

INNOVATIONS IN HEALTH CARE | A TOOLKIT FOR STATE LEGISLATORS

As part of their efforts to improve people's health and save money, states have undertaken a variety of approaches to promote health and well-being among people enrolled in Medicaid and other public health plans. Noting growing state interest in the topic, researchers at the Commonwealth Fund [found](#) that states are implementing a variety of programs to motivate enrollees to stop smoking, lose weight, and obtain timely prenatal care and child immunizations. "By providing rewards for healthy behaviors," the fund reports that "these states are trying to give members a greater stake in improving their health status, enhance prevention and health outcomes, and reduce program costs."¹

Overview

Several Medicaid programs offer incentives or rewards to encourage healthy behaviors, such as taking prescriptions as directed, ensuring their kids get well-child visits, exercising and maintaining a healthy diet, and quitting smoking.² Incentives and rewards vary across states. They can include contributions to a health savings account, credits that can be used to pay for health-related products, or access to a service—such as a dental visit—that is not part of the standard benefits.

As of May 2018, 18 states operated a Medicaid health behavior incentive program. One state—Kentucky—had received approval from the Centers for Medicare & Medicaid Services (CMS), but had not yet implemented the program, according to a [study](#) by Duke University.³ Since 2014, states typically used Section 1115 waivers to implement incentive programs, often as part of Medicaid expansion.⁴

Since Medicaid regulations do not permit financial incentives for healthy behaviors, states have flexibility to offer financial and other incentives in other ways, most notably through Section 1115 demonstration waivers. States can apply for Section 1115 waivers to make certain types of changes to their Medicaid program not typically allowed under law, such as offering incentives for healthy behavior to reduce patients' cost-sharing obligations. CMS has encouraged states to propose reforms through these waivers that promote Medicaid's objectives, including reforms that strengthen enrollee engagement in their personal health care through "incentive structures that promote responsible decision-making."⁵

State Examples

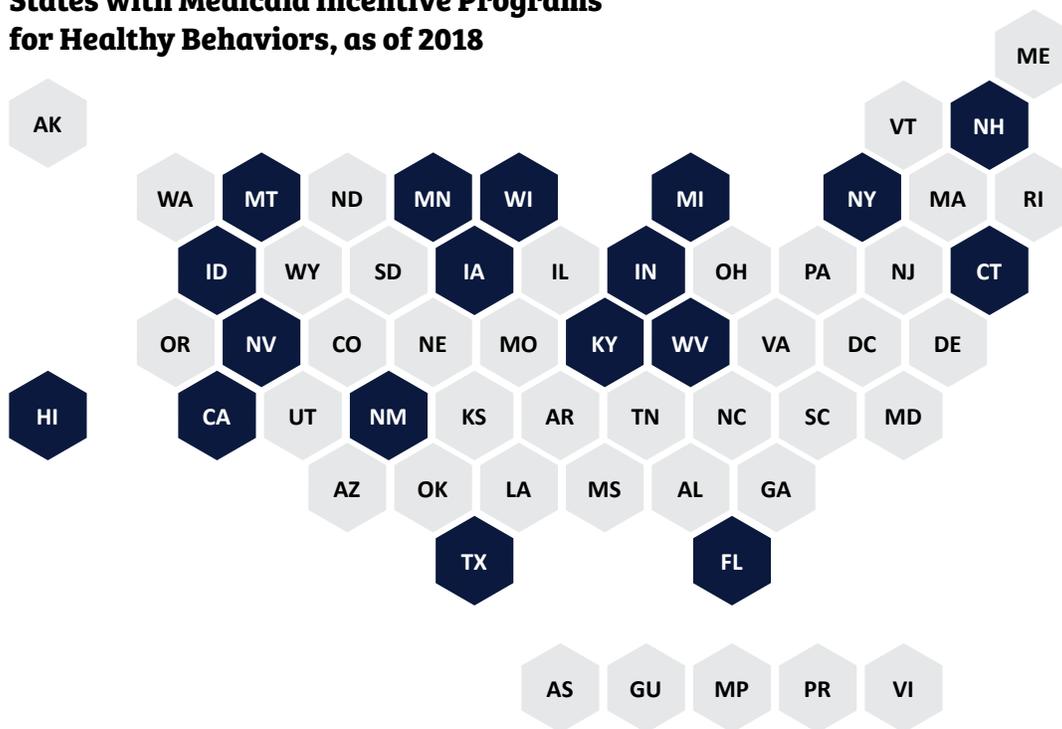
Four states' approaches to offering incentives to Medicaid enrollees to engage in healthy behavior are summarized in this report.



In 2014, **Florida** lawmakers [required](#) Medicaid managed care organizations—permitted under the state's Section 1115 demonstration waiver—to offer incentives for three specific behaviors: smoking cessation, weight loss and treatment for substance misuse. Under the waiver, known as the Managed Medical Assistance Program, managed care plans are required to establish voluntary Healthy Behaviors programs "to encourage and reward healthy behaviors." These include quitting smoking, losing weight, and entering alcohol or substance abuse treatment programs. The programs provide incentives and rewards, such as vouchers or coupons for over-the-counter medications or health-related products, to participating Medicaid enrollees. Although the plans must cover the three behaviors mentioned above, they also have the flexibility to offer incentives for additional behaviors such as well-child visits and pregnancy care. Early findings indicate that 10 percent of members who enrolled in the program completed it. Program evaluations also showed that enrollees were more likely to participate in certain programs (well-child visits and pregnancy care) over others (smoking cessation, weight loss and substance abuse prevention).⁶

The **Healthy Indiana Plan (HIP)** provides a consumer-driven health care [program](#) for Medicaid-eligible low-income, nondisabled adults, 19 to 64 years old, with incomes up to 138 percent of the federal poverty level and without other insurance. The Section 1115 demonstration waiver authorizes the state to offer coverage for adults through a Personal Wellness and Responsibility (POWER) account, which operates like a health savings account. POWER accounts pay

States with Medicaid Incentive Programs for Healthy Behaviors, as of 2018



Source: Duke Margolis Center for Health Policy, 2018.

for a member’s first \$2,500 of services [covered under the plan](#) and then the member’s managed care entity covers subsequent services.

Participation in “HIP Plus” is encouraged by offering enhanced benefits and financial incentives, such as allowing members to roll over a portion of unused funds to subsequent years. Adult beneficiaries who consistently make required monthly contributions to their POWER account have access to HIP Plus, which includes dental, vision and chiropractic coverage.⁷ The approach seeks to promote efficiencies in use of health care services, encourage preventive care and discourage unnecessary care, according to the [approved waiver](#). For example, members are not required to make copayments or use their POWER account to pay for preventive services, providing a financial incentive for preventive care. People who do not contribute to the POWER account can be moved to a basic plan without enhanced services or disenrollment for those whose income is above the federal poverty level.⁸

The program’s 2018 waiver renewal contains elements designed to promote tobacco cessation, reduce substance use disorders, enhance chronic disease management, engage members in work or other community activities, and help prepare members for future enrollment in commercial insurance plans. Under the approved waiver, the state can apply a premium surcharge for beneficiaries who use tobacco and do not participate in tobacco cessation activities. Charging beneficiaries for a specific behavior (i.e., tobacco use), will enable the state to test whether offering such disincentives achieves better health outcomes.⁹

Evaluations have shown mixed results relating to enrollee awareness and understanding the POWER accounts. A [2016 independent evaluation](#) found that two-thirds (66 percent) of HIP Plus members reported hearing about the accounts. A 2018 analysis, published in Health Affairs, reported on a survey of Medicaid enrollees eligible for Indiana’s waiver program. It found that 39 percent of respondents had not heard of the POWER accounts, 26 percent knew about them but were not consistently making required payments, and 36 percent were making regular payments.¹⁰ The study noted that 57 percent of members who were making regular payments to their POWER accounts held favorable opinions, reporting that the program helped them think about which health care services they needed.

Kentucky’s recently approved Helping to Engage and Achieve Long Term Health (HEALTH) waiver includes consumer-driven tools, such as an awards account, which provides incentives for healthy behaviors that enrollees can use to obtain enhanced benefits. A deductible account is intended to educate beneficiaries about the cost of health care.¹¹ All adults eligible for Kentucky HEALTH can earn “My Rewards” dollars by completing specified activities, such as receiving preventive care or attending health and financial literacy classes. They can use those funds for enhanced benefits, such as non-medical dental and vision services, not covered by the Kentucky HEALTH plan. Enrollees can receive a payout of \$500 from their account when they transition to a commercial insurance plan for 18 months or more.¹²

Michigan's Public Act 107 of 2013 directed the Department of Community Health to seek a federal waiver and authorized the Healthy Michigan Plan. The legislation encourages healthy behaviors and use of preventive services, while discouraging “low-value services,” such as non-urgent emergency room visits. Michigan’s **approved** Healthy Michigan Plan waiver allows the state to test cost-sharing and financial responsibility for the new adult eligibility group. For example, the waiver requires adults with incomes above 100 percent of the federal poverty level to contribute a percentage of their family income toward the cost of health care. The waiver seeks to reduce uncompensated care, encourage enrollees to seek preventive care and encourage healthy behaviors, among other outcomes.¹³ The demonstration established MI Health Accounts, which track and record enrollee payments and liabilities. Beneficiaries can receive rewards or incentives for demonstrating specific healthy behaviors, such as completing a health risk assessment and seeing a primary care provider.¹⁴ A 2018 program evaluation found that two-thirds (64 percent) of surveyed enrollees said they were more likely to contact their doctor’s office before going to the emergency room than before they enrolled in the Healthy Michigan Plan.¹⁵

Evidence of Effectiveness

Research on whether healthy behavior incentives improve health outcomes is mixed.¹⁶ According to **2017 study** by the Vanderbilt University School of Medicine, financial incentives and rewards are effective for one-time or short-term activities, such as filling a prescription, receiving a recommended vaccine or attending a follow-up visit. However, they are not as effective for changing behaviors that require ongoing maintenance, such as losing weight or quitting tobacco, which researchers noted “often are the behaviors that influence health care costs the most.” Low levels of participation, lack of awareness that the programs exist, administrative challenges and environmental barriers, such as lack of transportation, may hinder the effectiveness of such efforts.¹⁷

Further research is needed to understand the effect of incentive programs on health outcomes and Medicaid costs. A synthesis of Medicaid healthy behavior incentives suggests that incentive programs “could increase beneficiaries’ use of preventive services and provide resources to a financially disadvantaged population.”¹⁸ Enrolled members have expressed high levels of satisfaction.¹⁹ More-

Incentives for Healthy Behaviors: State Policy Options and Considerations

- Explore payment policies that offer incentives for quality and efficiency and/or disincentives for ineffective care or uncontrolled costs.
- Explore investments in health infrastructure that support the patient’s responsibility in his or her own care, and the efforts of patients, families and their clinicians to work together in a coordinated way.
- Consider expanding the role of peer support specialists, who use formal training and personal experience with a mental illness or substance use disorder to provide education, support and connections to other services for their peers.
- Consider incentives such as cost-sharing reductions for health behaviors (quitting smoking).

over, the analysis found that enrollees receiving incentives to quit smoking along with other supports, such as toll-free “quitlines” or counseling, had higher smoking cessation rates at six months than their counterparts who did not receive incentives.²⁰

Based on their review of Medicaid healthy behavior programs, researchers point out the following lessons learned and best practices for healthy behavior initiatives:^{21,22}

- Ensure that enrollees are aware of and understand how incentives work.
- Create positive incentives for one-time or short-term activities that have evidence showing they improve patient health.
- Make incentives worthwhile, timely and simple.
- Identify technology and data systems needed to track health behaviors and distribute incentives.
- Evaluate program effectiveness.

Notes

1. The Commonwealth Fund, *Public Programs Are Using Incentives to Promote Healthy Behavior* (New York, N.Y.: Commonwealth Fund, 2018).
2. Melinda B. Buntin, John Graves, and Nikki Viverette, *Cost Sharing, Payment Enforcement, and Healthy Behavior Programs in Medicaid: Lessons from Pioneering States* (Nashville, Tenn.: Vanderbilt University, June 2017).
3. Rob Saunders, Madhu Vulimiri, Mark Japinga, and Charlene Wong, *Are Carrots Good For Your Health? Current Evidence on Health Behavior Incentives in the Medicaid Program* (Durham, N.C.: Duke University, June 2018). https://healthpolicy.duke.edu/sites/default/files/atoms/files/duke_healthybehaviorincentives_6.1.pdf.
4. Ibid.
5. Centers for Medicare & Medicaid Services (CMS), *About Section 1115 Demonstrations* (Baltimore, Md.: CMS, n.d.), <https://www.medicare.gov/medicaid/section-1115-demo/about-1115/index.html>.
6. Melinda B. Buntin, John Graves, and Nikki Viverette, *Cost Sharing, Payment Enforcement, and Healthy Behavior Programs in Medicaid: Lessons from Pioneering States* (Nashville, Tenn.: Vanderbilt University, June 2017).
7. Demetrious Kouzoukas, principal deputy administrator, Centers for Medicare & Medicaid Services, letter to Allison Taylor, Medicaid Administrator, Feb. 7, 2018.
8. Lewin Group, *Indiana Healthy Indiana Plan 2.0: Interim Evaluation Report* (Falls Church, Va.: Lewin Group, July 6, 2016). f
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10. Benjamin D. Sommers et al., "New Approaches in Medicaid: Work Requirements, Health Savings Accounts, and Health Care Access," *Health Affairs* 37, no. 7 (July 2018): 1099-1108.
11. Brian Neale, deputy administrator, Centers for Medicare & Medicaid Services, letter to Adam Meier, office of Kentucky governor Matthew Bevin, Jan. 12, 2018.
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13. Andrew J. Casart, director of CMS Division of Medicaid Expansion Demonstrations, letter to Chris Priest, director of Michigan Medical Services Administration, Aug. 8, 2017.
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15. Susan Dorr Goold and Jeffrey Kullgren, *Report on the 2016 Healthy Michigan Voices Enrollee Survey* (Ann Arbor, MI.: University of Mich., Jan. 17, 2018).
16. Medicaid and CHIP Payment and Access Commission (MACPAC), *The Use of Healthy Behavior Incentives in Medicaid* (Washington, D.C.: MACPAC, August 2016).
17. Buntin et al., *Cost Sharing, Payment Enforcement, and Healthy Behaviors in Medicaid: Lessons From Pioneering States*.
18. Saunders, et al., *Are Carrots Good for Your Health?*
19. Ibid.
20. Ibid.
21. Buntin et al., *Cost Sharing, Payment Enforcement, and Healthy Behavior Programs in Medicaid*
22. Saunders et al, *Are Carrots Good For Your Health?*

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