

Exhibit A



COMMONWEALTH OF KENTUCKY
OFFICE OF THE GOVERNOR

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GOVERNOR

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July 3, 2017

Mr. Brian Neale
Director, Center for Medicaid & CHIP Services
Centers for Medicare & Medicaid Services
7500 Security Boulevard, Mail Stop S2-26-12
Baltimore, MD 21244-1850

Re: Kentucky HEALTH §1115 Demonstration Modification Request

Dear Mr. Neale,

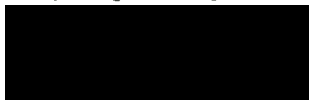
The Commonwealth appreciates CMS' continued consideration of the Kentucky HEALTH 1115 demonstration application, submitted on August 24, 2016. As Kentucky continues to plan for successful implementation of the Kentucky HEALTH program, the Commonwealth has identified several opportunities for program modifications to support ease of administering program operations. Attached please find a description of the requested modifications to the original demonstration application for your consideration.

Although our proposed changes are a logical outgrowth of the original waiver application resulting from the Commonwealth's ongoing program development efforts and continued negotiations with your team, the Commonwealth wishes to continue the transparency with which we have been developing 1115-related policy. Per our conversations, although these modifications do not meet the standard for requiring public input as set forth at 42 CFR 431.408, we have decided to voluntarily take public comment on the proposed revisions. However, to prevent delay in our active negotiations, the Commonwealth wishes to accept CMS' offer to run a voluntary federal comment period concurrently with our state comment period.

We look forward to your review of this request. Please note, the Commonwealth will submit a revised version of the modification request incorporating public comments at the conclusion of the 30-day public comment period. Please do not hesitate to contact me if you have any questions with the submission.

Again, thank you for your continued partnership as we work to transform Medicaid in Kentucky.

Very respectfully,



Adam Meier
Deputy Chief of Staff for Policy
Governor's Office





Helping to Engage and Achieve Long Term Health

Table of Contents

Section 1: Overview of Kentucky HEALTH Operational Modification Request.....	3
Section 2: Discussion of Proposed Modifications to Original 1115 Application	4
2.1 Static Community Engagement and Employment Hours	4
2.2 Disenrollment for Failure to Report a Change in Circumstance	5
2.3 Maintenance of Current Presumptive Eligibility Sites	6
Section 3: Title XIX Waiver Requests	6
Section 4: Budget Neutrality Impact.....	7
Section 5: Public Notice and Public Comment.....	7
Section 6: Conclusion	8
Attachment A: Budget Neutrality	9
Attachment B: Public Notice	14

Section 1: Overview of Kentucky HEALTH Operational Modification Request

Kentucky HEALTH is the Commonwealth of Kentucky's Section 1115 demonstration project focused on "Helping to Engage and Achieve Long Term Health (HEALTH)." The proposed demonstration project is part of an overall initiative to transform the Kentucky Medicaid program to empower individuals to improve their health. The program offers opportunities for individuals to take control of their life through taking an active role in not only their health, but also in their communities by working to gain skills needed for long-term independence and success. Only by helping members engage in their healthcare and their communities will the Commonwealth achieve long term improvements in the health of its citizens and improved fiscal health for the Commonwealth and its Medicaid program. To this end, the Commonwealth continues to seek a five-year Section 1115 waiver from the Centers for Medicare & Medicaid Services (CMS) to implement and evaluate Kentucky HEALTH, a demonstration project designed to provide dignity to individuals as they move towards self-reliability, accountability, and ultimately independence from public assistance.

The Commonwealth appreciates CMS' continued consideration of the Kentucky HEALTH 1115 waiver application, submitted on August 24, 2016. As Kentucky continues to plan for successful implementation of the Kentucky HEALTH program, the Commonwealth continuously seeks to identify areas in which the program can be enhanced to streamline program implementation and operation for the Commonwealth, its federal partners at CMS, members, providers, and other key stakeholders. Because of continued negotiations with CMS, feedback from current vendors and other stakeholders, and after further technical development of the program, the Commonwealth formally submits the following operational modifications to the August 24, 2016 application:

1. ***Static Community Engagement and Employment Hours:*** The original waiver application requested graduated hours for community engagement that increased by five hours for every quarter the member was enrolled in Kentucky HEALTH. However, due to the various exceptions to the community engagement and employment requirements and the various penalties applicable to members in Kentucky HEALTH, tracking these hour increases by each member's unique set of circumstances and variable factors will be challenging for both IT systems and member communications. To mitigate these administrative complexities, Kentucky seeks to replace the graduated hour requirements with a stable and unchanging participation requirement that aligns with existing public programs. Specifically, Kentucky HEALTH seeks to align with the Supplemental Nutrition Assistance Program (SNAP) by requiring 20 hours per week (80 hours per month) for non-exempt individuals.
2. ***Disenrollment for Failure to Report a Change in Circumstance:*** To mirror the commercial market, the original waiver application included a provision requesting a six-month member disenrollment period for members who fail to complete their redetermination paperwork. Timely and accurate eligibility information is critical for the administration of Kentucky HEALTH, where there are a variety of factors that impact eligibility. Several of the eligibility factors rely on members providing information on changes in income that could impact the premium amount, changes in employment status that could impact access to employer sponsored insurance, and self-attestation of community engagement and employment hours. To dissuade members from failing to timely report changes in income and/or employment or falsely reporting community engagement or employment hours, the Commonwealth would like to apply the same six-month disenrollment penalty for intentional fraudulent actions that would undermine the integrity of the Kentucky HEALTH program.

- 3. Maintenance of Current Presumptive Eligibility Sites:** The original waiver application contemplated expansion of presumptive eligibility (PE) sites with the implementation of Kentucky HEALTH. However, after further review, the Commonwealth has determined that implementation would be burdensome for members and PE providers. Furthermore, expansion of PE is not necessary to ensure timely enrollment into Kentucky HEALTH due to implementation of the fast track enrollment option. Therefore, Kentucky no longer wishes to seek the expansion of PE sites originally contemplated in the Kentucky HEALTH demonstration application.

Section 2: Discussion of Proposed Modifications to Original 1115 Application

2.1 Static Community Engagement and Employment Hours

As noted above, the original Kentucky HEALTH waiver application requested graduated hours for the community engagement and employment initiative. The original design included a five-hour increase in community engagement hours for every quarter the member was enrolled in the program. However, since submission of the original request, Kentucky has determined that tracking these hour increases by each member's unique set of circumstances and variable factors proves extremely challenging for member communications and program IT systems.

To mitigate these administrative complexities, the State proposes to align the number of required community engagement and employment hours to the requirements of the SNAP program at 20 hours per week (80 hours per month) for non-exempt individuals. There is significant overlap between Medicaid and SNAP eligibility, and many SNAP beneficiaries will transition to Kentucky HEALTH. For this reason, alignment of the requirements will assist in messaging to members and support clear communication of the requirements.

First time Kentucky HEALTH members will be given a three-month notice period of the community engagement and employment initiative prior to being subject to the 20 hour per week (80 hour per month) requirement. The three-month notice period after initial enrollment will allow time for new members to become educated about program requirements, seek healthcare services to address any urgent health needs, and allow time for the managed care organizations (MCOs) to screen for medically frail conditions that may exempt the individual from the community engagement and employment requirements. After their third month of enrollment in Kentucky HEALTH, all non-exempt members will be required to complete 20 hours of qualifying activities per week (80 hours per month) to maintain Kentucky HEALTH benefits.

Eligibility for the three-month notice period will be calculated by determining how many months total over a 5-year period the member has been enrolled in Kentucky HEALTH with a non-exempt community engagement status. If more than three months, the member (even new applicants) will be subject to the community engagement and employment requirements effective the first day of the first full month of enrollment. For purposes of clarification, if a member has previously been enrolled in Kentucky HEALTH in a non-exempt community engagement status for more than three months within the last 5 years, the member will be immediately subject to the community engagement and employment requirement effective the first full month of coverage. An example of how this policy would function is as follows: a previously enrolled individual who completes a new application and pays their first month premium payment on May 15th would have Kentucky HEALTH coverage that would date back to May 1st, while their community engagement and employment requirement would not begin until June 1st.

For current members who will transition to Kentucky HEALTH, Kentucky does not propose to provide a notice period for community engagement and employment initiative requirements. Because the implementation of the initiative will be phased in by regions, all current members will not only be educated about the general requirements of Kentucky HEALTH, but will receive detailed communications and formal notice prior to the roll-out in their region. Additionally, if a member moves from a non-rolled out region to a region with an active community engagement and employment initiative, the member will be provided a good cause exemption from the requirement for their first full transitional month in the roll-out region. Lastly, for members moving from community engagement exempt status to a non-exempt status, the requirement to complete the community engagement and employment initiative will be effective the next administratively feasible month following their change in circumstance.

The proposed change is limited to eliminating the increasing scale for the community engagement and employment hour requirements. Suspensions for community engagement and employment non-compliance and all exemptions will remain unchanged. Specifically, the Commonwealth continues to seek an exemption of the community engagement and employment initiative for the following individuals:

- Children under the age of 19 enrolled in Kentucky HEALTH;
- Pregnant women;
- Primary caregivers of a dependent, including either a dependent minor child or disabled adult dependent (limited to only one exemption per household);
- Individuals identified as medically frail; and
- Full time students.

In addition, the following individuals will be deemed to meet the community engagement and employment initiative requirements and no additional participation will be required of the following members:

- Individuals meeting the requirements of SNAP and/or TANF employment initiatives;
- Individuals enrolled in the Kentucky HEALTH premium assistance program; and
- Individuals employed for more than 30 hours per week.

2.2 Disenrollment for Failure to Report a Change in Circumstance

Similar to an individual in the commercial marketplace being required to wait for an open enrollment period, the original waiver application included a provision requesting a six-month disenrollment for members who fail to complete their redetermination paperwork. As our partners at CMS are aware, timely and accurate eligibility information is imperative for the administration of traditional Medicaid. However, this information is arguably even more critical for Kentucky HEALTH, where there are a variety of factors impacting eligibility. Many of the Kentucky HEALTH eligibility factors rely on receiving updated information from the member. This information could include: changes in income that would be substantial enough to impact the member's premium amount; changes in employment status that could impact access to employer sponsored insurance, and; self-attestation of community engagement and employment hours. To deter members from failing to timely report changes in income or employment or from falsely reporting community engagement hours, Kentucky now seeks to apply the same six-month disenrollment penalty for these intentionally fraudulent member actions. As with the disenrollment for failure to complete redetermination paperwork, individuals disenrolled for failure to report a change in circumstance would be required to wait six months before being permitted to re-enroll in the program.

Members would be notified of their obligation to timely report changes at both application and recertification through the rights and responsibility documents. Further, Kentucky will develop additional materials documenting this requirement, including all premium invoices and communications on community engagement or via the Community Engagement portal. In conjunction with this policy, the Commonwealth would implement good cause exceptions through which members would not be disenrolled for failure to report changes under defined circumstances. The proposed exception circumstances will include the following: (i) the member was out of town for the entire reporting period; (ii) an immediate family member living in the home was institutionalized or died during the reporting period; (iii) the member was a victim of a natural disaster, such as a flood, storm, earthquake, or serious fire; (iv) the individual obtained and subsequently lost private insurance; (v) the individual was evicted from their home or became homeless; or (vi) the individual was a victim of domestic violence.

Currently, there is a requirement for Medicaid enrollees to report all changes to the State within ten (10) days; however, there is no enforcement mechanism for failure to comply. The Kentucky HEALTH disenrollment period will be used as a learning tool for enrollees regarding the importance of maintaining accurate information to maintain insurance coverage, helping further prepare enrollees for commercial market insurance policies.

Like all Kentucky HEALTH program disincentives, this proposed disenrollment period would be paired with a critical “on-ramp” to help support enrollees in successfully returning to the Kentucky HEALTH program and accessing its benefits, resources, and tools. Specifically, all Kentucky HEALTH eligible individuals will be provided the opportunity for early re-entry at any time prior to the expiration of the disenrollment period by completing a financial or health literacy course. Once the individual has completed a financial or health literacy course and an updated certification of the eligibility information is on file, the individual may re-enroll in Kentucky HEALTH and pay their first month’s premium contribution to begin coverage. The individual would not be required to complete a full Medicaid application to re-enroll under this circumstance.

2.3 Maintenance of Current Presumptive Eligibility Sites

The original Kentucky HEALTH waiver application contemplated expansion of presumptive eligibility (PE) sites. However, in developing the PE requirements for Kentucky HEALTH, it has been determined that operationalizing this proposed expansion would be particularly onerous for PE qualified providers and enrollees. For example, it would be challenging to implement Kentucky HEALTH cost sharing during an individual’s PE period. If Kentucky were to attempt to mitigate these types of issues by implementing divergent policies during the PE period, this would create potential member confusion and ultimately undermine the Kentucky HEALTH policy goals. Additionally, the State will be providing individuals an alternative opportunity to expedite enrollment into Kentucky HEALTH through the Fast Track process. Through this process, enrollees will be able to pre-pay their premium obligation and activate coverage as early as the first of the month of application. Therefore, expansion of PE is not necessary to ensure timely enrollment into Kentucky HEALTH.

Section 3: Title XIX Waiver Requests

In addition to the Title XIX waivers requested in the August 24, 2016, Kentucky HEALTH application, the Commonwealth seeks the following revisions and additions:

1. Reasonable Promptness

Section 1902(a)(3)/Section 1902(a)(8)

To the extent necessary to enable Kentucky to prohibit re-enrollment for up to six months for Kentucky HEALTH members who are disenrolled for failure to timely report a change in income and/or employment or falsely reporting community engagement or employment hours, or for any other actions that would fall under the definition of Medicaid fraud.

Section 4: Budget Neutrality Impact

Please see the attached the updated 1115 budget neutrality spreadsheet, which has been updated to reflect the impact of the proposed operational modifications to the Kentucky HEALTH demonstration application. Specifically, the revised spreadsheet includes estimated enrollment changes and the impact to per member per month cost by Medicaid population attributable to the following proposed policy modifications:

- Community Engagement and Employment. The proposed policy revision seeks to remove the graduated, required weekly commitment in exchange for a static, weekly commitment that becomes effective after an initial 3-month grace period. The original model was updated to estimate the impact of this change while still accounting for the exempt eligibility groups (children, pregnant women, caregivers, and medically frail).
- Disenrollment for Failure to Report Changes in Circumstances. The original projections were revised to account for the proposed implementation of a 6-month disenrollment for members who fail to report a change in circumstances. To estimate the impact of all activities that would result in a lockout, disenrollment rates were modeled separately for each action, while participation rates of the early re-entry opportunity were also factored in. The impact of the disenrollment causes was modeled for each year of the demonstration.

Section 5: Public Notice and Public Comment

These proposed program operational modifications are a logical outgrowth of the original waiver application, and are minor revisions resulting from the Commonwealth's ongoing program development efforts and continued negotiations with CMS. However, although these slight modifications do not meet the standard for requiring public input as set forth at 42 CFR 431.408, the Kentucky Department for Medicaid Services will voluntarily hold a 30-day public comment period from July 3, 2017 to August 2, 2017 and two public hearings during this time to gather public input on the proposed operational modifications.

A copy of the full public notice that announced the two public hearings and opened the 30-day public comment period is included in *Attachment B* of this application. The notice is also posted on the Cabinet for Health and Family Services website at the web address of the Section 1115 waiver program's homepage: <http://chfs.ky.gov/kentuckyhealth>. In addition, the formal public notice will also be published in various newspapers in the Commonwealth. The public notice provides the option for any individual, regardless of whether he or she attended the public hearing, to submit written feedback to the Commonwealth by email or by USPS mail. Electronic copies of all documents related to the Kentucky HEALTH waiver are also available on the above listed waiver website throughout the comment period. Kentucky will also notify stakeholders and the public of its intent to submit these program modifications to CMS and opportunities to comment via notification to an electronic mailing list. The Commonwealth will hold two formal public hearings in geographically distinct areas of the state during the public comment period. In accordance with the notice, public hearings will be held on the following dates and locations as scheduled and publicized:

Friday, July 14, 2017, 10:00 AM – 12:00 PM (EST)
The Center for Rural Development
2292 South Highway 27
Suite 300
Somerset, KY 42501

Monday, July 17, 2017, 10:00 AM – 12:00 PM (EST)
Interim Joint Committee on Health and Welfare
Kentucky Capitol Annex
702 Capital Avenue
Frankfort, KY 40601

In addition, telephonic conference capabilities will be made available for the July 14th public hearing.

Section 6: Conclusion

The Commonwealth of Kentucky appreciates CMS' ongoing willingness to support the proposed goals of the Kentucky HEALTH program and continued discussions to obtain approval of the demonstration. We believe that the operational modifications requested through this submission are necessary to reduce program complexity for stakeholders, ease administrative burdens for both the Commonwealth and CMS, and support effective communication to members. These program alterations will provide the opportunity to further the Kentucky HEALTH program goals of comprehensively transforming Medicaid by improving members' health and helping them take responsibility for their health; encouraging individuals to become active participants and consumers of healthcare who are prepared to use commercial health insurance; empowering members to seek employment and transition to commercial health insurance coverage; implementing delivery system reforms to improve quality and outcomes; and ensuring long-term fiscal sustainability, while easing administrative burden and alleviating program complexity concerns. Therefore, the Commonwealth of Kentucky respectfully requests that CMS consider approval of these program operational revisions as it continues to review the Kentucky HEALTH waiver application.

Attachment A: Budget Neutrality

Interim Section 1115 Demonstration Application Budget Neutrality Table Shell

	A	B	C	D	E	F	G
1	5 YEARS OF HISTORIC DATA						
2							
3	SPECIFY TIME PERIOD AND ELIGIBILITY GROUP DEPICTED:						
4							
5	Children (Age 18 and Under)	2011	2012	2013	2014	2015	5-YEARS
6	TOTAL EXPENDITURES	\$ 1,278,702,725	\$ 1,310,253,249	\$ 1,376,613,845	\$ 1,477,821,840	\$ 1,618,128,571	\$ 7,061,520,230
7	ELIGIBLE MEMBER MONTHS	5,265,504	5,273,555	5,271,564	5,623,907	5,986,896	
8	PMPM COST	\$ 242.85	\$ 248.46	\$ 261.14	\$ 262.77	\$ 270.28	
9	TREND RATES						5-YEAR
10				ANNUAL CHANGE			AVERAGE
11	TOTAL EXPENDITURE		2.47%	5.06%	7.35%	9.49%	6.06%
12	ELIGIBLE MEMBER MONTHS		0.15%	-0.04%	6.68%	6.45%	3.26%
13	PMPM COST		2.31%	5.10%	0.63%	2.86%	2.71%
14							
15	Adults: Non-Expansion	2011	2012	2013	2014	2015	5-YEARS
16	TOTAL EXPENDITURES	\$ 667,466,616	\$ 717,268,238	\$ 749,662,818	\$ 808,989,927	\$ 892,510,877	\$ 3,835,898,476
17	ELIGIBLE MEMBER MONTHS	1,592,467	1,585,041	1,612,831	1,554,892	1,626,900	
18	PMPM COST	\$ 419.14	\$ 452.52	\$ 464.81	\$ 520.29	\$ 548.60	
19	TREND RATES						5-YEAR
20				ANNUAL CHANGE			AVERAGE
21	TOTAL EXPENDITURE		7.46%	4.52%	7.91%	10.32%	7.53%
22	ELIGIBLE MEMBER MONTHS		-0.47%	1.75%	-3.59%	4.63%	0.54%
23	PMPM COST		7.96%	2.72%	11.93%	5.44%	6.96%
24							
25	Adults: Expansion	2011	2012	2013	2014	2015	5-YEARS
26	TOTAL EXPENDITURES	\$ -	\$ -	\$ -	\$ 2,316,349,837	\$ 3,118,683,205	\$ 5,435,033,042
27	ELIGIBLE MEMBER MONTHS	-	-	-	4,422,028	5,977,024	
28	PMPM COST	\$ -	\$ -	\$ -	\$ 523.82	\$ 521.78	
29	TREND RATES						5-YEAR
30				ANNUAL CHANGE			AVERAGE
31	TOTAL EXPENDITURE		0.00%	0.00%	0.00%	34.64%	34.64%
32	ELIGIBLE MEMBER MONTHS		0.00%	0.00%	0.00%	35.16%	35.16%
33	PMPM COST		0.00%	0.00%	0.00%	-0.39%	-0.39%

	A	B	C	D	E	F	G	H	I	J	K
1	DEMONSTRATION WITHOUT WAIVER (WOW) BUDGET PROJECTION: COVERAGE COSTS FOR POPULATIONS										
2											
3											
4	ELIGIBILITY	TREND	MONTHS	BASE YEAR	TREND	DEMONSTRATION YEARS (DY)					TOTAL
5	GROUP	RATE 1	OF AGING	DY 00	RATE 2	DY 01	DY 02	DY 03	DY 04	DY 05	WOW
6											
7	<u>Children (Age 18 and Under)</u>										
8	Pop Type:	Medicaid									
9	Eligible Member Months	3.3%	12	6,182,069	3.3%	6,383,604	6,591,709	6,806,599	7,028,494	7,257,623	
10	PMPM Cost	2.7%	12	\$ 277.60	2.7%	\$ 285.12	\$ 292.85	\$ 300.79	\$ 308.94	\$ 317.31	
11	Total Expenditure					\$ 1,820,093,153	\$ 1,930,382,104	\$ 2,047,356,958	\$ 2,171,383,023	\$ 2,302,916,416	\$ 10,272,131,654
12											
13	<u>Adults: Non-Expansion</u>										
14	Pop Type:	Medicaid									
15	Eligible Member Months	0.5%	12	1,635,685	0.5%	1,644,518	1,653,398	1,662,326	1,671,303	1,680,328	
16	PMPM Cost	7.0%	12	\$ 586.78	7.0%	\$ 627.62	\$ 671.30	\$ 718.02	\$ 767.99	\$ 821.44	
17	Total Expenditure					\$ 1,032,132,205	\$ 1,109,926,148	\$ 1,193,583,641	\$ 1,283,544,004	\$ 1,380,288,676	\$ 5,999,474,674
18											
19	<u>Adults: Expansion</u>										
20	Pop Type:	Medicaid									
21	Eligible Member Months	0.5%	12	6,009,300	0.5%	6,041,750	6,074,376	6,107,177	6,140,156	6,173,313	
22	PMPM Cost	7.0%	12	\$ 558.09	7.0%	\$ 596.93	\$ 638.48	\$ 682.92	\$ 730.45	\$ 781.29	
23	Total Expenditure					\$ 3,606,502,037	\$ 3,878,367,462	\$ 4,170,713,612	\$ 4,485,077,089	\$ 4,823,147,740	\$ 20,963,807,940

DEMONSTRATION WITH WAIVER (WW) BUDGET PROJECTION: COVERAGE COSTS FOR POPULATIONS

ELIGIBILITY GROUP		DY 00	DEMO TREND RATE	DEMONSTRATION YEARS (DY)						TOTAL WW
				DY 01	DY 02	DY 03	DY 04	DY 05		
Children (Age 18 and Under)										
Pop Type:		Medicaid								
Eligible Member Months		6,182,069	3.3%	6,387,155	6,599,045	6,817,965	7,044,147	7,277,833		
PMPM Cost	\$	277.60	2.2%	\$ 283.62	\$ 289.77	\$ 296.05	\$ 302.47	\$ 309.02		
Total Expenditure				\$ 1,811,524,938	\$ 1,912,205,384	\$ 2,018,458,538	\$ 2,130,643,184	\$ 2,248,995,873	\$	10,121,827,918
Adults: Non-Expansion										
Pop Type:		Medicaid								
Eligible Member Months		1,635,685	-2.5%	1,595,225	1,555,766	1,517,282	1,479,751	1,443,148		
PMPM Cost	\$	586.78	6.9%	\$ 627.35	\$ 670.73	\$ 717.11	\$ 766.70	\$ 819.72		
Total Expenditure				\$ 1,000,764,335	\$ 1,043,498,652	\$ 1,088,058,342	\$ 1,134,525,107	\$ 1,182,977,332	\$	5,449,823,767
Adults: Expansion										
Pop Type:		Medicaid								
Eligible Member Months		6,009,300	-2.7%	5,849,182	5,693,330	5,541,631	5,393,974	5,250,251		
PMPM Cost	\$	558.09	7.5%	\$ 599.72	\$ 644.46	\$ 692.54	\$ 744.20	\$ 799.72		
Total Expenditure				\$ 3,507,871,439	\$ 3,669,123,619	\$ 3,837,801,258	\$ 4,014,195,548	\$ 4,198,731,059	\$	19,227,722,923

NOTES

For a per capita budget neutrality model, the trend for member months is the same in the with-waiver projections as in the without-waiver projections. This is the default setting.

Budget Neutrality Summary**Without-Waiver Total Expenditures**

	DEMONSTRATION YEARS (DY)					TOTAL
	DY 01	DY 02	DY 03	DY 04	DY 05	
<u>Medicaid Populations</u>						
Children (Age 18 and Under)	\$ 1,820,093,153	\$ 1,930,382,104	\$ 2,047,356,958	\$ 2,171,383,023	\$ 2,302,916,416	\$ 10,272,131,654
Adults: Non-Expansion	\$ 1,032,132,205	\$ 1,109,926,148	\$ 1,193,583,641	\$ 1,283,544,004	\$ 1,380,288,676	\$ 5,999,474,674
Adults: Expansion	\$ 3,606,502,037	\$ 3,878,367,462	\$ 4,170,713,612	\$ 4,485,077,089	\$ 4,823,147,740	\$ 20,963,807,940
TOTAL	\$ 6,458,727,395	\$ 6,918,675,714	\$ 7,411,654,210	\$ 7,940,004,116	\$ 8,506,352,832	\$ 37,235,414,268

With-Waiver Total Expenditures

	DEMONSTRATION YEARS (DY)					TOTAL
	DY 01	DY 02	DY 03	DY 04	DY 05	
<u>Medicaid Populations</u>						
Children (Age 18 and Under)	\$ 1,811,524,938	\$ 1,912,205,384	\$ 2,018,458,538	\$ 2,130,643,184	\$ 2,248,995,873	\$ 10,121,827,918
Adults: Non-Expansion	\$ 1,000,764,335	\$ 1,043,498,652	\$ 1,088,058,342	\$ 1,134,525,107	\$ 1,182,977,332	\$ 5,449,823,767
Adults: Expansion	\$ 3,507,871,439	\$ 3,669,123,619	\$ 3,837,801,258	\$ 4,014,195,548	\$ 4,198,731,059	\$ 19,227,722,923
TOTAL	\$ 6,320,160,712	\$ 6,624,827,655	\$ 6,944,318,138	\$ 7,279,363,839	\$ 7,630,704,264	\$ 34,799,374,608

VARIANCE	\$ 138,566,683	\$ 293,848,059	\$ 467,336,073	\$ 660,640,277	\$ 875,648,568	\$ 2,436,039,660
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Attachment B: Public Notice

NOTICE OF KENTUCKY DEPARTMENT FOR MEDICAID SERVICES PUBLIC COMMENT PERIOD TO MODIFY THE KENTUCKY HEALTH WAIVER APPLICATION

Notice is hereby given that the Kentucky Department for Medicaid Services will provide the public the opportunity to review and provide input on operational modifications to the 1115 Kentucky HEALTH demonstration waiver application that is currently pending approval from the Centers for Medicare and Medicaid Services (CMS). This notice provides details about the proposed program modifications and serves to open a 30-day public comment period, which closes on August 2, 2017 at 11:59 pm.

In addition to the 30-day public comment period in which the public will be able to provide written comments to the agency via US postal service or electronic mail, the Commonwealth will also host two public hearings in which the public may provide verbal comments. Hearings will be held at the following dates, times, and locations:

Friday, July 14, 2017, 10:00 AM – 12:00 PM (EST)¹

The Center for Rural Development
2292 South Highway 27
Suite 300
Somerset, KY 42501

Monday, July 17, 2017, 10:00 AM – 12:00 PM (EST)²

Interim Joint Committee on Health and Welfare
Kentucky Capitol Annex
702 Capital Avenue
Frankfort, KY 40601

Prior to finalizing the proposed submission, the Commonwealth will consider all written and verbal public comments received. The comments will be reviewed and considered in the state's ongoing negotiations with CMS regarding the proposed Kentucky HEALTH demonstration project. Following the close of the public comment period, the Kentucky Department for Medicaid Services will summarize and address the comments received. The final summary will be submitted to CMS to support ongoing negotiations and will be posted to the Kentucky HEALTH website at <http://chfs.ky.gov/kentuckyhealth>.

PROPOSAL SUMMARY

The original 1115 demonstration waiver seeks to secure the long-term viability of Medicaid expansion in Kentucky, and introduce reforms intended to tailor the program to a non-disabled working-age adult population. The 1115 demonstration waiver creates an innovative, transformative healthcare program designed to not only improve health outcomes for members, but also improve their overall quality of life by addressing some of the underlying social determinants of health and helping to break the cycle of poverty. The program offers opportunities for individuals to take control of their life through an active role in not only their health, but also in their communities by working to gain skills needed for long-term independence and success. Only by helping members engage in their healthcare and their communities, will the Commonwealth achieve long term improvements in the health of its citizens and improved fiscal health for the Commonwealth and its Medicaid program. To this end, the Commonwealth continues to seek a five-year Section 1115 waiver from the Centers for Medicare & Medicaid Services (CMS) to implement and evaluate Kentucky HEALTH, a demonstration project designed to provide dignity to individuals as they move towards self-reliability, accountability, and ultimately independence from public assistance.

However, upon further analysis of operational program design, the Commonwealth has identified several program revisions that will be submitted to CMS to further the goals of the Kentucky HEALTH program.

1. Community Engagement & Employment Initiative. The original waiver application requested graduated hours for

¹ Teleconference capabilities will be provided. The dial-in information will be updated on the Kentucky HEALTH website.

² Public comments on the waiver will be taken upon adjournment of the Interim Joint Committee on Health and Welfare meeting.

community engagement that increased every quarter the member was enrolled in Kentucky HEALTH. To aid in clear communication to members and mitigate program complexity, the Commonwealth seeks to align the number of required community engagement and employment hours to the Supplemental Nutrition Assistance Program (SNAP) at 20 hours per week (80 hours per month) for non-exempt individuals.

2. Disenrollment. The original waiver application included a provision requesting a six-month member disenrollment for members who fail to complete their redetermination paperwork. Accurate member reporting of information is crucial to the success of Kentucky HEALTH, so similar to disenrollment for failure to complete redetermination paperwork, the Commonwealth would like to apply a six-month disenrollment period for failing to timely report changes in income and/or employment that impact eligibility, falsely reporting community engagement or employment hours, or any other action that would fall under Medicaid fraud.
3. Presumptive Eligibility. Additionally, the original application considered expansion of presumptive eligibility (PE) sites with Kentucky HEALTH implementation; however, since PE expansion is not necessary to ensure timely enrollment in Kentucky HEALTH, the Commonwealth no longer seeks to expand these sites due to anticipated burden for members and providers.

GOALS AND OBJECTIVES

The proposed revisions are intended to further the goals and objectives of Kentucky HEALTH, which seeks to comprehensively transform Medicaid and accomplish the following goals:

1. Improve participants' health and help them be responsible for their health;
2. Encourage individuals to become active participants and consumers of healthcare who are prepared to use commercial health insurance;
3. Empower people to seek employment and transition to commercial health insurance coverage;
4. Implement delivery system reforms to improve quality and outcomes; and
5. Ensure fiscal sustainability.

ELIGIBILITY

The eligibility categories for Kentucky HEALTH will remain unchanged from those included in the original Kentucky HEALTH 1115 waiver.

As with the original Kentucky HEALTH program design, the proposed program modifications may also affect member eligibility due to the introduction of several commercial market policies as well as the community engagement and employment initiative.

- Commercial Market Policies: As originally proposed and similar to the commercial health insurance market, individuals determined eligible for Kentucky HEALTH (excluding children and pregnant women) will be required to make their first month's required premium payment prior to the start of benefits. Notwithstanding the foregoing, individuals with income at or below 100% FPL who do not make an initial premium payment within sixty (60) calendar days from the date of the invoice, will begin benefits but subject to the originally proposed non-payment penalty. Also, as originally proposed, Kentucky HEALTH will establish a client-specific open enrollment period. An individual is disenrolled from the program for failure to comply with redetermination requirements and will be required to wait six months for a new open enrollment period. Similarly, the Commonwealth now proposes to disenroll members for failing to timely report changes in income and/or employment, falsely reporting community engagement or employment hours, or any other action that would fall under Medicaid fraud. Members may rejoin the program at any time prior to the six-month date by completing a financial or health literacy course.
- Community Engagement & Employment Initiative: As originally proposed, to further the goal of helping members transition to commercial health insurance coverage, Kentucky HEALTH will implement a community engagement and employment initiative. After three months of program eligibility, all able-bodied working age adult Kentucky HEALTH members will be required to participate in a community engagement activity, such as volunteer work, employment or job training, and job search activities. However, instead of the originally proposed ramp up period for community engagement hours, in order to simplify communication and processes, the

Commonwealth proposes a set requirement of at least 20 hours per week (80 hours per month) after three months of eligibility for non-exempt individuals.

ENROLLMENT & FISCAL PROJECTIONS

It is anticipated that enrollment in Kentucky HEALTH will fluctuate for a variety of reasons, including program non-compliance. Members may have health coverage temporarily suspended for not meeting the community engagement and employment initiative requirements, failing to pay required monthly premiums, or failing to report a change in circumstances. However, all individuals will have the opportunity to regain coverage at any time through compliance with the community engagement requirements, or by completing a health or financial literacy class and paying premiums. In addition, initial enrollment may fluctuate as individuals with little to no claims activity choose to leave the program rather than pay premiums; however, over time this will settle as individuals become familiar with the advantages of the program. Finally, in later demonstration years, more participants are expected to transition to commercial coverage.

The following table illustrates the State's enrollment projections by total member months, updated to reflect the proposed operational modifications.

Estimated Enrollment Projections

Demonstration Year	Without Waiver	Kentucky HEALTH	Difference
1 (2017)	14,070,000	13,832,000	(238,000)
2 (2018)	14,319,000	13,848,000	(471,000)
3 (2019)	14,576,000	13,877,000	(699,000)
4 (2020)	14,840,000	13,918,000	(922,000)
5 (2021)	15,111,000	13,971,000	(1,140,000)

Note: Values shown have been rounded and represent member months.

Over the five-year demonstration period, Kentucky HEALTH will have budget neutrality margins of approximately \$2.4 billion in aggregate. The table below provides the estimated State and federal costs divided by year.

Estimated Fiscal Projections

Demonstration Year	Expenditures			State Share of Expenditure Difference
	Without Waiver	Kentucky HEALTH	Difference	
1 (2017)	\$ 6,458,700,000	\$ 6,320,200,000	\$ (138,500,000)	\$ (16,800,000)
2 (2018)	\$ 6,918,700,000	\$ 6,624,800,000	\$ (293,900,000)	\$ (37,700,000)
3 (2019)	\$ 7,411,700,000	\$ 6,944,300,000	\$ (467,400,000)	\$ (63,300,000)
4 (2020)	\$ 7,940,000,000	\$ 7,279,400,000	\$ (660,600,000)	\$ (103,600,000)
5 (2021)	\$ 8,506,400,000	\$ 7,630,700,000	\$ (875,700,000)	\$ (137,200,000)

Note: Values have been rounded.

BENEFITS, COST SHARING, AND DELIVERY SYSTEM

The proposed revisions do not propose any changes in benefits, cost sharing or delivery system. These will remain as proposed in the original Kentucky HEALTH 1115 application.

WAIVER AUTHORITY

In addition to the Title XIX waivers requested in the August 24, 2016, Kentucky HEALTH waiver application, the Commonwealth seeks the following revisions and additions:

1. Reasonable Promptness Section 1902(a)(3)/Section 1902(a)(8)
To the extent necessary to enable Kentucky to prohibit re-enrollment for up to six months for Kentucky HEALTH members who are disenrolled for failure to timely report a change in income and/or employment or falsely reporting community engagement or employment hours, or for any other actions that would fall under the definition of Medicaid fraud.

REVIEW OF DOCUMENTS & SUBMISSION OF COMMENTS

All information regarding these proposed revisions, including this public notice, the waiver modification, and other documentation regarding the proposal are available at <http://chfs.ky.gov/kentuckyhealth>. To reach all stakeholders, non-electronic copies will be made available for review at Cabinet for Health and Family Services, Office of the Secretary, 275 E. Main St., Frankfort, KY 40621.

Written comments may be addressed to Commissioner Stephen Miller, Department of Medicaid Services, 275 E. Main Street, Frankfort, KY 40621. Comments may also be sent via electronic mail to kyhealth@ky.gov. All comments must be received by August 2, 2017 at 11:59 pm.