



# State of Alabama

Medicaid Workforce  
Initiative

Section 1115 Demonstration  
Application

February 27, 2018

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# **Alabama Medicaid Workforce Initiative Application for a Section 1115 Demonstration**

## **Introduction**

As the single state agency for Medicaid in Alabama, the Alabama Medicaid Agency (Alabama Medicaid) is responsible for administration of the state's Medicaid program. In FY 2016, twenty-six percent of Alabama's population had full or partial Medicaid coverage at least one month of the year, including fifty-six percent of all Alabama children. The Alabama Medicaid program was designed and intended to provide health care coverage for the State's most vulnerable citizens, primarily children, the aged, and the disabled. With that as its principle tenet, the program currently provides broad health care coverage for over 1 million Alabama citizens.

As a vital component of the health care system of the State, Alabama Medicaid is also a significant component of the State's economy. In order to improve the overall economic growth and stability of the State and thus the wellbeing of its citizens, the State of Alabama has focused on job creation along with education and infrastructure as one of its three top policy priorities.

As a major component of the State's economy, it is of paramount importance Alabama Medicaid effectively manage all the resources available to it and to structure its programs to align with the other policy goals of the State. A recent report issued by the Medicaid and CHIP Payment and Access Commission (MACPAC) in December 2017 noted that Alabama Medicaid has the third lowest cost per recipient nationally. This demonstrates Alabama Medicaid is an effective steward of both Federal and State resources provided to the State's Medicaid program. Even with this effective management, Alabama Medicaid continues to see an increase in healthcare expenditures, along with the rest of the nation, which places a burden upon the State's General Fund.

From 2013 through the current date, the able-bodied Parent or Caretaker Relative (POCR) eligibility group has more than doubled from 31,889 to more than 74,000. This has been during a time of steady economic growth and job creation in the state reflected in the current 3.5 percent unemployment rate, the lowest in Alabama's history. Thus, in keeping with the overall policy initiatives of the State, Alabama Medicaid's stewardship of limited resources, and the original Medicaid program design, Alabama Medicaid is proposing a work requirement for the able-bodied POCR eligibility group.

Currently, both the Temporary Assistance for Needy Families (TANF) and the Supplemental Nutrition Assistance Program (SNAP) programs in Alabama contain certain work requirements for individuals participating in those programs. Alabama Medicaid plans to utilize the resources that have been successful in these programs to assist Medicaid recipients in gaining the tools necessary to become more self-sufficient.

Alabama Medicaid is seeking this Section 1115 Demonstration in order to assist able-bodied POCR recipients improve their health outcomes and improve their economic stability which will assist the state in having healthier citizens. We look forward to working with CMS as we move towards approval of this waiver application that will allow Alabama to have a more sustainable Medicaid program.

## **Section I - Program Description**

### **1) Rationale for Demonstration**

With an unparalleled focus on employment, the 1996 federal welfare reforms changed the nature of cash assistance programs for low-income families. The law was heralded as a “reassertion of America’s work ethic” by the U.S. Chamber of Commerce, largely in response to the bill’s workforce component. By the end of the decade, welfare caseloads had reached their lowest level since 1969. Unemployment rates among single mothers continued to decline throughout the 1990s. At the same time, child poverty declined steadily, reaching its lowest level since 1979, and the percent of low-income children living in families with at least one working parent increased.

As CMS has explained, there is “strong evidence that unemployment is generally harmful to health, including higher mortality; poorer general health; poorer mental health; and higher medical consultation and hospital admission rates.”<sup>1</sup> Thus, Alabama Medicaid believes that increasing employment through employment and job training requirements, will improve health outcomes.

Similarly, parental employment, and the economic security it brings, is critical to young children. A large and expanding body of research documents the associations between poverty and a wide-ranging set of negative child development outcomes. Poverty can impede a child’s cognitive development and ability to learn, and it can contribute to behavioral, social, and emotional problems. Similarly, it is well established that poverty can contribute to poor health outcomes among children.<sup>2</sup>

As of December 2017, Alabama boasts its lowest unemployment rate in state history at 3.5%. Alabama would like to extend opportunities to participate in this economic upturn to these Medicaid-eligible parents, whose numbers have increased dramatically within the last few years:

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<sup>1</sup> CMS, SMD 18-002 (Jan. 11, 2018).

<sup>2</sup> See, e.g., Nancy K. Cauthen, National Center for Children in Poverty, *Improving Children’s Economic Security* (2002), [http://www.nccp.org/publications/pdf/text\\_480.pdf](http://www.nccp.org/publications/pdf/text_480.pdf)

| <b>Period</b>          | <b>Average Monthly Eligibles</b> |
|------------------------|----------------------------------|
| FY 2013                | 31,889                           |
| FY 2014                | 40,433                           |
| FY 2015                | 62,471                           |
| FY 2016                | 70,987                           |
| FY 2017                | 73,365                           |
| FY 2018 thru Dec. 2017 | 74,908                           |

## 2) Summary of Proposed Demonstration Program

Unemployment has been shown to have a negative impact on physical and mental health outcomes. Alabama Medicaid seeks to implement programs for the able-bodied POCR eligibility group that will require unemployed or underemployed adults to become gainfully employed, or participate in training opportunities to enhance their potential for full employment. This change will put Alabamians on a path to better health outcomes.

There are three key objectives of this Demonstration:

- Identify individuals eligible for employment opportunities and assist them with accessing employment training activities.
- Improve the health outcomes and economic security of those eligible by requiring them to engage in employment activities.
- Improve the health outcomes of children enrolled in Medicaid, by assisting their parents in finding and succeeding in employment activities.

Alabama Medicaid has strong cooperative relationships with the Alabama Department of Human Resources (which administers the state’s TANF work component, or “JOBS Program,”) and the Alabama Department of Labor. We plan to build on these relationships to support and encourage employment, while ensuring the financial viability of the Alabama Medicaid program.

### A. Current Eligibility Policies for Parent/Caretakers

To become eligible for the POCR eligibility group in Alabama, an individual must be a parent or close relative of a child under age 19 in the home, and have family income at

or below 13% of the federal poverty level (FPL). (If an individual exceeds the 13% FPL, a 5% disregard is applied, and the individual will still be eligible if income is less than or equal to 18% FPL). These income requirements translate into the following monthly dollar limits (as of February 2018):

**2018 Alabama Income Limits for POCR:**

Income after deductions cannot exceed \$183 per month for a family of 1  
Income after deductions cannot exceed \$247 per month for a family of 2  
Income after deductions cannot exceed \$312 per month for a family of 3  
Income after deductions cannot exceed \$377 per month for a family of 4

**B. Program Features**

With a few exceptions, Alabama Medicaid’s proposed work component will mirror the State’s TANF JOBS Program. Alabama Medicaid will not be modeling the program after its SNAP work program, because the SNAP mandatory work program is not applicable for parents and caretakers of dependent children.

The TANF JOBS Program generally requires that individuals participate in 35 hours a week of employment-related activities, except for parents and caretaker relatives with a child under age 6 years, who must participate in 20 hours of employment-related activities. Alabama Medicaid seeks to impose similar requirements on the able-bodied POCR eligibility group.

The following will qualify as “employment-related activities”:

- Employment
- On the job training
- Job search and job readiness activities
- Attendance in high school, GED certification classes, an institution of higher education, vocational, or other job training program or on the job training
- Volunteer work activities or Community Service
- Technical training

Alabama Medicaid plans to work with the Alabama Department of Labor in order to develop a process for tracking compliance with work requirements through electronic information exchanges that will minimize the burden on recipients. Alabama Medicaid is in the early stages of planning on this requirement.

Alabama Medicaid plans to address exemptions based on economic conditions related to unemployment rates by county as currently done in the TANF JOBS Program.

The State plans to link recipients with community supports such as childcare and transportation as currently done in the TANF JOBS Program.

Alabama Medicaid will include a number of exceptions to the employment requirements which must be verified periodically. Specifically, the following individuals will not be subject to the employment requirements:

- 1) Anyone who has a disability, is medically frail, or has a medical condition that would prevent them from complying with the work requirement, as validated by a medical professional, including anyone receiving Social Security Disability Insurance (SSDI) or Supplemental Security Income (SSI)
- 2) Anyone who is pregnant or receiving post-partum care
- 3) Anyone age 60 or older
- 4) Anyone required to care for a disabled child or adult
- 5) Anyone participating in an intensive, authorized medical treatment program for alcohol or substance abuse or addiction (including opioid addiction)
- 6) Anyone enrolled in and compliant with the TANF JOBS program
- 7) Anyone who has been determined to be exempt or deferred from the TANF JOBS program participation, including (for example); a single custodial parent of a child age 12 months or younger; or, a single custodial parent caring for a child under the age of 6 for whom appropriate childcare is not available
- 8) Anyone who failed to meet the employment requirements for "good cause", similar to those in the TANF JOBS Program

Medicaid eligible individuals who do not meet any of the above exceptions will be required to participate in one of the mandatory work-related activities to remain active on the Medicaid program.

At the start of the demonstration and upon the initial award of eligibility for new recipients during the demonstration period, recipients who meet the criteria for participation will receive notice of the requirements for the work participation. Individuals will be given 90 days to become compliant or provide proof they qualify for an exemption as listed above. After these 90 days, if non-compliant and non-exempt, individuals will be terminated. If a recipient becomes non-compliant after being in the program they will have 30 days to become compliant, unless they have an exemption that occurred in the month in which they failed to meet work participation requirements.

Each adult in the household without an exemption must comply with the work requirement. Only one person in the household shall be exempted for any of the reasons related to being the parent or caretaker of a child or a disabled individual, unless there are valid extenuating circumstances giving rise to a “good cause” exemption. Individuals in an exempt status may voluntarily participate in job training or work participation.

Alabama Medicaid will jointly administer the Medicaid work requirements with the Alabama Department of Human Resources. The two agencies will enter a memorandum of understanding (MOU) specifying each agency’s respective roles and responsibilities.

To ensure that recipients fully understand their obligations under this Demonstration, the State will:

- Provide timely and adequate recipient notices in writing that specify:
  - when the work requirements will commence for that specific recipient;
  - whether a recipient is exempt, and under what conditions the exemption would end;
  - a list of the specific activities that may be used to satisfy the employment requirements;
  - information about resources that help connect recipients to opportunities for activities that would meet the employment requirements, and information about the community supports that are available to assist recipients in meeting the employment requirements;
  - information about how hours will be counted and documented;
  - what gives rise to a termination, what a termination would mean for the recipient, and how to remedy a termination pertaining to work requirements, including how to apply for a good cause exemption and what kinds of circumstances might give rise to good cause;
  - if a recipient is not in compliance for a particular month, that the recipient is out of compliance, and how the recipient can cure the non-compliance;
  - if a recipient has eligibility terminated, how to appeal a termination, how to have the termination lifted; and
  - if a recipient has requested a good cause exemption, whether the good cause exemption has been approved or denied, with an explanation of the basis for the decision and how to appeal a denial.
  
- Provide full appeal rights notification as required under 42 C.F.R., Part 431, subpart E when the recipient is terminated and observe all requirements for due process for recipients whose eligibility will be denied, or terminated for failing to meet the employment requirements.



- Make good faith efforts to connect recipients to existing community supports (including childcare and transportation) that are available to assist recipients in meeting community engagement requirements.
- Provide recipients with written notice of the rights of people with disabilities to receive reasonable modifications related to meeting the employment requirements.
- Maintain a system that provides reasonable modifications related to meeting the employment requirements for recipients with disabilities as defined in the ADA, section 504 of the Rehabilitation Act, or section 1557 of the Patient Protection and Affordable Care Act.

In addition to the employment requirements, recipients covered by the Demonstration who become ineligible for Alabama Medicaid as a result of an increase in income will receive one six-month period of transitional Medicaid.

### **3) Hypothesis to Be Evaluated**

As stated above, the overall goal of the demonstration is to improve health outcomes, both of parents and children, by assisting the POCR eligibility group in finding and preparing for full employment.

To evaluate whether this goal is being met, the Alabama Medicaid will test the following hypotheses:

- Providing workforce opportunities will result in transition to other health insurance.
- Over the five-year demonstration, earned income will increase for Medicaid parents and caretaker relatives who are or were covered by this Demonstration.
- Providing workforce opportunities will result in an increase in the number of individuals entering the workforce.
- More parents and caretaker relatives will receive transitional Medicaid in the short-term, due to increased income.
- Fewer parents and caretaker relatives will need to rely on Medicaid, and thus the group will decrease in size, due to increased income.

A comprehensive evaluation design, consisting of both interim evaluations and a final evaluation, will be developed for CMS's review and approval. This evaluation will measure these hypotheses throughout the demonstration period, using wage and employment records available through the Department of Labor; internal system records regarding program terminations and transitional Medicaid; and surveys to determine the effect of the changes on individuals who have left the program.

**4) Regions**

The demonstration will be a statewide demonstration.

**5) Timeframe**

Alabama Medicaid requests a five-year demonstration period.

**6) Impact on other components of the State’s current Medicaid and CHIP program**

The Demonstration will not include any changes to the State’s delivery system or payment rates.

**Section II - Demonstration Eligibility**

If the demonstration is approved, Alabama Medicaid expects approximately 75,000 recipients will be subject to the employment requirements, though many of those will be eligible for exemptions. These Medicaid-eligible individuals are in the following eligibility groups:

| Eligibility Group Name          | Social Security Act and CFR Citation                 |
|---------------------------------|--|
| Low Income Families             | § 1931; 42 C.F.R. §§ 435.110-.115                    |
| Transitional Medical Assistance | § 408(a)(11)(A); § 1902(a)(52); § 1925; § 1931(c)(2) |

**Section III – Demonstration Benefits and Cost Sharing Requirements**

The Demonstration will not include any changes to the State’s Medicaid benefits or cost sharing requirements.

**Section IV – Delivery System and Payment Rates for Services**

The Demonstration will not include any changes to the State’s delivery system or payment rates.

**Section V – Implementation of Demonstration**

Alabama Medicaid plans to implement the employment requirements within six months of waiver approval.

Once the waiver commences, within three months of the waiver start date, or for new recipients within three months after initial award of Medicaid eligibility, individuals will be notified in writing of the employment requirement, including exceptions, allowed work activities, a timetable and instructions for compliance and consequences for non-compliance.

## **Section VI – Demonstration Financing and Budget Neutrality**

### **1) Without- and With-Waiver Projections for Historical Medicaid Populations**

#### **A. Recent Historical Actual or Estimated Data**

Actual historical data has been provided for the time periods fiscal year 2012 (FY12) through fiscal year 2016 (FY16). Sub-populations include the Parents and Other Caretaker Relatives (POCR) as well as the Transitional eligibility groups. The Low-Income Families and Extended Medicaid Due to Spousal Support Collections eligibility groups from section 2 crosswalk to the POCR sub-population.

The historical data in the table is based on five years of fee-for-service claims and eligibility data from 10/01/2011 through 09/30/2016. The data included represents all State Plan Medicaid service expenditures for these populations.

Please see the “Historical Data” table in Appendix I for additional detail.

#### **B. Bridge Period**

The demonstration bridge period is 10/1/2016 to 9/30/2018.

#### **C. Without-Waiver Trend Rates, Per Member Per Month (PMPM) costs and Member Months with Justification**

The without-waiver (WOW) table in Appendix I shows projections for what the cost of the coverage for the Medicaid eligible populations would be in the absence of the demonstration. Per CMS direction, the calculation projects the WOW PMPM expenditures using the trend derived from five years of historical PMPM data by sub-population. Historical enrollment is used for member month growth assumptions. Neither sub-populations historical trends were greater than the president’s budget trends. Projected eligible member months, PMPM cost, and total expenditures are shown for the demonstration period of FY19 through FY23 for each sub-population.

#### **D. Risk**

CMS has stated that technical assistance will be provided to states to establish an appropriate budget neutrality methodology for their demonstration requests. Potential methodologies include:

**PER CAPITA METHOD:** The state will be at risk for the per capita (PMPM) cost of individuals served by the demonstration, to the extent these costs exceed those that would have been incurred absent the demonstration (based on data shown and to be

agreed to above). The state shall be at risk to repay CMS for the federal share of any costs in excess of the "Without Demonstration" cost, based on historical data shown above, which are the sum of the estimated PMPM costs times the number of member months by population. The state shall not be at risk for the number of member months of participation in the demonstration, to the extent that they may increase above initial projections.

**AGGREGATE METHOD:** The state will be at risk for both the number of member months used under the demonstration, as well as the per capita cost for demonstration participants; to the extent these exceed the "without waiver" costs and member months that are agreed to based on the data provided above.

Alabama Medicaid will be using the aggregate method for the proposed 1115 waiver.

#### **E. Historical Medicaid Populations: With-Waiver PMPM Cost and Member Month Projections**

The With Waiver (WW) table in Appendix I shows projections for what the cost of the coverage for the Medicaid eligible populations would be under the demonstration. Projected eligible member months, PMPM cost, and total expenditures are shown for the demonstration period of FY19 through FY23 for each sub-population.

Enrollment assumptions in the WW table vary from the WOW table to account for loss of enrollment under the work requirement due to individuals obtaining a job and transitioning out of Medicaid or due to individuals not being in compliance with the requirements or qualifying for any of the exemptions.

PMPM assumptions in the WW table vary from the WOW table to account for anticipated differentials in acuity for those who remain in each sub-population.

#### **F. Justification for With-Waiver Trend Rates, PMPM Costs and Member Months**

##### *Enrollment Trends*

Enrollment for FY12-FY16 represents actual historic enrollment. FY17-FY18 enrollment uses membership projections based on five-year population trends for both WW and WOW projections. FY19-FY23 WOW membership extends these projections.

FY19 WW membership is based on the same projections as the WOW, with a decrease in overall enrollment for FY19 as a result of the expected impact of the work requirement on the POOCR population and the shortened transitional eligibility period. FY20 membership uses the same membership trend projections as WOW, but are applied to the FY19 WW projected enrollment. Subsequently, the FY20 WW transitional enrollment is expected to return to WOW levels after the majority of the work

requirement impact is seen in FY19. Transitional WW enrollment in FY20-FY23 is expected to fall below the WOW due to the shortened transitional eligibility period.

#### *PMPM Trends*

PMPM trends for FY12-FY16 represent actual historical PMPM trends. FY17-FY18 PMPM trends are based on the five-year historical trends calculated for each sub-population. These derived trends are used to project PMPMs into the demonstration years, FY19-FY23, for both the WOW and WW tables.

The WW projections contain an additional acuity adjustment after applying trend assumptions. FY19-FY23 WW PMPMs for the POCR sub-population are adjusted to reflect the expected change in acuity as a result of the membership impact from the work requirement. FY19 WW PMPMs for the transitional population are adjusted to reflect the expected change in acuity as a result of the membership impact from the work requirement. FY20-FY23 WW PMPMs for the transitional population are adjusted to reflect acuity levels seen prior to the impact of the work requirement.

### **2) Cost Projections for New Populations**

No new populations are being added for this waiver.

### **3) Disproportionate Share Hospital Expenditure Offset**

The state is not proposing to use any reductions to DSH claims to offset any demonstration costs in the calculation of budget neutrality.

### **4) Summary of Budget Neutrality**

The "Summary" table in Appendix I shows an initial assessment of budget neutrality for the demonstration.

### **5) Budget Neutrality Worksheets**

Please see Appendix I for the budget neutrality worksheets.

## **Section VII – List of Proposed Waivers and Expenditure Authorities**

The State seeks the following waiver and expenditure authorities as part of this Demonstration:

### **1) Sections 1902(a)(8) and 1902(a)(10)**

Waiver of Section 1902(a)(8) and 1902(a)(10), to the extent necessary to enable Alabama to suspend eligibility for, and not make medical assistance available to, Alabama Medicaid recipients in the parent and other caretaker relative eligibility group, eligible pursuant to 42 C.F.R. §§ 435.110-.115 who fail to comply with the employment requirement, subject to the exceptions and other provisions in the special terms and conditions.

### **2) Section 1902(a)(52)**

Waiver of Section 1902(a)(52), to the extent it incorporates the requirement in Section 1925(b) that the State provide an additional 6-month extension of transitional Medicaid, after expiration of the first 6-month period, for individuals who no longer meet Medicaid eligibility requirements due to increased income from employment.

## **Section VIII - Public Notice**

Two public hearings will be held during a 30-day comment period that began February 27, 2018. The sessions are to be held in Montgomery on March 5, 2018, and in Birmingham on March 6, 2018. A teleconference call will be held concurrently with the March 5<sup>th</sup> meeting. Additional notification will be made through publication via the State of Alabama’s media center, through Alabama Medicaid’s email list service and on Alabama Medicaid’s external website. Per regulation, notification will also be made via state’s larger newspapers.

## **Section IX - Demonstration Administration**

The State of Alabama’s point of contact for this demonstration will be:

Name and Title: Gretel Felton, Deputy Commissioner, Beneficiary Services  
Telephone Number: (334) 242-1720  
Email Address: [gretel.felton@medicaid.alabama.gov](mailto:gretel.felton@medicaid.alabama.gov)

## Appendix I. Budget Neutrality Worksheets

**Table 1: Historical Data**

**5 Years of Historic Data - As of February 27, 2018**

Specify Time Period and Eligibility Group Served:

| SFY                    | 2012                 | 2013           | 2014           | 2015           | 2016           | 5-Years               |
|------------------------|----------------------|----------------|----------------|----------------|----------------|-----------------------|
| <b>Medicaid Pop 1</b>  | POCR                 |                |                |                |                |                       |
| Total Expenditures     | \$ 136,503,648       | \$ 135,801,900 | \$ 179,723,722 | \$ 279,268,662 | \$ 313,643,266 | \$ 1,044,941,198      |
| Eligible Member Months | 376,436              | 362,239        | 480,486        | 706,416        | 802,638        | \$ 2,728,215          |
| PMPM Cost              | ☑ \$ 362.62          | ☑ \$ 374.90    | ☑ \$ 374.05    | ☑ \$ 395.33    | ☑ \$ 390.77    | ☑ \$ 383.01           |
| <b>Trend Rates</b>     | <b>Annual Change</b> |                |                |                |                | <b>5-Year Average</b> |
| Total Expenditures     |                      | -0.51%         | 32.34%         | 55.39%         | 12.31%         | 23.12%                |
| Eligible Member Months |                      | -3.77%         | 32.64%         | 47.02%         | 13.62%         | 20.84%                |
| PMPM Cost              |                      | 3.39%          | -0.23%         | 5.69%          | -1.16%         | 1.89%                 |

| SFY                    | 2012                 | 2013         | 2014         | 2015         | 2016         | 5-Years               |
|------------------------|----------------------|--------------|--------------|--------------|--------------|-----------------------|
| <b>Medicaid Pop 2</b>  | Transitional         |              |              |              |              |                       |
| Total Expenditures     | \$ 3,035,797         | \$ 2,718,831 | \$ 2,440,213 | \$ 3,424,272 | \$ 5,772,802 | \$ 17,391,914         |
| Eligible Member Months | 16,056               | 13,867       | 12,560       | 16,074       | 27,661       | \$ 86,218             |
| PMPM Cost              | ☑ \$ 189.08          | ☑ \$ 196.06  | ☑ \$ 194.28  | ☑ \$ 213.03  | ☑ \$ 208.70  | ☑ \$ 201.72           |
| <b>Trend Rates</b>     | <b>Annual Change</b> |              |              |              |              | <b>5-Year Average</b> |
| Total Expenditures     |                      | -10.44%      | -10.25%      | 40.33%       | 68.58%       | 17.43%                |
| Eligible Member Months |                      | -13.63%      | -9.43%       | 27.98%       | 72.09%       | 14.57%                |
| PMPM Cost              |                      | 3.70%        | -0.91%       | 9.65%        | -2.03%       | 2.50%                 |

**Table 2: WOW**

**Without Waiver Projection - As of February 27, 2018**

| <b>Medicaid Populations</b> |                     |                        |                       |                     |                            |               |               |               |               |                  |
|-----------------------------|---------------------|------------------------|-----------------------|---------------------|----------------------------|---------------|---------------|---------------|---------------|------------------|
| <b>Eligibility Group</b>    | <b>Trend Rate 1</b> | <b>Months Of Aging</b> | <b>Base Year FY18</b> | <b>Trend Rate 2</b> | <b>Demonstration Years</b> |               |               |               |               | <b>Total WOW</b> |
|                             |                     |                        |                       |                     | <b>FY19</b>                | <b>FY20</b>   | <b>FY21</b>   | <b>FY22</b>   | <b>FY23</b>   |                  |
| <b>Medicaid Pop 1</b>       | POCR                |                        |                       |                     |                            |               |               |               |               |                  |
| Eligible Member Months      |                     | 24                     | 851,519               |                     | 877,046                    | 903,376       | 930,496       | 958,392       | 987,124       |                  |
| PMPM Cost                   | 1.89%               |                        | \$ 405.65             | 1.89%               | \$ 413.29                  | \$ 421.09     | \$ 429.04     | \$ 437.13     | \$ 445.37     |                  |
| Total Expenditure           |                     |                        | \$345,415,633         |                     | \$362,477,170              | \$380,406,571 | \$399,222,824 | \$418,942,125 | \$439,635,446 | \$ 2,000,684,137 |
| <b>Medicaid Pop 2</b>       | Transitional        |                        |                       |                     |                            |               |               |               |               |                  |
| Eligible Member Months      |                     | 24                     | 28,779                |                     | 29,354                     | 29,941        | 30,540        | 31,151        | 31,773        |                  |
| PMPM Cost                   | 2.50%               |                        | \$ 219.26             | 2.50%               | \$ 224.74                  | \$ 230.36     | \$ 236.12     | \$ 242.02     | \$ 248.06     |                  |
| Total Expenditure           |                     |                        | \$ 6,309,991          |                     | \$ 6,596,849               | \$ 6,897,168  | \$ 7,211,159  | \$ 7,538,985  | \$ 7,881,715  | \$ 36,125,876    |

**Notes**

"Base Year" is the year immediately prior to the planned first year of the demonstration.

"Trend Rate 1" is the trend rate that projects from the last historical year to the Base Year.

"Months of Aging" equals the # of months of trend factor needed to trend from the last historical year to the Base Year. There are 24 months from the last historical year and the base year.

"Trend Rate 2" is the trend rate that projects all DYs, starting from the Base Year.



**Table 3: WW**

**With Waiver Projection - As of February 27, 2018**

| Medicaid Populations   |                |                 |                           |               |                           |               |                           |               |                           |               |                           |               |                  |
|------------------------|----------------|-----------------|---------------------------|---------------|---------------------------|---------------|---------------------------|---------------|---------------------------|---------------|---------------------------|---------------|------------------|
| Eligibility Group      | Base Year FY18 | Demo Trend Rate | Demonstration Years       |               | 1115 Waiver Impact - FY20 |               | 1115 Waiver Impact - FY21 |               | 1115 Waiver Impact - FY22 |               | 1115 Waiver Impact - FY23 |               | Total WW         |
|                        |                |                 | 1115 Waiver Impact - FY19 | FY19          | FY20                      | FY20          | FY21                      | FY21          | FY22                      | FY22          | FY23                      | FY23          |                  |
| <b>Medicaid Pop 1</b>  | POCR           |                 |                           |               |                           |               |                           |               |                           |               |                           |               |                  |
| Eligible Member Months | 851,519        |                 |                           | 710,408       |                           | 727,218       |                           | 749,049       |                           | 771,505       |                           | 794,634       |                  |
| PMPM Cost              | \$ 405.65      | 1.89%           | 2.83%                     | \$ 424.98     | 0.39%                     | \$ 434.70     | 0.00%                     | \$ 442.90     | 0.00%                     | \$ 451.25     | 0.00%                     | \$ 459.76     |                  |
| Total Expenditure      | \$345,415,633  |                 |                           | \$301,911,876 |                           | \$316,119,464 |                           | \$331,755,849 |                           | \$348,142,672 |                           | \$365,338,909 | \$ 1,663,268,769 |
| <b>Medicaid Pop 2</b>  | Transitional   |                 |                           |               |                           |               |                           |               |                           |               |                           |               |                  |
| Eligible Member Months | 28,779         |                 |                           | 91,418        |                           | 14,971        |                           | 15,270        |                           | 15,575        |                           | 15,887        |                  |
| PMPM Cost              | \$ 219.26      | 2.50%           | 51.81%                    | \$ 341.18     | -34.13%                   | \$ 230.36     | 0.00%                     | \$ 236.12     | 0.00%                     | \$ 242.02     | 0.00%                     | \$ 248.06     |                  |
| Total Expenditure      | \$ 6,309,991   |                 |                           | \$ 31,190,336 |                           | \$ 3,448,584  |                           | \$ 3,605,580  |                           | \$ 3,769,493  |                           | \$ 3,940,857  | \$ 45,954,850    |

**Notes**

"1115 Waiver Impact" reflects the effect of all program changes as a result of the waiver after accounting for trend.

**Table 4: Summary**

**Budget Neutrality Summary: CMS Methodology - As of February 27, 2018**

**Without-Waiver Total Expenditures**

|                    |              | Demonstration Years (DY) |                       |                       |                       |                       | Total                   |
|--------------------|--------------|--------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-------------------------|
|                    |              | DY 01 - FY19             | DY 02 - FY20          | DY 03 - FY21          | DY 04 - FY22          | DY 05 - FY23          |                         |
| Medicaid Pop 1     | POCR         | \$ 362,477,170           | \$ 380,406,571        | \$ 399,222,824        | \$ 418,942,125        | \$ 439,635,446        | \$ 2,000,684,137        |
| Medicaid Pop 2     | Transitional | \$ 6,596,849             | \$ 6,897,168          | \$ 7,211,159          | \$ 7,538,985          | \$ 7,881,715          | \$ 36,125,876           |
| <b>WW Subtotal</b> |              | <b>\$ 369,074,019</b>    | <b>\$ 387,303,739</b> | <b>\$ 406,433,983</b> | <b>\$ 426,481,111</b> | <b>\$ 447,517,161</b> | <b>\$ 2,036,810,014</b> |

**With-Waiver Total Expenditures**

|                     |              | Demonstration Years (DY) |                       |                       |                       |                       | Total                   |
|---------------------|--------------|--------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-------------------------|
|                     |              | DY 01 - FY19             | DY 02 - FY20          | DY 03 - FY21          | DY 04 - FY22          | DY 05 - FY23          |                         |
| Medicaid Pop 1      | POCR         | \$ 301,911,876           | \$ 316,119,464        | \$ 331,755,849        | \$ 348,142,672        | \$ 365,338,909        | \$ 1,663,268,769        |
| Medicaid Pop 2      | Transitional | \$ 31,190,336            | \$ 3,448,584          | \$ 3,605,580          | \$ 3,769,493          | \$ 3,940,857          | \$ 45,954,850           |
| <b>WOW Subtotal</b> |              | <b>\$ 333,102,212</b>    | <b>\$ 319,568,048</b> | <b>\$ 335,361,429</b> | <b>\$ 351,912,164</b> | <b>\$ 369,279,766</b> | <b>\$ 1,709,223,619</b> |

|                      |                      |                      |                      |                      |                      |                       |
|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|-----------------------|
| <b>Total Savings</b> | <b>\$ 35,971,807</b> | <b>\$ 67,735,692</b> | <b>\$ 71,072,554</b> | <b>\$ 74,568,946</b> | <b>\$ 78,237,395</b> | <b>\$ 327,586,394</b> |
|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|-----------------------|

|   |                      |                      |                      |                      |                      |                       |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|-----------------------|
| <b>Savings from Employment</b>          | <b>\$ 27,891,912</b> | <b>\$ 57,144,096</b> | <b>\$ 59,970,644</b> | <b>\$ 62,932,848</b> | <b>\$ 66,041,367</b> | <b>\$ 273,980,866</b> |
| <b>Savings from Non-Compliance</b>      | <b>\$ 4,781,471</b>  | <b>\$ 7,143,012</b>  | <b>\$ 7,496,331</b>  | <b>\$ 7,866,606</b>  | <b>\$ 8,255,171</b>  | <b>\$ 35,542,590</b>  |
| <b>Savings from Transitional Change</b> | <b>\$ 3,298,425</b>  | <b>\$ 3,448,584</b>  | <b>\$ 3,605,580</b>  | <b>\$ 3,769,493</b>  | <b>\$ 3,940,857</b>  | <b>\$ 18,062,938</b>  |

Transitional is impacted by the work requirement in FY19 and eligibility duration in all years. FY19 roughly approximates the impact of both changes; later years approximate the duration change.