

State of Wisconsin

BadgerCare Reform Demonstration Project

**Coverage of Adults Without Dependent Children with  
Income at or Below 100 Percent of the Federal Poverty Level**

Draft 1115 Demonstration Waiver Amendment Application

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## 1.0 Introduction

The State of Wisconsin's goal is to continuously improve its Medicaid programs while maintaining access to affordable, quality health care coverage for our residents. In 2013, the Centers for Medicare and Medicaid Services (CMS) approved Wisconsin's 1115 Demonstration Waiver, which permits the state to provide the Medicaid standard benefit plan to adults without dependent children, also known as the childless adult" population. Over the past three years, the childless adult population has been served successfully by Medicaid plans and providers. Wisconsin is seeking the opportunity for further innovation by establishing policies that will promote improved health outcomes, increase participants' ability to obtain and maintain employment and employer-sponsored health care, slow down the rising costs of health care spending, and familiarize individuals with private health insurance practices, particularly for those with fluctuating incomes.

## 2.0 Background

Prior to the existing demonstration (BadgerCare Reform Demonstration Project), Wisconsin has a history of successfully providing widespread access to health care to its residents. In 1999, Wisconsin implemented BadgerCare, which provided a health care safety net for low-income families transitioning from welfare to work. In addition, BadgerCare Plus expanded coverage to families at income levels that had not previously been covered under the Medicaid Program.

In 2008, Wisconsin Medicaid eligible groups included all uninsured children through the age of 18, pregnant women with incomes at or below 300 percent of the federal poverty limit (FPL), and parents and caretaker relatives with incomes at or below 200 percent of the FPL.

In 2009, Wisconsin received approval through a Section 1115 Demonstration Waiver to expand coverage to childless adults with incomes at or below 200 percent of the FPL. This population became eligible for the BadgerCare Plus Core Plan, which provided a limited set of benefits.

In 2011, Wisconsin submitted and received approval to amend the BadgerCare and BadgerCare Plus Core Plan demonstrations, allowing Wisconsin to require that non-pregnant, non-disabled adult parents and caretaker relatives whose incomes exceed 133 percent of the FPL pay a monthly premium.

Most recently in 2013, CMS approved a five-year Section 1115 Demonstration Waiver known as the Wisconsin BadgerCare Reform Demonstration Project. The waiver became effective January 1, 2014, and expires on December 31, 2018. Under this waiver, Wisconsin is eligible for federal Medicaid matching funds for providing health care coverage for childless adults between the ages of 19 and 64 years old who have income at or below 100 percent of the FPL. The childless adult population receives the standard benefit plan, which is the same benefit plan that covers parents, caretakers, and children.

Additionally, the existing BadgerCare Reform Demonstration Project enables Wisconsin to test the impact of providing Transitional Medical Assistance to individuals who are paying a premium that aligns with the insurance affordability program in the federal marketplace based on their household income when compared to the FPL.

With an innovative approach to Medicaid reform to address the specific needs of Wisconsin, residents at all income levels have access to health care coverage either through employer-sponsored or private insurance, a public assistance program, or the health insurance marketplace. As a result of this reform, everyone living in poverty in Wisconsin has access to health care services providing full benefits for the first time in history.

### **3.0 Demonstration Objectives and Summary**

#### **3.1 Project Objectives**

Wisconsin is committed to the implementation of policies that are vital to a fair and vibrant marketplace that delivers affordable, high-quality health care to its citizens and leverages the state's tradition of strong health outcomes, innovation, and provision of high quality health care. Specifically, Wisconsin's overall goals for the Medicaid program are to:

- Ensure that every Wisconsin resident has access to affordable health insurance to reduce the state's uninsured rate;
- Create a medical assistance program that is sustainable so a health care safety net is available to those who need it most;
- Help more Wisconsin citizens become independent so as to rely less on government-sponsored health insurance;
- Empower members to become active consumers of health care services to help improve their health outcomes;
- Design a medical assistance program that aligns with commercial health insurance design to support members' transition from public to commercial health care coverage;
- Establish greater accountability for improved health care value; and,
- Expand the use of integrated health care for all individuals.

#### **3.2 Demonstration Project Overview**

This amendment is prompted by the Wisconsin 2015-2017 Biennial Budget (Act 55), which requires the Wisconsin Department of Health Services (DHS) to submit an amendment to the BadgerCare Reform Demonstration Project in order to apply a number of new policies to the childless adult population. Wisconsin seeks to demonstrate that building on private sector health care models and implementing innovative initiatives will lead to better quality care at a sustainable cost for the childless adult population while promoting individual responsibility. The amendment policies align with what the majority of citizens experience in the private market and aim to improve health outcomes for the demonstration population by providing members and their health care providers with tools and practices that promote healthy lifestyles. The following dialogue outlines specific strategies to implement for the childless adult population to meet these goals. All of the innovations will be monitored to determine their impact.

##### **Build on Private Sector Health Care Models**

This amendment aims to more closely align the program for childless adults with private health

insurance by requiring members to pay premiums towards their health care coverage. These out-of-pocket requirements are designed to prepare members for the norms of the private marketplace and ease transitions from public to private insurance.

Wisconsin believes that, in addition to the long term value to members of aligning with the private system, establishing premiums will encourage members to place increased value on their health care and utilize it more effectively. Preventive care service utilization is expected to increase as members seek to utilize appropriate health care services. As a result, high costs related to emergency department usage may decline since health care needs will be met before conditions reach the level that require an emergency department visit.

In parallel to familiarizing childless adults with private sector health care practices, Wisconsin encourages Medicaid as a temporary solution, rather than a replacement for employer-sponsored and private health insurance as a long-term coverage source. The amendment seeks to implement time-limited eligibility to meet this objective. However, Wisconsin also aims to provide members with the support and tools needed to obtain a full-time job that offers employer-sponsored insurance. Accordingly, the time that a member is working or participating in an employment training program for at least 80 hours a month will not count towards their 48-month time limit.

As a hallmark of the current waiver, Wisconsin implemented benefit reform to align with commercial insurance and the Affordable Care Act (ACA). In that same spirit, Wisconsin is proposing to add comprehensive substance use disorder residential treatment to align with commercial coverage.

### **Promote Healthy Behaviors**

Promoting and incentivizing healthier lifestyles is a main focus of this demonstration. Under the amendment, a health risk assessment (HRA) will be created and utilized. The HRA will identify the health needs of the population and provide an opportunity for members to reduce their monthly premiums. Those assessed as having no health risk behaviors will see their monthly premiums reduced by half while members identified as engaging in a health risk behavior will pay the standard premium according to what income tier they fall within. This practice will incentivize members to proactively invest in their health care and promote healthier lifestyle choices. Furthermore, identifying members engaging in health risk behaviors allows the member, health plan, and provider to focus on managing these behaviors and their associated health effects. Members who practice healthy behaviors will not only be rewarded by paying lower premiums for their health care, they will also be supported in developing those life skills needed to maintain employment or to utilize the employment and training programs also offered under this proposal.

Similarly, to promote appropriate use of health care services and behavior that is mindful of health care value, members who utilize the emergency room will be responsible for a graduated copay. Wisconsin believes this will help members understand the importance of choosing the appropriate care in the appropriate setting.

## **Support Behavioral Health and Substance Use Disorder Treatment Needs**

Wisconsin has and continues to make strides in addressing the substance use epidemic in the state. To make further inroads in helping residents recover from substance use, Wisconsin will institute a drug screening/testing program for the childless adult population. The goal of this proposal is to identify members with unmet substance use disorder treatment needs and connect those individuals to appropriate resources. Several benefits of drug screening are expected. Identifying drug use will allow the State to better provide treatment to those who may need it. Successful treatment will further enable members to live healthier lives, succeed in society, recognize gainful employment, and may lower overall program costs.

A key component in implementing this initiative is gaining approval to receive federal funds for the creation of a new residential substance use disorder treatment benefit. Wisconsin is seeking a waiver of the federal institution for mental disease (IMD) exclusion to allow coverage of medically necessary residential substance use disorder treatment services for up to 90 days for all BadgerCare Plus and Medicaid members. Appropriate and accessible care is critical to helping members receive timely and sufficient care to achieve and maintain recovery.

### **3.3 Demonstration Population**

The amendment request pertains to non-pregnant, childless adults, ages 19 through 64 years old, who have countable income that does not exceed 100 percent of the FPL.

The amendment request also pertains to all BadgerCare Plus and Medicaid members only as it relates to residential treatment for substance use disorder.

### **3.4 Demonstration Project Descriptions**

The approved demonstration's special terms and conditions allow Wisconsin to submit an application for an amendment to the current waiver. Under 2015 Wisconsin Act 55 (biennial budget), the Department of Health Services (DHS) is required to submit to the U.S. Department of Health and Human Services (DHHS) an amendment to the existing demonstration waiver that authorizes DHS to implement policies specific to the childless adult population. The proposed policy changes include:

1. Establish monthly premiums;
2. Establish lower premiums for members engaged in healthy behaviors;
3. Require completion of a health risk assessment;
4. Limit a member's eligibility to no more than 48 months; and,
5. Require, as a condition of eligibility, that an applicant or member complete a drug screening, and if indicated, a drug test.

Policies that are not required by Act 55 and that are also included in the waiver amendment application include:

1. Charge an increased copayment for emergency department utilization for childless adults;
2. Establish a work component for childless adults;
3. Provide full coverage of residential substance use disorder treatment for all BadgerCare Plus and Medicaid members.

Wisconsin is committed to ensuring that the childless adult population has access to affordable health care coverage, encouraging behaviors that will improve health outcomes, and promoting practices designed to help individuals successfully transition from public assistance to private health care coverage.

### **Current Waiver:**

Under the authority of an 1115(a) demonstration waiver, Wisconsin's BadgerCare Reform Demonstration Project covers two demonstration populations: the non-pregnant childless adults between ages 19 and 64 years old, and the Transitional Medical Assistance (TMA) eligibility group.

The waiver demonstration allows Wisconsin to provide state plan benefits other than family planning services and tuberculosis-related services to childless adults who have household income up to 100 percent of the FPL. Cost sharing for the childless adult population is the same as that indicated in the Medicaid State Plan. The focus for this population is to improve health outcomes, reduce unnecessary services, and improve the cost-effectiveness of Medicaid services.

Additionally, Wisconsin has the authority to charge premiums to TMA adults with incomes above 133 percent of the FPL starting from the first day of enrollment, and to TMA adults from 100 to 133 percent of the FPL after the first six calendar months of TMA coverage.

All approved provisions in the BadgerCare Reform Demonstration project will be maintained.

### **Amendment Proposals:**

Wisconsin proposes to amend the current waiver with the following policies that will only apply to the childless adult population.

#### **3.4.1 Monthly Premiums**

In an effort to better align member experience with that of private health care in the state, Wisconsin proposes to implement a premium payment for the childless adult population with household income from 21 to 100 percent of the FPL. Wisconsin has structured the payment

model so that no household is required to contribute more than two percent of their income. This structure follows recent CMS approvals that allow states to establish premiums for childless adults up to this limit. Additionally, members with the lowest or no income will be exempt from paying monthly premiums so that this population segment can maintain health care coverage and without further financial burden.

Monthly premium amounts will be divided into the following four income tiers:

**Table 1. Monthly Premiums by Household Income**

Household Income	Monthly Premium Amount
0 to 20 percent of the FPL	No premium
21 to 50 percent of the FPL	\$1 per household
51 to 80 percent of the FPL	\$5 per household
81 to 100 percent of the FPL	\$10 per household

The proposed monthly premium requirement will not affect the current copayment policies, which will remain in place. Wisconsin will notify members who do not pay billed premiums, thus providing opportunities for members to pay before these provisions are applied. Once members are no longer eligible for this reason, they may not be eligible for health care benefits again for up to six (6) months. Re-enrollment during those six-months will not be allowed until all outstanding premiums are paid. Members may reenroll at any time prior to the end of the six months by paying owed premiums. After the six-month period, individuals may gain eligibility for health care benefits again if they meet all program rules, even if they have unpaid premiums. Premiums will be calculated when a member reports a change in income or at annual eligibility redetermination.

Requiring payments directly from members is important to actively engage members in appropriate health care utilization and value. However, Wisconsin understands that there may be times when a member is unable to make monthly payments. Therefore, in such instances, third party contributors will be permitted to make payments on a member's behalf. Third party contributors may include but are not limited to non-profit organizations, hospitals, provider groups, and employers.

### **3.4.2 Healthy Behavior Incentives**

In an effort to encourage a healthy lifestyle, improve accountability, and lower health care costs, Wisconsin proposes to implement a healthy behaviors incentive program. This approach to health care also follows wellness programs adopted in the private market by linking healthy lifestyle choices with financial benefits. Wisconsin believes this program will empower members to be actively engaged in their health care. Accordingly, Wisconsin seeks to provide members with the opportunity to reduce their premium payment if they demonstrate healthy habits. Members who do not engage in behaviors that increase health risks will have their premiums reduced by 50 percent. For members who demonstrate a health risk behavior, but attest to actively managing their behavior and/or have a condition beyond their control, the premium may



also be reduced by half. For members who demonstrate a health risk behavior and are not actively managing their behavior(s), the standard premium will apply. This incentive model rewards members who demonstrate healthy behaviors, while ensuring that cost-sharing for all members does not exceed federal limitations. Members will have the opportunity to update and self-attest to any changed health risk behavior on an annual basis when eligibility is re-determined.

Following a review of potential health risk behaviors in the Behavioral Risk Factor Surveillance System, National Health Interview Survey, and the National Center for Health Statistics annual report on national health trends, it has been determined the following behaviors increase health risks: alcohol consumption, body weight, illicit drug use, seatbelt use, and tobacco use. Wisconsin will follow the target measurements set by national health organizations, such as the Centers for Disease Prevention and Control, to determine the threshold of when engaging in these behaviors are considered to increase health risk. To identify members who are engaging in these behaviors, Wisconsin will require members to complete a health risk assessment, which is described in the section that follows.

**Table 2. Reward for Healthy Behaviors**

Reduced Premium (by half)	Standard Premium
<ul style="list-style-type: none"> <li>• For members identified as not engaging in any health risk behaviors</li> <li>• For members identified as engaging in health risk behavior(s) but who attest to actively managing their behavior</li> <li>• For members identified as engaging in health risk behaviors(s) but who attest to having a condition beyond their control impacting the health risk measurement</li> </ul>	<ul style="list-style-type: none"> <li>• For members identified as engaging in health risk behavior(s) and not actively managing their behavior(s)</li> </ul>

**Table 3. Identification of Health Risk Behaviors**

Health Risk Behaviors	Risk Measurement	Identification Tool
Alcohol consumption, body weight, illicit drug use, seatbelt use, and tobacco use	Threshold of when a behavior is determined as posing a health risk will follow national health organizations standards (as described above)	Health risk assessment

### 3.4.2.1 Graduated Copays for Emergency Department Utilization

Additionally, to promote appropriate use of health care services and behavior that is mindful of health care value, members who use the emergency department will be responsible for an \$8 copay for the first visit and a \$25 copay for subsequent visits during a twelve-month period.

Wisconsin encourages members to use the emergency department appropriately as this service is costly and non-emergent use of the emergency department decreases resources available for those truly in need of emergency care. Members will be educated on seeking preventive services and other care at the appropriate setting. They will also understand the direct cost of health care services, which will drive responsible health care decision-making. Providers will be responsible for collecting copayments from members but cannot refuse treatment for non-payment of the copay.

### **3.4.3 Health Risk Assessment (HRA)**

Wisconsin proposes to require the childless adult population to complete an annual HRA. In alignment with recent federal Medicaid managed care regulations, this information will be used to identify and document the health risk for all members, which will allow for more efficient management and understanding of the health needs of the demonstration population.

In an effort to encourage completion of the HRA and provide an opportunity for members to have their premiums reduced as previously described, the HRA will be the tool used to identify whether a member is engaging in or abstaining from health risk behaviors. Members may also use the HRA to self-attest to their active management of a health risk behavior and/or to having an underlying health condition that affects a health risk measure. Members who fail to complete the HRA will be subject to the standard premium.

Members will complete an annual HRA at enrollment and again at annual renewal, and will allow Wisconsin to monitor continued, discontinued, and new health risk behaviors. The health risk behaviors defined under this proposal include: alcohol consumption, body weight, illicit drug use, seatbelt use, and tobacco use. The HRA will ask members to identify whether they are engaging in any of the behaviors listed above and will self-attest on their management of the behavior.

### **3.4.4 Time Limit on Medicaid Eligibility**

Wisconsin's goals include keeping health care costs at sustainable levels, ensuring continued assistance is available to individuals most in need, and promoting employer-sponsored insurance as the preferred means for health care coverage. As such, Wisconsin proposes to limit an individual's enrollment to 48 months. The count of the 48-month period will begin on the first month the policy goes into effect. For individuals who enroll after the implementation of the policy, the calculation will begin on initial program enrollment. After 48 months of enrollment, a member will not be eligible for health care benefits for six months. The 48-month time limit will start again when a member reenrolls after the six-month restrictive reenrollment period. Members over age 49 years old will not be subject to the 48-month eligibility limit. The 48-month time limit applies only to members who meet Medicaid eligibility requirements as childless adults. For example, if an individual loses Medicaid eligibility as a childless adult but gains Medicaid eligibility through a different eligibility category, the 48-month time limit will no longer apply unless the individual becomes a childless adult again.

### **3.4.4.1 Employment and Training**

As part of a broader effort to encourage members to seek work and reach self-sufficiency, those who meet specified work requirements while receiving Medicaid benefits will not accrue time in their 48-month eligibility time limit. This policy aligns with Wisconsin's initiative across public assistance programs to empower residents to obtain the skills and training to secure full-time employment while still receiving support to lead healthy lives. Wisconsin's FoodShare Employment and Training (FSET) program is the model the BadgerCare work component will follow. The work component applies to members ages 19 through 49 years old. The 48-month count will stop during the time a member works and/or receives job training for at least 80 hours per month. Wisconsin will leverage the FSET resources to connect members with opportunities to participate in employment training. We anticipate that a majority of members are already familiar with employment and training programs as there is significant overlap between members enrolled in both FoodShare and BadgerCare.

Wisconsin understands there are circumstances that limit or prevent a member from being able to work or receive employment training; therefore, a member will be exempt from the work requirement and associated eligibility time limit if any of the following is true:

- The member is diagnosed with a mental illness;
- The member receives Social Security Disability (SSDI);
- The member is a primary caregiver for a person who cannot care for himself or herself;
- The member is physically or mentally unable to work;
- The member is receiving or has applied for unemployment insurance;
- The member is taking part in an alcohol or other drug abuse (AODA) treatment program;
- The member is enrolled in an institution of higher learning at least half-time; or,
- The member is a high school student age 19 or older, attending high school at least half-time.

### **3.4.5 Substance Abuse Identification and Treatment**

Wisconsin recognizes that substance use disorder is a significant public health risk and a barrier to the health, welfare, and economic achievement of residents. As drug abuse is an issue of state and national concern, Wisconsin seeks to proactively address this growing problem to help all residents through focusing on medical, criminal, and treatment efforts. Wisconsin is committed to ensuring those participating in public assistance programs get help for behaviors that increase health risks and further burden public health. Wisconsin Medicaid is the state's largest health care program and must play a key role in identifying individuals affected by this disorder and assist these individuals in receiving treatment.

Accordingly, Wisconsin requests approval to require, as a condition of eligibility, that an applicant or member submit to a drug screening assessment and, if indicated, a drug test. A positive indication on the drug screening or test would not result in an individual losing eligibility or being disqualified from receiving benefits. The goal of the drug screening and drug test is to identify individuals with unmet substance use disorder treatment needs and connect them with appropriate treatment.

Individuals will be required to complete a screening questionnaire, as determined by DHS, regarding his or her current and prior use of controlled substances. Individuals who fail to complete a screening questionnaire will be ineligible for program benefits until they complete the screening questionnaire. Individuals whose answers to the screening questionnaire do not indicate possible abuse of a controlled substance will be deemed eligible for program benefits without further screening, testing, or treatment. Individuals whose answers on the screening questionnaire indicate possible abuse of a controlled substance shall be required to undergo a test for the use of a controlled substance. Individuals who refuse to submit to a drug test shall be ineligible for program benefits until they submit to a test, and test results have been reported. Results of a drug test performed by another state program can be used to determine whether an individual will be referred to drug treatment

An individual who tests negative for the use of a controlled substance will be eligible for program benefits without further screening, testing, or treatment. For individuals who test positive for a controlled substance without evidence of a valid prescription, program eligibility will go into effect under the condition that the individual complete a substance abuse treatment program. In the event that treatment is not immediately available, a member will continue to be eligible for all health care services. Refusal to participate in a substance abuse treatment program will lead to program ineligibility with a six-month restrictive re-enrollment period. The table below summarizes the requirements and consequences of the substance abuse identification and treatment program.

**Table 4. Substance Abuse Identification and Treatment Program**

Requirement	Impacted Population	Impact of Requirement Results	Consequence for Refusal to Complete Requirement
<b>Drug Screening Assessment</b>	Individuals at time of application, and members at time of annual redetermination	<i>Negative Result:</i> Eligible for BadgerCare benefits with no further action required <i>Positive Result:</i> Eligible for BadgerCare benefits <i>and</i> required to submit to a drug test	Ineligible for BadgerCare benefits until the assessment is completed
<b>Drug Test</b>	Only individuals/members for which a positive answer is indicated in the drug screening assessment and for whom no valid prescription can be verified	<i>Negative Result:</i> Eligible for BadgerCare benefits with no further action required <i>Positive Result:</i> Eligible for BadgerCare benefits <i>and</i> required to participate in substance abuse treatment	Ineligible for BadgerCare benefits until the drug test is submitted
<b>Substance</b>	Only members who	Full completion of	Ineligible for

Requirement	Impacted Population	Impact of Requirement Results	Consequence for Refusal to Complete Requirement
<b>Abuse Treatment</b>	test positive on the drug test and for whom no valid prescription can be verified	substance abuse treatment program	BadgerCare benefits and may reapply for benefits after a six-month period

### 3.4.5.1 Addressing Substance Abuse in Wisconsin

Wisconsin has and continues to make broad efforts across the state to address the drug abuse epidemic in communities. Initiatives include Medicaid program coverage revisions as well as broader community initiatives to address opioid addiction. The Wisconsin legislature enacted 17 bills for system improvements directly related to drug abuse and addiction. As the Medicaid program seeks to build on these efforts a gap has been identified in care due to the IMD exclusion under Section 1905(a)(29)(B) of the Social Security Act, that has been a barrier to efforts to use Medicaid to provide nonhospital inpatient behavioral health services. Although the Medicaid managed care rule published in May 2016 permits states to make a monthly capitation payment to an MCO for a member age 21-64 years old, who is receiving inpatient treatment in an IMD for a stay of no more than 15 days, this provision is insufficient to fully address the substance use disorder treatment needs of the Wisconsin Medicaid population. Previously, on July 27, 2015, CMS published a State Medicaid Director’s letter indicating an openness to provide limited authority to cover short-term IMD-related expenses as part of a waiver request to comprehensively redesign the substance use disorder service delivery. Through this waiver and Wisconsin’s ongoing initiatives, this would meet the state’s expectations set forth in the letter on the Section 1115 Waiver substance use disorder program.

In September 2016, Governor Scott Walker created the Task Force on Opioid Abuse to address challenges the state is facing with drug abuse and provide recommendations on legislation and statutes, funding and programs, executive actions, and best practices that would increase the effectiveness of drug abuse education, prevention, and treatment. One of the results of this task force was a report on combating opioid abuse. This report highlights the crisis Wisconsin currently faces in that the number of citizens who die due to a drug overdose exceeds the number of those who die from motor vehicle crashes, suicide, firearms, or HIV. The growing challenge of drug overdose is exemplified by the threefold increase in opioid-related overdose deaths from 194 deaths in 2003, to 622 in 2014. Prescription opioid pain relievers contributed to half of the total drug overdose deaths, while heroin contributed to one-third of the total. There is a close link between heroin abuse and prescription drug abuse as individuals are 40 times more likely to be addicted to heroin if they are addicted to painkillers. From 2008 to 2014, the Wisconsin State Crime Laboratory observed a 419 percent increase in cases involving heroin. Furthermore, over the past decade, the state has experienced a 200 percent increase in drugged driving deaths.

Thus far, to address the opioid abuse epidemic, Wisconsin’s efforts include several pieces of legislation, which are collectively referred to as the Heroin, Opioid, Prevention and Education

(HOPE) Agenda. The HOPE Agenda policies range from requiring individuals to show proper identification when picking up Schedule II or III opioid prescription medication to address prescription fraud and diversion, increasing funding by \$1.5 million annually to expand treatment alternatives and diversion programs, to giving DHS oversight of the operation of pain management clinics across the state. Legislation passed from the 2013-2014 and 2015-2016 legislative sessions have led to improvements in opioid management through the Medicaid program. From quarter one of 2015 to the end of quarter three of 2016, the volume of Medicaid members with an opioid prescription has dropped by 12 percent. Wisconsin Medicaid continues to implement efforts advancing the goals of the state to combat drug abuse. Stemming from the task force recommendations, Medicaid is leading the path to improvement with current efforts, which include the following directives:

1. Reduce methadone/opioid use for pain management
2. Improve provider understanding of best practices for opioid prescribing and dispensing
3. Implement controls for high-risk opioid painkillers
4. Increase use of the patient delivered partner medication
5. Establish patient review and restriction programs
6. Increase access to naloxone
7. Expand treatment of substance use disorders

Expanding treatment for substance use disorders is critical to combating the statewide drug abuse epidemic and is a key element in this amendment request. As the goal of the drug screening and testing requirement is to identify individuals with unmet substance use disorder treatment needs and connect these individuals to the appropriate treatment, Wisconsin aims to provide accessible and affordable treatment services for the BadgerCare Plus and Medicaid populations.

Accordingly, Wisconsin is requesting an amendment to the existing Section 1115 Research and Demonstration Waiver to seek a waiver of the institution for mental disease (IMD) exclusion for all Medicaid beneficiaries ages 21-64 years old, including managed care members and members who participate in a fee for service program. The objective of this amendment is to maintain and enhance beneficiary access to behavioral health services in appropriate settings and ensure that individuals receive care in the facility most appropriate to their needs. Specifically, the waiver of the IMD exclusion would allow the Medicaid program to develop a residential substance use disorder treatment benefit that reimburses psychiatric facilities (for example, hospitals, nursing facilities, or other institutions of more than 16 beds that are primarily engaged in providing diagnosis, treatment or care of persons with mental diseases, including medical attention, nursing care and related services) for medically necessary residential substance use disorder treatment for up to 90 days. Wisconsin requests that expenditures related to providing services in an IMD be regarded as expenditures under the state's Medicaid Title XIX State Plan. Wisconsin's request to waive the IMD exclusion for the childless adult population would result in a significant increase in access to residential substance use disorder treatment.

### *3.4.5.2 Expanding Substance Use Disorder Treatment*

Wisconsin Medicaid's current substance use disorder treatment services are described below. By expanding substance use disorder treatment to include access to alternative providers and full coverage of residential treatment, Wisconsin would be able to provide the full continuum of care to members.

Medicaid covered services include:

- Outpatient Substance Use Disorder Treatment – Includes assessment and counseling provided by substance abuse counselors and qualified mental health professionals.
- Substance Abuse Day Treatment – A structured program of assessment/planning and counseling provided under physician supervision. Includes at least 12 hours of counseling per week.
- Psychosocial Rehabilitation – Medicaid covers wraparound psychosocial rehabilitative services to address an individual's substance use disorder and support independent living in the community
- Medication-assisted Treatment – Includes assessment, drug screening, prescription and administration of opioid dependency agents, and substance abuse counseling.
- Inpatient Treatment – Includes medically necessary acute care in a hospital for individuals with substance use disorder.

Although Wisconsin covers a robust set of services for individuals with substance use disorder, some gaps remain in the availability of clinically-appropriate, evidence-based treatment. To address this concern, Wisconsin will develop coverage for residential substance use disorder treatment, which allows for individuals receiving treatment and recovering from substance use disorder to spend an adequate period of time to fully recover and prepare to live independently. In Wisconsin, access and availability to residential treatment for members is currently limited due to the IMD designation.

An IMD is defined in federal statute as a hospital, nursing facility, or other institution of more than 16 beds that is primarily engaged in providing diagnosis, treatment of care of persons with mental diseases, including medical attention, nursing care, and related services. CMS has published sub-regulatory guidance in the State Medicaid Manual that interprets an IMD to include any institution that by its overall character is a facility that is established and maintained for the care and treatment of individuals with mental diseases even if it is not licensed as an IMD. The manual further states that an IMD assessment must be made to the extent any of the following guidelines are met:

- The facility is licensed or accredited as a psychiatric facility;
- The facility is under the jurisdiction of the state's mental health authority;
- The facility specializes in providing psychiatric/psychological care and treatment;
- The current need for institutionalization for more than 50 percent of all the patients in the facility results from mental diseases.

In Wisconsin, there are approximately 60 certified facilities that provide residential treatment. At least 33 percent of these facilities have a capacity of 16 or more treatment beds, meeting the

definition of an IMD. Although only one third of facilities are IMDs, these facilities represent two thirds of the treatment capacity in Wisconsin with approximately 600 of the total 900 beds in the state. Accordingly, covering services for an individual’s duration at an IMD will significantly increase residential substance use disorder treatment.

DHS intends to create a benefit to cover medically necessary residential substance use disorder treatment benefit, up to 90 days, for all BadgerCare Plus and Medicaid members. Benefit design includes provider certification, maximum fee schedule, and detailed coverage policy to define parameters for the benefit. The benefit would be available under both fee-for-service and managed care delivery systems. Prior authorization would be required. DHS would seek federal funding for medically necessary services covered under the residential substance use disorder treatment benefit, including residential substance use disorder treatment for individuals in facilities that are considered IMDs.

In order to create this benefit, DHS is requesting waiver of the federal exclusion of payments for services delivered to certain patients in IMDs [SSA 1905(a)(29)(B)] and the federal funding limitation of 15 days for short-term IMD stays covered under managed care [42 CFR 438.6(e)].

### **3.5 Implementation**

Wisconsin plans to implement any approved provisions at least one year after CMS approval. This time period allows sufficient time to communicate with members the changes in the BadgerCare program and for the state to prepare and implement operational and administrative changes. Immediately after CMS approval, DHS will work on a communications and an implementation plan that clearly lays out the timing, content, and methodology in which childless adults will be notified of program changes. Internally, employees will be educated and systems updated to ensure a smooth transition to the new waiver amendments.

### **4.0 Requested Waivers and Expenditure Authorities**

Wisconsin seeks waiver of the following requirements of the Social Security Act:

- 1. Cost-Sharing - Section 1902(a)(14) insofar as it incorporates 1916 and 1916A**
  - To the extent necessary to enable Wisconsin to charge premiums to the childless adult population with household income from 21 through 100 percent of the FPL.
- 2. Comparability - Section 1902(a)(17)/Section 1902(a)(10)(B)**
  - To the extent necessary to enable Wisconsin to vary monthly premiums for the childless adult population based on health behaviors and HRA completion.
  - To the extent necessary to enable Wisconsin to establish a time limit on eligibility for able-bodied childless adults between the ages of 19-49 years old, while exempting other populations.
- 3. Eligibility - Section 1902(a)(10)(A)**



- To the extent necessary to enable Wisconsin to require the childless adult population, as a condition of eligibility, to complete a drug screening assessment and if indicated, a drug test.
- To the extent necessary to enable Wisconsin to limit a childless adult’s eligibility to 48 cumulative months with exceptions as described in this waiver application.

**4. Reasonable Promptness - Section 1902(a)(3)/Section 1902(a)(8)**

- To the extent necessary to enable Wisconsin to establish a restrictive re-enrollment period of six months for childless adults who are dis-enrolled for failure to pay premiums within the state determined grace period, for exceeding the 48-month enrollment time limit, or for refusal to participate in a substance abuse treatment program, if required.

**5. Cost-sharing for Emergency Department (ED) Utilization – Section 1916(f)**

- To the extent necessary to enable Wisconsin to establish an emergency department copay of \$8 and subsequently \$25 over a twelve-month period for the childless adult population.

**6. Costs-Not Otherwise Matchable – Section 1905(a)(29)(B)**

- Wisconsin requests that expenditures for providing residential substance use disorder treatment in an IMD be regarded as expenditures under the state’s Medicaid Title XIX State Plan.
- Wisconsin requests that expenditures for providing residential substance use disorder treatment in an IMD for members enrolled in managed care are allowable to the same extent as those for Medicaid members covered through fee-for-service.
- Wisconsin requests that expenditures related to costs associated with employment training as a covered benefit for the childless adults population be regarded as expenditures under the State’s Medicaid Title XIX State Plan.

**5.0 Budget Neutrality**

**Table 5. Waiver Population Enrollment and Expenditures**

	Estimated				
	CY 2014	CY 2015	CY 2016	CY 2017	CY 2018
<b>Enrollment</b>	99,967	154,561	150,050	147,483	146,407
<b>Expenditures</b>	\$424,170,522	\$775,836,538	\$825,120,447	\$923,979,859	\$1,045,005,614

**Approach to Ensuring Federal Budget Neutrality**

Federal policy requires Section 1115 waiver demonstrations be budget neutral to the federal government. This means that a demonstration should not cost the federal government more than what would have otherwise been spent absent the demonstration. Particulars, including

methodologies, are subject to negotiation between the state submitting the demonstration application and CMS.

To ensure budget neutrality for each federal fiscal year of this amendment through the current five-year BadgerCare Demonstration, Wisconsin will continue to use a per-member per-month (PMPM) based methodology specific to the Wisconsin childless adult population who are under 100 percent of the FPL, in the context of current federal and state law, and with the appropriate, analytically sound baselines and adjustments. The demonstration will measure the financial impact to the program independent of enrollment fluctuations.

In establishing the baseline PMPM, historic enrollment and expenditure experience related to childless adults (managed care and fee-for-service) will be evaluated. This evaluation will accurately represent the primary baseline costs associated with this population and will include payments made under the actuarially sound, CMS-approved capitation rates.

Adjustments to reflect, as appropriate include the following:

- The financial impact of collecting premiums coupled with healthy behavior incentives.
- The financial impact of collecting higher emergency department copays.
- The financial impact of 48-month eligibility. This may include estimated costs related to job-training.
- Substance abuse identification and treatment that includes modeled costs of treatment, including potential agreements with the federal government around residential substance use disorder treatment at IMDs.
- Use of an analytically appropriate per capita trend factor. When demonstrating federal budget neutrality under a PMPM-based methodology, states typically use the national, Medicaid-specific per trends reflected in the President's most recent proposed federal budget.
- Multiplying aggregate average annual PMPM figures by the state's applicable Federal Medical Assistance Percentage for benefits.
- Conversion of figures from state fiscal year or calendar year to a federal fiscal year.

## **6.0 Evaluation Design**

Wisconsin will accordingly update the BadgerCare Reform Demonstration Project evaluation design to account for the amendment provisions.

The amended demonstration evaluation will include an assessment of the following hypotheses related to a member's personal responsibility in their health care:

- Completion of a health risk assessment and paying a premium will increase members' level of engagement in their health care choices;
- Increased emergency department copayments will motivate members to use the health care system more appropriately;
- Incentivizing employment and training will support members' transition to self-sufficiency;
- Access to full coverage of residential SUD treatment will lead to improved health and employment outcomes;
- Drug screening and testing will lead to improved health and employment outcomes.

The evaluation will analyze how the demonstration impacts access, outcomes, and costs. Comparisons will be examined between the covered childless adult population, prior waiver programs, and other BadgerCare populations. As with the existing demonstration, this amendment will consider policy choices related to the alignment of benefits and the equity of cost-share provisions for Medicaid and subsidized health insurance offered through the federally facilitated marketplace.

A detailed evaluation design will be developed for review and approval by CMS. The evaluator will use relevant data from the BadgerCare program, and its managed care organizations. This may include eligibility, enrollment, claims, payment, encounter/utilization, chart reviews, and other administrative data. The evaluator may also conduct surveys and focus groups of beneficiaries and providers and other original data collection, as appropriate.

Both interim and final evaluations will be conducted to help inform the state, CMS, stakeholders, and the general public about the performance of the demonstration. All evaluation reports will be made public and posted on the DHS website.

## **7.0 Public Involvement and Public Comment**

This section is reserved for completion following the public comment process on this draft application.

Following completion of the public comment period, this section will describe in detail the state's public comment process (including public notice, website, and public meetings) and describe the comments received through the various means offered.