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Avik Roy, Contributor

The Apothecary is a blog about health-care and entitlement reform.

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Obama Administration Denies Waiver for Indiana's Popular Medicaid Program

In 2007, under Gov. Mitch Daniels (R.), Indiana enacted the [Healthy Indiana Plan](#), an expansion of Medicaid that used consumer-driven health plans to encourage low-income beneficiaries to take a more active role in their own care. Today, Healthy Indiana is the most innovative and successful reform of Medicaid in the history of the program. Today, we learn that the Obama Administration has rejected the state's request to extend its federal waiver, which means that over 45,000 Indianans who get their insurance through the program are out of luck.



Gov. Mitch Daniels (R., Ind.). Image by Getty Images via @daylife

Medicaid, of course, is the nation's government-run health insurance program for the poor. In theory, it's jointly run by the federal government and the states, but in reality, any time a state wants to make the [tiniest changes](#) in its Medicaid program, it has to go hat-in-hand to the U.S. Department of Health and Human Services with a formal request for a waiver, and these waivers are usually denied.

Indiana succeeded in [gaining a waiver](#) in 2007 because it was [seeking to expand Medicaid](#) to a group of people who weren't then eligible for the program, and because the state's effort required no additional outlays from the federal government (the Medicaid expansion was paid for with a 44-cent increase in the state's cigarette tax.)

Structure of Indiana's consumer-driven Medicaid plan

Beneficiaries get a high-deductible health plan and a health savings account, called a [POWER account](#), to which individuals must make a mandatory



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monthly contribution between 2 to 5 percent of income, up to \$92 per month. Participants lose their coverage if they don't make their contributions within 60 days of their due date. After making this contribution, beneficiaries have no other cost-sharing requirements (co-pays, deductibles, etc.) except for non-urgent use of emergency rooms. The state chips in \$1,100, which corresponds to the size of the would-be deductible.

Those who have money remaining in their POWER accounts at the end of the year can apply the balance to the following year's contribution requirements, if they have obtained a specified amount of preventive care: annual physical exams, pap smears and mammograms for women, cholesterol tests, flu shots, blood glucose screens, and tetanus-diphtheria screens.

"We did a lot of reading on criticism of health savings accounts," says Seema Verma, who was the [architect](#) of the Indiana program. "One of the criticisms was that people didn't have enough money to pay for preventive care. So we took preventive care out, made that first-dollar coverage. Also, people said that people didn't have enough for the deductible, so we fully funded it. Then, you have to make your contribution every month, with a 60-day grace period. If you don't make the contribution, you're out of the program for 12 months. It's a strong personal responsibility mechanism."

Indiana's Medicaid successes

The program has been, by many measures, a smashing success. "What we're finding out is that, first of all, low-income people are just as capable as anybody else of making wise decisions when it's their own money that they're spending," Mitch Daniels explains in a Heritage Foundation video. "And they're also acting more like good consumers. They're visiting emergency rooms less, they're using more generic drugs, they're asking for second opinions. And some real money is starting to accumulate in their [health savings] accounts."

The program has been overwhelmingly popular in Indiana. There's a large waiting list—in the tens of thousands—to enroll in Healthy Indiana; enrollment was capped in order to ensure that the program's costs remain predictable. [90 percent](#) of enrollees are making their required monthly contributions. "The program's level of satisfaction is at an unheard-of 98 percent approval rating," Verma told [Kenneth Artz](#). Employers didn't dump their workers onto the program, crowding others out, because you needed to be uninsured for six months in order to be eligible for it.

A [2010 study](#) by Mathematica Policy Research found that the program dramatically increased the percentage of beneficiaries who obtained preventive care, from 39 percent in the first six months of enrollment to 59 percent after one year. Of the members who had money left in the POWER accounts at the end of the year, 71 percent met the preventive care requirement and were able to roll the balances over to the following year. (The remaining 29 percent could roll over their personal contributions, but not the state contributions to their POWER accounts.)

This is an astounding achievement, given that the biggest problem with Medicaid is the way that it ghettoizes its participants, [preventing them from gaining access](#) to routine medical and dental care. This lack of physician access is the biggest reason why health outcomes for Medicaid patients lag far behind those of individuals with private insurance, and even behind those



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with [no insurance at all](#). Healthy Indiana has completely reversed this trend, achieving preventive care participation rates that are *higher* than the privately-insured population.

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The program is not without blemishes. In 2009, the costs of the program exceeded the revenues gained from the cigarette tax, a problem that may continue in the current economic environment. But because enrollment is capped, the program can't cause the kinds of runaway fiscal problems that have roiled most states.

HHS declines to renew Indiana's waiver

Unfortunately for Indianans, the Healthy Indiana Plan's waiver expires at the end of 2012. And Kenneth Artz is reporting that the Obama Administration [has denied](#) Mitch Daniels' request for an extension. "We applied for an extension with the Department of Health and Human Services in March," Seema Verma told Artz. "They turned us down because they hadn't written the regulations for Obamacare yet." (H/T [Ben Domenech](#).)

According to Verma, the state will now have to file a much more complex "State Plan Amendment" that may not get approved before the Healthy Indiana program is set to expire. Gov. Daniels has also [written](#) to HHS Secretary Kathleen Sebelius, asking her for permission to use the Healthy Indiana Plan to handle Obamacare's mandatory expansion of Medicaid. He hasn't heard back.

How can it be that the Obama Administration, which claims to side with the poor, is willing to destroy a popular program that provides the poor with superior health care? Perhaps it's a bureaucratic issue, as HHS told Verma. Perhaps it's an ideological suspicion of consumer-driven reforms. Whatever the reason, tens of thousands of people will be needlessly harmed, and it will be a black mark on those who are responsible.

UPDATE: [Claudia and William Anderson](#) write about the conflict between Indiana and Obamacare at *The Weekly Standard*.

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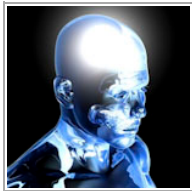
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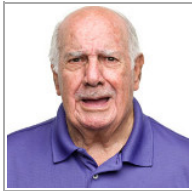
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Of course the waiver was denied! Indiana embarrassed the federal government! DUH!

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This crew does not believe in innovation but only one size fits all.

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After all the talk about how "Obama" has denied this it finally is admitted at the end that the laws are still unfinished, so the denial has nothing to do with Obama or whether the new health care law will be compatible with this system, but rather that the request will need to be reissued when the details of the law, passed by Congress, not Obama alone, are finalized. I really wonder when the editor get's back from vacation, as this article belongs on the floor with other trash. It seems this is just another baseless attack on Obama, for matters that are decided by Congress. It is apparent that messing with the gravy train of those who enjoy the health care extortion racket is a political dead end, thankfully not all of government is afraid of that mob.

[Reply](#)**ronaldblair** 1 year ago

Obama is an excellent speaker but a master (swindler) CON-man who always seeks the spotlight so he can continue to defraud America- not only with his FORGED birth certificate but by hiding his criminal past at the cost of millions- an HONEST or decent man would not hide his entire past unless there was a lot to hide- just GOOGLE "LARRY SINCLAIR" to hear what one of his old friends has to say about his criminal (pre-political) past- Obama has tried to smear LARRY as a liar but I believe LARRY because Obama has hidden everything- even his kindergarten records are sealed-

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