



Profiles of the new administration

Seema Verma and state Medicaid expansion demonstration waivers

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A research brief from the KPMG Government Health and Social Services Presidential Transition Task Force

In order to gain a better understanding of potential directions for healthcare reform under the Trump Administration, KPMG LLP (KPMG) has prepared this research brief to provide our clients with a summary of contributions to Section 1115 Medicaid demonstration waivers by Ms. Seema Verma, nominated to be the new Administrator of the Centers for Medicare & Medicaid Services (CMS) within the Department of Health & Human Services (HHS).

Introduction

Under a new presidential administration and Republican congressional majority, the United States healthcare landscape is being positioned for further transformation. Leadership changes within the agencies responsible for national health programs can signal new policy and implementation approaches to federal healthcare programs.

On November 29, 2016, President Trump nominated Seema Verma to be Administrator of CMS. In that role, Ms. Verma will have broad authority to influence policy changes to Medicare and Medicaid programs. She has previously worked as a consultant to a number of state governments on projects to transform Medicaid programs through

the Section 1115 demonstration waiver process. While she served in a consulting rather than a decision-making role in those projects, the commonality of approaches taken by those states provides some insight into the perspective she may bring to her role as the Administrator for CMS.

In this brief, KPMG will present a brief profile on Ms. Verma, along with a summary of the Medicaid waiver proposals in which she has been involved.

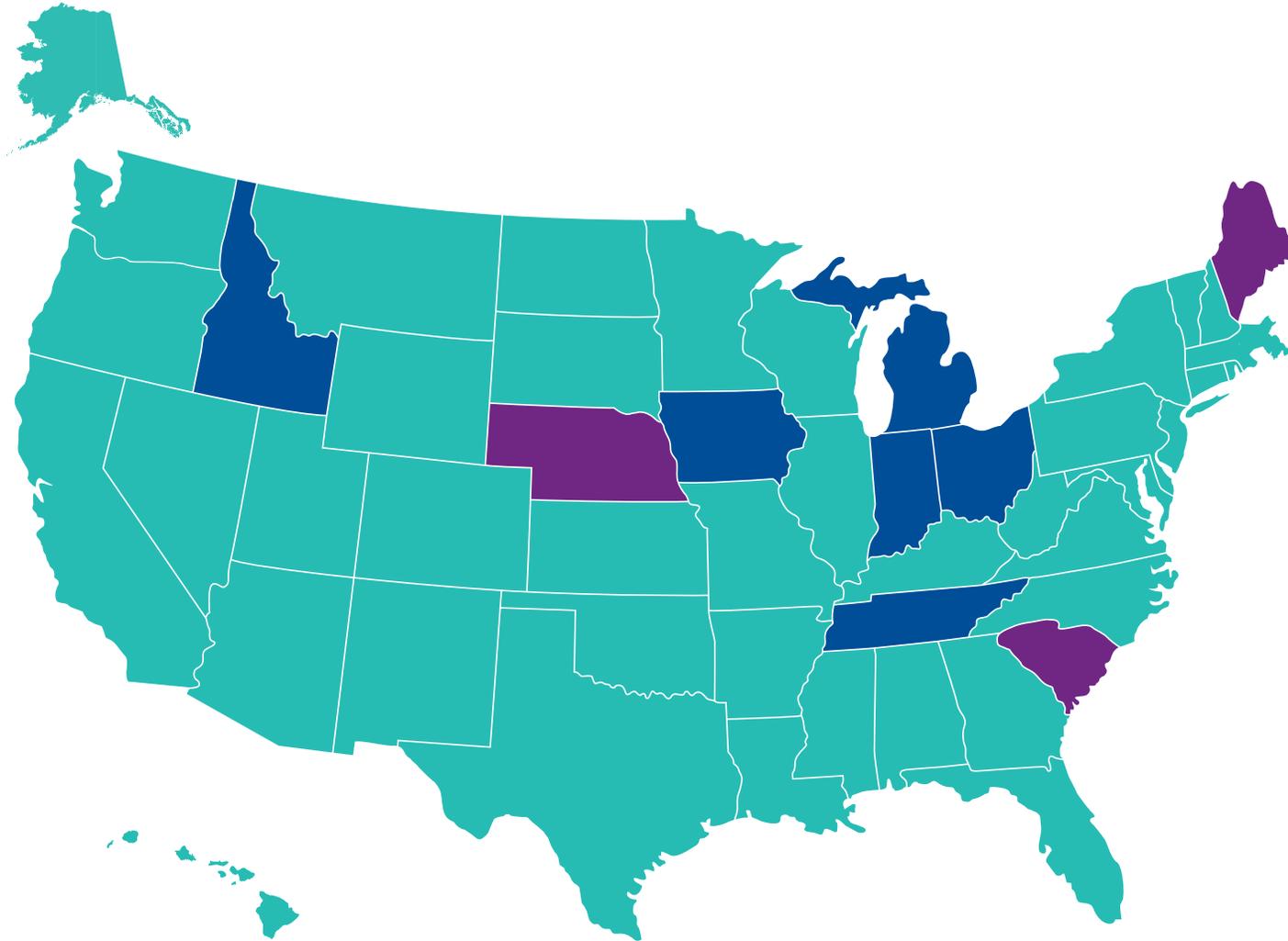
Profile of Ms. Seema Verma

For more than 20 years, Ms. Verma has consulted on policy and strategic projects involving public health issues, with a client list that includes governor's offices, state Medicaid agencies, state health departments, and state departments of insurance, as well as the federal government, private companies, and foundations as the founder and President/CEO of Strategic Health Policy Solutions (formerly Seema Verma Consulting, Inc., or SVC, Inc.).¹ In recent years, Ms. Verma has primarily assisted a number of states with Private-Option Medicaid Expansion² through the Section 1115 demonstration waiver process, as outlined in the graphic below.

¹ <http://www.svcinc.org/our-team.html?view=employee&id=1>

² Under the ACA, Medicaid eligibility increased to 138% of federal poverty level (FPL). The subsequent Supreme Court ruling on the constitutionality of Medicaid expansion made this provision optional for states. This allowed states to submit Section 1115 waivers to expand Medicaid in experimental manners, such as leveraging private health plan on the marketplace, or a private-option expansion.

Seema Verma's Medicaid demonstration assistance by state



Key:

-  States where Ms. Verma has had direct 1115 waiver involvement.*
-  States where Ms. Verma has assisted with strategy and policy evaluation and ACA/Exchange issues.

**Ohio's 1115 waiver was rejected by CMS on September 9, 2016 due to increased beneficiary cost-sharing and restrictive employment requirements.*

As the Administrator for CMS, Ms. Verma will be influential in the planning, coordination, and implementation of programs under Titles XI, XVIII, XIX, and XXI of the Social Security Act and related statutes, as well as directing the development of effective relationships between private and federally supported health-related programs, which include services for some of America’s most vulnerable populations.³ Ms. Verma is expected to work closely with the nominee for Secretary of HHS, Representative Tom Price of Georgia. With President Trump’s pledge to repeal and replace the Affordable Care Act (ACA), the healthcare marketplace can reasonably anticipate significant changes to the U.S. healthcare landscape under the new administration.

SVC, Inc., and Ms. Verma worked with a variety of states on program design and technical assistance for Section 1115 demonstration waivers, including Iowa, Ohio, Tennessee, Michigan, Idaho, and Indiana—where she

was the architect⁴ of former Indiana Governor Mitch Daniel’s Health Indiana Plan (HIP) and remained involved in Vice President Mike Pence’s amended HIP 2.0 demonstration while he was Governor.^{5,6}

Key Section 1115 demonstration waiver themes

The Medicaid transformation programs that Ms. Verma assisted in designing vary by state, but contain key themes and provisions, including monthly premium or individual contribution requirements, a health savings-style account with state and individual (beneficiary) contribution requirements, copayments above the statutory level within the Social Security Act (even for those under 100 percent FPL), emergency room utilization penalties for non-emergent conditions, term limited coverage, and a work or community service requirement in select states. The table below compares the program provisions for each state that has obtained an 1115 Medicaid demonstration waiver or implemented other Medicaid reforms with Ms. Verma’s assistance. The appendix provides further details and definitions of these program provisions.

Figure 1: SVC, Inc., Section 1115 demonstration waiver projects (see appendix for provision definitions)

	Indiana	Iowa	Idaho	Michigan	Tennessee	Ohio*
Medical Premiums (Below 100% FPL)	2% of income; <5% FPL is \$1/month (enhanced coverage)	\$5/month	N/A	N/A	N/A	2% of income
Medical Premiums (Above 101% FPL)	2% of income	\$10/month	\$20–25/month	2% of income	N/A	2% of income
Health Savings Account	X		X	X		X

³ https://www.cms.gov/About-CMS/Agency-Information/CMSLeadership/Office_OA.html

⁴ The SVC, Inc. Website characterizes the HIP as the “nation’s first consumer-directed program for adult Medicaid participants.” HIP strives to empower Medicaid beneficiaries to be active purchasers of healthcare by incorporating the structure of a high deductible health plan with a health savings account. <http://www.svcinc.org/our-expertise/hip.html>

⁵ http://www.indiawest.com/news/global_indian/indian-american-ceo-of-health-policy-consulting-firm-meets-trump/article_3ab7a01c-b1df-11e6-a5ea-977bade70226.html

⁶ <http://docs.house.gov/meetings/IF/IF14/20130612/100959/HHRG-113-IF14-Wstate-VermaS-20130612-U2.pdf>

	Indiana	Iowa	Idaho	Michigan	Tennessee	Ohio*
Required Copayments	X	X	X	X	X <i>(enhanced coverage)</i>	X
Emergency Department Use Penalty	X	X	X			
Health Behavior Incentives	X	X	X	X		X
Start of Coverage Upon Premium Payment	X					X
Non-payment Penalty	6-month disenrollment	Disenrollment, can re-enroll immediately	12-month disenrollment			
Employment Requirement						X

*Ohio's 1115 waiver was rejected by CMS on September 9, 2016 due to increased beneficiary cost-sharing and restrictive employment requirements.

As the first waiver of its kind approved by CMS, Indiana's 1115 demonstration waiver served as the framework from which other states replicated particular provisions and based their transformation efforts. Indiana was the first to require premiums for beneficiaries below 100 percent of Federal Poverty Level (FPL) for enhanced benefits and to include healthy behavior incentives, both common components of the other waivers. In addition, each state consistently employed health savings accounts and an emergency department usage penalty.

Although Ohio's Section 1115 demonstration waiver was rejected under the Obama Administration, many of the key features of this demonstration waiver proposal resemble prior submissions that Ms. Verma assisted in drafting for other state waivers. It further illustrates the consistency across the state waivers she contributed to, with two notable exceptions. The Ohio waiver provisions of increased beneficiary cost-sharing and employment requirements were rejected by the exiting CMS administration. Under Ms. Verma's direction, it is possible that CMS may take a different stance on these issues.

Appendix

This appendix defines the categories contained in Section 1115 demonstration waivers outlined in the Figure 1.

Medical Premiums – A monthly financial contribution from beneficiaries that is required for nominal/basic or enhanced program benefits. It is intended to encourage beneficiaries to assume a financial responsibility in managing their healthcare.

Iowa was approved by CMS to charge individuals between 50-100 percent of the FPL a monthly medical premium that does not exceed \$5 for enhanced program coverage (these premiums are below the statutory Medicaid limit for beneficiary financial program participatory requirements). Similarly in Indiana, members below 100 percent of the FPL that fail to pay the premium for enhanced program benefits are defaulted into the nominal/basic coverage program. In certain instances, monthly premiums may be waived for beneficiaries based on income or the achievement of healthy behaviors, such as wellness exams.

Health Savings Account – An account for beneficiaries to use to pay for certain healthcare expenses to incentivize personal responsibility and develop cost conscious consumer behaviors among beneficiaries. Program beneficiaries receive monthly contributions from the state to their account, which can be used for medical costs, such as copayments (if required), pharmaceutical expenses, and hospital utilization.

Required Copayments – Requirement for beneficiaries to pay a fixed amount for utilization of a covered healthcare services (e.g., a \$10 payment for each primary care physician visit by a beneficiary). The stated use among approved 1115 demonstration waiver projects is to encourage beneficiaries to assume active financial participation in their healthcare while being exposed to the costs for healthcare services.

Emergency Department Use Penalty – Copayment for non-emergent use of the Emergency Department (ED) intended to reduce unnecessary ED use and improve beneficiaries' use of healthcare in the most appropriate setting.

Healthy Behavior Incentives – Incentives for beneficiaries to obtain preventive services and engage in healthy behaviors intended to result in better health outcomes and lower overall healthcare costs. Examples of healthy behaviors include annual wellness exams and health risk assessments.

Start of Coverage Upon Premium Payment – Under this waiver provision, once a beneficiary is deemed eligible for participation in the state Medicaid program, the beneficiary is required to make a premium payment prior to medical service coverage initiating for the beneficiary. This practice is applicable to the Indiana HIP 2.0 program and the proposed Healthy Ohio Program (which did not receive approval from CMS). Additionally, program statutes for these two programs do not offer retroactive coverage of services. This provision differs from many traditional Medicaid programs, where beneficiary coverage begins immediately upon program eligibility verification.

Non-payment penalty – Financial or program disenrollment penalty imposed on beneficiaries for not adhering to required program guidelines to complete monthly premium contributions for ongoing program participation. Penalty ranges from immediate disenrollment from program with "lock out" period (a period of up to six months where beneficiary is disenrolled and does not receive program benefits) to financial premium repayment penalty (pay a portion of the monthly premiums in arrears) to reenroll in program.

Employment requirement – Requirement for beneficiaries to maintain employment at or above a specified minimum weekly hours requirement, or receive a workforce development referral for job training and employment opportunities for continued program participation. In Ohio, the proposed program (Healthy Ohio Program) would have required individuals to connect with job training and employment opportunities. According to the Ohio's 1115 demonstration proposal to CMS, all Healthy Ohio Program members working fewer than 20 hours a week would have been required to accept a referral to a workforce development agency.⁷

⁷ <https://www.medicaid.gov/Medicaid-CHIP-Program-Information/By-Topics/Waivers/1115/downloads/oh/healthy-ohio-program/oh-healthy-oh-program-pa.pdf>

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