



Michael R. Pence, Governor
State of Indiana

Indiana Family and Social Services Administration
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FSSA's Family Impact Statement for HIP 2.0

Executive Order 13-05 (the "Order") requires the Family and Social Services Administration ("FSSA") to assess a policy or proposed rule's impact on family formation and general well-being and to certify its compliance with the Order. FSSA hereby submits this certification that it has assessed the proposed rule's impact on family formation and general well-being based on the enumerated considerations listed in the Order.

Background and Summary of the Rule

HIP is a health coverage program currently serving approximately 45,000 low income Indiana residents. After six years of demonstrated success, the State seeks to expand HIP. The proposed expansion, known as "HIP 2.0," augments the existing program by offering HIP to individuals previously excluded from the program due to eligibility restrictions and enrollment caps designed to maintain budget neutrality. The HIP 2.0 expansion will cover an estimated 559,000 uninsured, non-disabled adults ages 19-64 who fall below 138% of the federal poverty level ("FPL"). It also will provide health coverage to certain low-income parents and caretaker relatives. Finally, the expansion introduces a new plan designed to help low-income working Hoosiers purchase health coverage through their employers.

Given the unique coverage requirements under HIP 2.0, FSSA must obtain federal approval before implementing the program. FSSA submitted a detailed waiver application to the Centers for Medicare and Medicaid Services ("CMS") on July 2, 2014, and is working on a January 1, 2015, start date. CMS is currently in the process of reviewing the waiver application. Many aspects of FSSA's proposed plan outlined in the waiver application are either new or would conflict with existing administrative rules. Accordingly, FSSA must amend its rules in order for FSSA to administer the program if approved. In order for FSSA to meet the formal rulemaking deadlines prior to January 1, 2015, it must begin this process while CMS is reviewing the waiver application.

Impact of the proposed rule on the family well-being or family formation

FSSA assessed the proposed rule's impact on family formation and well-being in light of the six considerations enumerated in the Order. In order to determine financial eligibility, the proposed rule regarding HIP 2.0 will consider the applicant's household income using the Modified

Adjusted Gross Income ("MAGI") methodology. Federal law defines a "household" for purposes of MAGI in such a way that a cohabitant's income would not be considered but a spouse's income would be considered. Accordingly, it is possible that an applicant could base long term decisions on their potential impact on his or her HIP eligibility. However, FSSA has no actual evidence that MAGI has such a negative impact, and FSSA cannot predict what, if any, actual impact the proposed HIP 2.0 rule will have on family formation. Medicaid eligibility is one of many social factors that may influence an individual's decision to form a family – or cause family tension or dissolution.

Justification of proposed rule

Pursuant to section 3 of the Order, FSSA submits this justification as to why it intends to proceed with the proposed rule notwithstanding its potentially negative impact on family formation. First, the MAGI income counting methodology is a federal requirement that FSSA has elected to use in its demonstration waiver for purposes of determining HIP eligibility for the expansion group. Second, the proposed rule is necessary to implement the Governor's plan to expand Medicaid through the HIP program.

First, the Patient Protection and Affordable Care Act requires all participating states to utilize the MAGI based income methodology for determining Medicaid eligibility beginning January 1, 2014. See 42 U.S.C. § 1396a(e)(14)(A); see also 42 C.F.R. 435.603(a)(2). As a participating state, FSSA must use the MAGI income counting methodology for determining eligibility for the expansion group in its demonstration waiver application, and upon Federal approval, the agency will be required to follow it. Accordingly, FSSA's compliance with MAGI will be mandatory.

Second, the proposed rule is necessary to implement and administer the Governor's plan to provide health insurance coverage for Indiana residents that are uninsured or underinsured. Enrollment in the Healthy Indiana Plan 2.0 may provide coverage for up to 559,000 potential Hoosiers who are not eligible today and need health insurance to ensure that their families live full and healthy lives. Although the Federal waiver would authorize the State to receive federal funding for HIP, state laws require FSSA to promulgate administrative rules in order to administer the program's eligibility requirements.

Accordingly, FSSA understands that the proposed rule could have a potential negative impact on family well-being or family formation; however, FSSA believes the rule is justified for the reasons outlined above. FSSA is submitting this certification to the OMB that it has considered the requisite criteria in Executive Order 13-05 in developing the proposed rule. FSSA's response to the enumerated measures is as follows:

- 1) Whether or not this action by government strengthens or erodes the stability of the family and the marital commitment.**

Response: HIP 2.0 is not expected to destabilize the family unit or effectively erode the marital commitment. HIP 2.0 is one of several options for healthcare coverage that individuals may be eligible for under healthcare reform. This variety of options may avoid an "either-or" situation that could cause a breakdown of or tension within a marriage. It is possible that some individuals may decide to avoid marriage and cohabitate since their partner's income would not be counted toward their HIP 2.0 eligibility. Such occurrences may already be occurring, although we have no direct evidence of such occurrences, and HIP 2.0 is not expected to increase such incidences.

2) Whether or not this action encourages or discourages non-marital childbearing.

Response: HIP 2.0 has a neutral affect on the encouragement or discouragement of non-marital childbearing. The proposed rule will seamlessly transition pregnant recipients of HIP 2.0 to Medicaid for health coverage during their pregnancy. For that reason, non-marital childbearing should not be affected either positively or negatively by this proposed rule.

3) Whether or not this action respects or inhibits the rights of parents to raise their children and make the best choices about their children's education, health, and well-being.

Response: The proposed rule does not establish any requirements that invade or diminish a parent's inherent decision making authority over his or her children.

4) Whether or not this action increases or decreases private family earnings or the incentive for parents to provide materially and emotionally for their children.

Response: HIP 2.0 provides a mechanism for low income individuals to receive government subsidized healthcare coverage. HIP 2.0 takes into account an individual's household income only for a certain period of time. HIP 2.0's exclusion of assets or resources from consideration of eligibility necessarily means that an individual subject to the proposed rule has no reason to deplete those resources or assets to become HIP 2.0 eligible.

Additionally, whether HIP 2.0 decreases or increases the incentive for individuals to increase or decrease their earnings is uncertain. On the one hand, some individuals who receive healthcare coverage are put in a better position to help their family and seek employment. On the other hand, some individuals may decide to forego employment in order to receive continued benefits. HIP 2.0 is designed to help individuals take responsibility for healthcare coverage, and there are components that transition individuals into the workforce. Accordingly, we believe the action could increase family earnings and incentivize parents to provide for their families. There is no indication that

HIP 2.0 will decrease the incentive for a recipient to provide or not to provide materially and emotionally for his or her family.

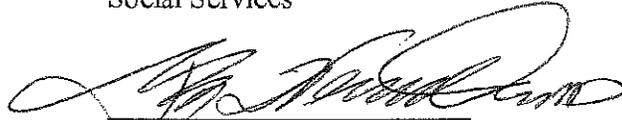
5) What message, intended or otherwise, does this program send to the public concerning the status of the family?

Response: HIP 2.0 utilizes family definitions only for purposes of determining a person's eligibility for healthcare coverage. HIP 2.0 neither diminishes the significance of a family in today's society nor discourages family formation.

6) What message does the action send to children about the relationship between their present choices and their future well-being?

Response: FSSA does not expect HIP 2.0 to convey a message that is either positive or negative to children about the relationship between their present choices and their future well-being because children are not eligible for HIP 2.0.

Office of the Secretary of Family and
Social Services



Dr. John J. Wernert
Secretary

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Family Impact Assessment

Documentation of new Policies and Rules

Pursuant to Section 2(a)-(f) of Executive Order 13-05:

In formulating and implementing policies and rules that may have a significant impact on family formation and general well-being, the agencies listed in Section 1 of Executive Order 13-05 shall assess such measures in light of the following considerations:

- 1) **Whether or not this action by government strengthens or erodes the stability of the family and the marital commitment.**
- 2) **Whether or not this action encourages or discourages non-marital childbearing.**
- 3) **Whether or not this action respects or inhibits the rights of parents to raise their children and make the best choices about their children's education, health, and well-being.**
- 4) **Whether or not this action increases or decreases private family earnings or the incentive for parents to provide materially and emotionally for their children.**
- 5) **What message, intended or otherwise, does this program send to the public concerning the status of the family?**
- 6) **What message does the action send to children about the relationship between their present choices and their future well-being?**

These assessments should be answered on a separate document attached to this submission form and clearly marked as answers to considerations 1-6. If an agency does not think that a consideration applies to their proposal, the agency must include an explanation of why the consideration does not apply. Additionally, if the proposal contains a potentially negative impact on family well-being or family formation, the agency must include an explanation of why the proposal is necessary.

This submission form and the agency assessments should be submitted simultaneously with the proposed policy or rule to the Office of Management and Budget.

By signing below, the agency head certifies that they are aware of the Family Impact Assessment, and all information submitted is accurate to the best of their knowledge.

Dr. John J. Wernert, Secretary

8/4/14
Date

FSSA
Agency