Recommendations to Transform Kentucky’s Medicaid Program

“Kentucky’s Medicaid expansion has led to one of the biggest reductions of uninsured people in America, and any changes to the program should maintain or build on the historic improvements Kentucky has seen in access to coverage, access to care, and financial security.”

— Ben Wakana, U.S. Department of Health and Human Services

Governor Matt Bevin plans to propose a Section 1115 Medicaid waiver to reshape Kentucky’s Medicaid program. Governor Bevin says changes will improve health outcomes while making Kentucky’s Medicaid expansion financially sustainable.

This paper describes the opportunities presented by Section 1115 waivers, as well as existing regulatory flexibility in the Medicaid program, to build on the foundation of Medicaid expansion. It offers principles to guide the waiver design. Most importantly, it makes recommendations for waiver provisions that would improve health and manage cost without creating barriers to care.

The KVH Waiver Task Force
Kentucky Voices for Health (KVH) is a nonpartisan coalition. It brings together consumers, advocates and stakeholders from multiple sectors of Kentucky’s healthcare landscape. KVH convened a Waiver Task Force to study whether—and how—a Section 1115 waiver could be used to improve health. Task Force recommendations were informed by:

- conversations with advocates in states that are already using 1115 waivers
- an analysis by the State Health Access Data Assistance Center of five existing waivers
- multi-stakeholder input collected by the Foundation for a Health Kentucky at a recent convening
- a report from the Kentucky Center for Economic Policy on Medicaid’s role in advancing the health of Kentucky

Top Task Force recommendations include: engaging consumers in their care, fostering delivery system pilots, focusing care coordination on hot spots and high use, building Kentucky’s Health Data Trust, and protecting medically fragile Kentuckians from cost-sharing.

1 Arkansas, Indiana, Virginia, Montana
Section 1115
Section 1115 of the Social Security Act permits the U.S. Department of Health and Human Services (DHHS) to waive some requirements of the Medicaid program. The purpose is to allow states to conduct demonstration projects. Projects must promote the objectives of Medicaid and the Children’s Health Insurance Program. They must cost no more than the state would have spent without them.

Section 1115 requires publication of state waiver proposals for public comment both before and after submission to DHHS. The federal agency will review to see whether a proposed waiver project will:

• increase and strengthen overall coverage of low-income individuals in the state;
• increase access to, stabilize, and strengthen providers and provider networks available to serve Medicaid and low-income populations in the state;
• improve health outcomes for Medicaid and other low-income populations; and/or
• increase the efficiency and quality of care for Medicaid and other low-income populations through initiatives to transform service delivery networks.

Cost savings alone are not a sufficient basis for a waiver.

The KVH Waiver Task Force Principles
The Waiver Task Force adopted guiding principles to evaluate the proposed elements of Kentucky’s demonstration project. Based on the Institute for Healthcare Improvement’s “Triple Aim”5 and Families USA’s principles for positive health system transformation6, the Task Force calls on state leadership and Kentucky’s healthcare stakeholders to:

• Provide the right care, in the right setting, at the right time
• Invest in the things that keep people healthy
• Pay providers for better outcomes, not higher volume of care
• Reduce health disparities by addressing the social determinants of health

The Task Force viewed coverage as the essential foundation for better care, better outcomes and better management of cost. It viewed availability and transparency of data as the key to understanding impact. The first set of recommendations below addresses costs and care. The second addresses the waiver process itself, including evaluation.

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The Task Force recommends strategies and programs that would:

1. Test models of care delivery and payment redesign to improve health outcomes and reduce health disparities
   → Establish a community innovation fund to give providers the flexibility to pilot new models of care in collaboration with community-based partners
   → Reinvest savings generated by the waiver in system transformation to create a more durable infrastructure for better care that will have a lasting benefit for Kentuckians

2. Support whole-person, patient-centered care that addresses the needs of vulnerable populations
   → Create care coordination and case management benefits for high utilizers and high-need populations
   → Promote cultural competency, language access and equitable access to care -- especially for people with physical and behavioral challenges
   → Remove administrative barriers to integrated care
   → Strengthen support services such as peer support, community-based services, housing, and transportation
   → Encourage healthy behaviors with evidence-based strategies that use incentives, not penalties

3. Establish a Community Health Worker program to:
   → Serve as a link between healthcare, social services and the community
   → Improve the quality and cultural competence of service delivery
   → Build individual and community capacity by increasing health knowledge and self-sufficiency

4. Further develop the Kentucky Health Information Exchange and Kentucky Health Data Trust to allow providers and policy makers to:
   → Manage care, reduce unnecessary utilization and measure health outcomes
   → Understand utilization patterns and identify population health trends
   → Inform the waiver evaluation
   → Empower consumers to access their personal health information and to view provider and hospital quality indicators

5. Ensure barrier-free access to medically necessary services and medications
   → Maintain the current range and level of benefits for all Medicaid recipients
   → Maintain Kentucky’s current level of cost-sharing with no premiums or additional co-pays
   → Establish a “medically fragile” category for people with chronic conditions, dual diagnoses and serious mental illness and exempt them from cost-sharing requirements

6. Improve access by using multiple strategies to promote the “right care, right setting, right time”
   → Increase provider reimbursement
   → Invest in workforce development
   → Strengthen network adequacy requirements for managed care organizations

7. Reduce the complexity and cost of managed care
   → Align benefits and formularies
   → Streamline current administrative processes
   → Ensure any new requirements or programs will decrease administrative burden for the state, MCOs, and providers
Recommendations for Ensuring an Effective Demonstration Process

The Task Force recommends a waiver proposal and process that would:

1. Provide a rationale for each element of the proposal based on the “triple aim” of improving patient experience, improving population health and better managing cost. Conduct a cost-effectiveness analysis of each waiver element to determine if it increases access, improves health, and lowers or maintains administrative cost.

2. Establish and empower a governance structure with multi-stakeholder representation, including advocates and consumers. Ensure meaningful stakeholder participation in decision-making and oversight.

3. Ensure transparency throughout the development, implementation and evaluation of the waiver. Create a dashboard, updated monthly, that contains implementation and evaluation data to be shared with the governance body at regular stakeholder meetings and with the public.

4. Conduct rigorous evaluation using a third-party evaluator selected by the governance body.

Kentucky Voices for Health (KVH) is a nonpartisan coalition that brings together consumers and stakeholders from all sectors of the health landscape to improve the health of all Kentuckians.

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