how each of these required program elements are implemented, monitored, and measured (below or on a separate page).

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1. Creating patient awareness of the high cost of medical care;
2. Providing incentives to patients to seek preventive care services;
3. Reducing inappropriate use of health care services;
4. Enabling patients to take responsibility for health outcomes;
5. Providing enrollment counselors and ongoing education activities;
6. Providing transactions involving HOAs to be conducted electronically and without cash; and
7. Providing access to negotiated provider payment rates.

D. 1938(a)(3)

_______/ The State provides incentives for individuals enrolled in the HOA demonstration to obtain appropriate preventive care as defined for purposes of section 223(c)(2)(C) of the Internal Revenue Code of 1986, such as additional account contributions for an individual demonstrating healthy prevention practices, regardless of whether they have met the deductible. Preventive care does not generally include any service or benefit intended to treat an existing illness, injury, or condition.

If the State provides incentives for preventive care, describe the incentives and how they will be implemented.

____/ Additional account contributions for an individual demonstrating healthy prevention practices.
____/ Periodic health evaluations, including tests and diagnostic procedures ordered in connection with routine examinations, such as annual physicals.
____/ Routine prenatal and well-child care.
____/ Child and adult immunizations.
_____/ Tobacco cessation programs.
_____/ Obesity weight loss programs.
_____/ Screening services.
_____/ Other (describe)

III. Statewideness

A. 1938(a)(4)

_____**/** The State implements this demonstration on a statewide basis.

OR

B. 1938(a)(4) _______/ The State implements this demonstration on less than a statewide basis, specifically, only in the following areas: (Specify)

IV. Eligibility

A. 1938(b)(2) The following individuals will not be enrolled in the demonstration during the first 5 years after it is approved:

- Individuals who are 65 years of age or older;
- Individuals who are disabled, regardless of whether or not their eligibility for medical assistance under this title is based on such disability;
- Individuals who are eligible for medical assistance under this title only because they are (or were within the previous 60 days) pregnant;
- Individuals who have been eligible for medical assistance for a continuous period of less than 3 months; and

B. 1938(b)(3) The following individuals within a category of assistance described in section 1937(a)(2)(B) of the Act will not be enrolled in the demonstration:

- The individual is a pregnant woman who is required to be covered under the State plan under section 1902(a)(10)(A)(i) of the Act.
- The individual qualifies for medical assistance under the State plan on the basis of being blind or disabled (or being treated as being blind or disabled) without regard to whether the individual is eligible for supplemental security income benefits under title XVI on the basis of being blind or disabled and including an individual who is eligible for medical assistance on the basis of section 1902(e)(3) of the Act.
- The individual is entitled to benefits under any part of title XVIII.
- The individual is terminally ill and is receiving benefits for hospice care under title XIX.
- The individual is an inpatient in a hospital, nursing facility, intermediate care facility for the mentally retarded, or other medical institution, and is required, as a condition of receiving services in such institution under the State plan, to spend for costs of medical care all but a minimal amount of the individual's income required for personal needs.
- The individual is medically frail or otherwise an individual with special medical needs (as described by the Secretary). For purposes of this section, the Secretary has previously described

individuals with special needs to include those groups defined in Federal regulations at 42 CFR 438.50(d) of the managed care regulations (e.g., dual eligibles and certain children under 19 who are eligible for SSI; eligible under section 1902(e)(3) of the Act; in foster care or other out of home placement; or receiving foster care or adoption assistance).

- The individual qualifies based on medical condition for medical assistance for long-term care services described in section 1917(c)(1)(C) of the Act.
- The individual is an individual with respect to whom aid or assistance is made available under part B of title IV to children in foster care and individuals with respect to whom adoption or foster care assistance is made available under part E of title IV, without regard to age.
- The individual qualifies for medical assistance on the basis of eligibility to receive assistance under a State plan funded under part A of title IV (as in effect on or after welfare reform effective date defined in section 1931(i) of the Act). This provision relates to those individuals who qualify for Medicaid solely on the basis of qualification under the State's TANF rules (i.e., the State links Medicaid eligibility to TANF eligibility).
- The individual is a woman who is receiving medical assistance by virtue of the application of sections 1902(a)(10)(ii)(XVIII) of the Act and 1902(aa) of the Act. This provision relates to those individuals who are eligible for Medicaid based on the breast or cervical cancer eligibility provisions.
- The individual qualifies for medical assistance on the basis of section 1902(a)(10)(A)(ii)(XII) of the Act or is not a qualified alien (as defined in the Personal Responsibility and Work Opportunity Reconciliation Act of 1996) and receives care and services necessary for the treatment of an emergency medical condition in accordance with section 1903(v) of the Act (Tuberculosis infected individuals).

C. 1938(b)(4)(A) _______/The State will further limit eligibility by excluding the following groups:

(List and Define Groups)

D. 1938(b)(1) The demonstration will include the following groups of individuals:

(List and define groups)

E. 1938(b)(4)(B) ______/ The State allows individuals enrolled in a Medicaid MCO to participate in the HOA demonstration.

The State assures that the following conditions are met with respect to each managed care organization that is participating.

1. The number of individuals enrolled in the MCO(s) who participate in the HOA program do not exceed 5 percent of the total number of individuals enrolled in the MCO;
2. The proportion of enrollees in the MCOs who participate in the HOA is not significantly disproportionate to the proportion of such enrollees in other MCOs who participate in the HOA; and
3. The State will provide an adjustment in the per capita payments to the MCO to account for participation in the HOA. This shall take into account the difference in the likely use of health care services between MCO enrollees who participate in the HOA and MCO enrollees who do not participate in the HOA. (Describe how this adjustment will be calculated below.)

F. 1938(b)(5) Voluntary Participation

An eligible individual will be enrolled in the State demonstration program only if the individual voluntarily enrolls. Enrollment will be effective for a period of 12 months, and may be extended for additional periods of 12 months each with the consent of the individual.

Describe how the State will assure and document an individual's voluntary enrollment.

G. 1938(b)(6) One Year Moratorium for Enrollment

An individual who, for any reason, is disenrolled from a State demonstration program under this section shall not be permitted to re-enroll before the end of the 1-year period that begins on the effective date of the disenrollment.

V. Alternative Benefits

A. 1938(c)(1) The alternative benefits consist of:

1. Coverage for medical expenses for items and services for which Medicaid benefits are otherwise provided, after the annual deductible described in section V.B. has been met; and
2. A State contribution into an HOA, as described in section VI.B.2.

/____/ 3. Coverage of preventive care without regard to the annual deductible, as described in section II.D.

B. 1938(c)(2) Annual deductible.

The amount of the annual deductible described in paragraph (A) above shall be at least 100 percent, but no more than 110 percent, of the annualized amount of contributions to the HOA under section VI.B.1.a., determined without regard to any limitation described in section VI.C.2.. For each eligibility group please specify the amount of the deductible (between 100 percent and 110 percent of the annualized State contribution to the HOA – see section VI.B. below):

Eligibility Group	Annual Deductible

C. 1938(c)(3) Access to Negotiated Provider Payment Rates

1. Fee-for-service enrollees. In the case of an individual who is participating in a State demonstration program and who is not enrolled with a Medicaid MCO, the State assures that the individual may obtain demonstration program Medicaid services from--

   a. any participating provider under this section at the same payment rates that would be applicable to such services if the deductible described in section V.B. above was not applicable; or
   b. any other provider at payment rates that do not exceed 125 percent of the payment rate that would be applicable to such services furnished by a participating provider under this section if the deductible described in section V.B. above was not applicable.

2. Treatment under Medicaid managed care plans. In the case of an individual who is participating in a State demonstration program and is enrolled with a Medicaid MCO, the State assures it has entered into an arrangement with the organization under which the individual may obtain demonstration program Medicaid services from any provider described in section V.C.1. at

payment rates that do not exceed the payment rates that may be imposed under that clause.

3. Computation. The payment rates described in sections 1 and 2 above shall be computed without regard to any cost sharing that would be otherwise applicable under sections 1916 and 1916A of the Act.

4. Definitions. For purposes of this section:

   a. The term `demonstration program Medicaid services' means, with respect to an individual participating in the State demonstration program, services for which the individual would be provided medical assistance under this title but for the application of the deductible described above in V.B.

   b. The term `participating provider' means--

      i. with respect to an individual described in section V.C.1., a health care provider that has entered into a participation agreement with the State for the provision of services to individuals entitled to benefits under the State plan; or
      ii. with respect to an individual described in section V.C.2. who is enrolled in a Medicaid MCO, a health care provider that has entered into an arrangement for the provision of services to enrollees of the organization under this title.

D. 1938(c)(4) No effect on Subsequent Benefits.

After the individual has satisfied the annual deductible described in paragraphs A and B of this section, alternative benefits for an eligible individual shall consist of at least the benefits that would otherwise be provided to the individual, including cost sharing relating to such benefits, if the individual was not enrolled in the demonstration.

E. 1938(c)(5) Overriding Cost Sharing and Comparability Requirements for Alternative Benefits

The Medicaid provisions relating to cost sharing for benefits (including sections 1916 and 1916A of the Act) will not apply with respect to benefits to which the annual deductible under section V.A. applies. The provisions of section 1902(a)(10)(B) of the Act (relating to comparability) shall not apply with respect to the provision of alternative benefits (as described in this section).

F. 1938(c)(7) Use of Tiered Deductible and Cost Sharing

____/ 1. The State will use a tiered deductible. The amount of the annual deductible is based on the income of the family involved. The amount will not favor families with higher income over those with lower income; and

____/ 2. The State will have tiered cost sharing. The amount of the maximum out-of-pocket cost sharing is based on the income of the family involved. The amount does not favor families with higher income over those with lower income.

a. Maximum Out-of-Pocket Cost Sharing. For purposes of this section the term `maximum out-of-pocket cost sharing' means, for an individual or family, the amount by which the annual deductible level applied under section V.A. to the individual or family exceeds the balance in the HOA for the individual or family.

VI. Health Opportunity Account

A. 1938(d)(1) The term `HOA' means an account that meets the requirements of this section.

B. 1938(d)(2) Contributions

1. No contribution may be made into an HOA except--

a. contributions by the State under 1938 of the Act; and

b. contributions by other persons and entities, such as charitable organizations, as permitted under section 1903(w) of the Act.

2. State Contribution – Specify for each eligibility group the contribution amount that shall be deposited into an HOA. See section V.B. for limits on annual deductibles for the groups based on these contributions.

Eligibility Group	Contribution

C. 1938(d)(2) Limitation on Annual State Contribution Provided and Permitting Imposition of Maximum Account Balance

_______/ 1. The maximum amount that will be deposited into an HOA by the State in a year is $_________.

_______/ 2. If the balance in an HOA reaches $______ no more contributions can be made under VI.B.2

3. Except as described in subsections 4. and 5. below for 2006 the State will not provide contributions described in section VI.B.1. to an HOA on behalf of an individual or family to the extent the amount of such contributions (including both State and Federal shares) exceeds, on an annual basis, $2,500 for each individual (or family member) who is an adult and $1,000 for each individual (or family member) who is a child. For subsequent years these amounts will be the updated amounts specified by the Secretary.

4. Budget neutral adjustment. The State provides assurances that contributions otherwise made to other individuals will be reduced in a manner so as to provide for aggregate contributions that do not exceed the aggregate contributions that would otherwise be permitted under this subparagraph.

______/ 5. The State will provide contributions in excess of the above limitations, will not claim and is not entitled to claim Federal financial participation under section 1903(a) of the Act for the excess contributions.

6. The State will not claim and is not entitled to claim Federal financial participation under section 1903(a) of the Act for any contributions made to an HOA pursuant to section VI.B.1.b., above.

D. 1938(d)(2) Application of Different Matching Rates –

The State will have a method for identifying expenditures from HOAs that are eligible for an enhanced matching rate consistent with guidance from the Secretary.

E. 1938(d)(3) Use

1. General Uses

   a. Amounts in an HOA may be used for payment of the following health care expenditures, which must be for payment of medical care (as defined by section 213(d) of the Internal Revenue Code of 1986), except at provided in section VI.F.2.

b. State Restrictions -

i. ____/ Amounts in an HOA may not be used to pay providers of items and services unless the providers are licensed or otherwise authorized under State law to provide the item or service. The State will deny payment for such a provider if the provider has been found, whether with respect to title XIX of the Act or any other health benefit program, to have failed to meet quality standards or to have committed any acts of fraud or abuse;

ii. _______/ Amounts in an HOA may not be used to pay providers of items and services if the State finds that the items and services are not medically appropriate or necessary. The State will deny payment for such a provider if the provider has been found to have submitted claims for such items and services.

c. Electronic Withdrawals - The State demonstration program will use the following method to ensure that withdrawals will be made from the HOA using an electronic system, and that withdrawals will not be permitted in cash.

Describe the method.

F. 1938(d)(3) Maintenance of HOA After Becoming Ineligible for Public Benefit

1. If an account holder of an HOA becomes ineligible for benefits under title XIX of the Act because of an increase in income or assets—

a. no additional contribution will be made into the account by the State under section VI.B.1.a.;

b. the balance in the account will be reduced by 25 percent, except to the extent it represents private contributions to the account; and

c. consistent with the provisions described in this section, the account shall remain available to the account holder for 3 years after the date on which the individual becomes ineligible for such benefits for withdrawals

under the same terms and conditions as if the account holder remained eligible for such benefits.

2. Special Rules - Withdrawals from an account--

a. can be used to purchase health insurance coverage; and

b. ______/ may, subject to 4. below, be used for the following additional expenditures:

______/ job training
______/ tuition expenses
______/ other (please describe)

3. Condition for Non-Health Withdrawals - No withdrawal will be permitted from an account under 2.b. above unless the account holder has participated in the demonstration program for at least 1 year.

4. No Requirement for Continuation of Coverage - An account holder of an HOA, after becoming ineligible for medical assistance under this title, is not required to purchase high-deductible or other insurance as a condition of maintaining or using the account.

G. 1938(d)(4) _____/ Administration - The State will coordinate administration of HOAs through the use of a third party administrator and reasonable expenditures for the use of such administrator will be reimbursable to the State in the same manner as other administrative expenditures under section 1903(a)(7) of the Act.

H. 1938(d)(5) Treatment - Amounts in, or contributed to, an HOA shall not be counted as income or assets for purposes of determining eligibility for benefits under this title.

I. 1938(d)(6) Unauthorized Withdrawals - The State will establish procedures—

1. to penalize or remove an individual from the HOA based on nonqualified withdrawals by the individual from such an account; and

2. to recoup costs that derive from such nonqualified withdrawals.