

Illinois COVID-19 Section 1115(a) Demonstration Application

Section I - Program Description

On January 31, 2020, the Secretary of the U.S. Department of Health and Human Services (HHS) declared a public health emergency pursuant to Section 319 of the Public Health Services Act in response to the 2019 Novel Coronavirus (COVID-19). The declarations were retroactively effective to January 27, 2020. On March 13, 2020, the President of the United States issued a proclamation that the COVID-19 outbreak constitutes a national emergency, consistent with Section 1135 of the Social Security Act (SSA). On March 13, 2020, the Secretary of HHS waived or modified certain requirements of Titles XVIII, XIX, and XXI of the SSA as a result of the COVID-19 pandemic.

The Illinois Department of Healthcare and Family Services (HFS) is seeking an emergency 1115 Demonstration waiver to provide the Illinois Medicaid program with federal regulatory flexibilities and federal expenditure authority to effectively address the growing COVID-19 public health emergency. The Demonstration is designed to: 1) mitigate the impact and community spread of COVID-19, 2) streamline Illinois Medicaid application processing to provide access to needed healthcare services as quickly as possible, and 3) preserve access to Medicaid coverage during the public health emergency. Each proposal is explained in detail below, and is being requested through the duration of the public health emergency:

Mitigate the Impact and Community Spread of COVID-19

Removing Financial Barriers to COVID-19 Treatment

Illinois proposes two programs to mitigate the impact and community spread of COVID-19 by removing financial barriers:

- *Cover treatment of COVID-19 for the uninsured.* In addition to implementing the State Option in the Families First Coronavirus Response Act to extend Medicaid eligibility to the uninsured for the purposes of COVID-19 diagnostic testing, HFS proposes to extend Medicaid eligibility to the uninsured for the purposes of treatment related to the COVID-19 diagnosis. This would be a narrow, partial-benefit program that would only cover COVID-19 related treatments. Eligibility for the program would be based solely on the need for COVID-19 treatment, without regard to standard Medicaid eligibility rules. As a condition of payment, the patient cannot be balanced billed.
- *Cover treatment of COVID-19 for the insured as the secondary payer.* The Families First Coronavirus Response Act requires health plans to provide diagnostic testing for COVID-19 without cost-sharing, however, it does not address treatment. HFS proposes that Medicaid be the secondary payer to protect individuals from out-of-pocket costs related to COVID-19. This would be a narrow program and eligibility would be based solely on the need for COVID-19 treatment, without regard to Medicaid eligibility rules. As a condition of payment, the patient cannot be balanced billed.

HFS is proposing these two programs to mitigate further community spread by encouraging individuals with COVID-19 to seek testing and treatment timely without fear of cost. Research shows individuals skip testing and treatment out of concern that they won't be able to afford

the cost. A letter signed by over 800 experts and organizations¹ warns that mitigation efforts will be less effective if individuals do not seek testing or treatment out of concern for large out-of-pocket costs or copays. It also recommends that out-of-network or other insurance provisions not disrupt triage and patient allocation plans during the public health emergency. This would also be addressed by Medicaid filling any insurance gap related to COVID-19.

In a February 2019 brief, the Commonwealth Fund notes that employers and insurers have kept premiums down by increasing deductibles and other cost-sharing, which in turn makes more people underinsured. The brief presented findings from its Biennial Health Insurance Survey to assess the extent and quality of coverage for working-age adults in the United States. The study found that 45% of U.S. adults ages 19 to 64 were inadequately insured. It also found that people who experienced being uninsured at any time were more likely than any other group to delay getting care because of cost. For those without coverage gaps, the underinsured reported delaying getting care due to cost at twice the rate of those who were not underinsured.²

The Commonwealth Fund survey also found that more than half of adults who had a coverage gap reported problems paying medical bills or were paying-off medical debt over time. Additionally, it found that for individuals without coverage gaps, the rate of medical bill and debt problems was nearly twice as high for the underinsured than those who were not underinsured.³

Likewise, a Kaiser Family Foundation (KFF) survey found that individuals were more likely to delay care the higher their deductible, most often because they did not have enough savings to cover the out-of-pocket cost.⁴ The KFF survey also found that 75% of people in the highest deductible plans had a family member with one or more chronic conditions, such as hypertension, asthma, a serious mental health condition, or diabetes, as well as a family member in their household who skipped or delayed medical care or prescriptions due to cost in the past year.⁵ This presents a challenge for the COVID-19 public health emergency because individuals with underlying chronic conditions are at a higher-risk of needing inpatient medical interventions to treat COVID-19.

While many individuals with COVID-19 will not require hospitalization, those who do may experience significant out-of-pocket costs. A KFF analysis estimated potential coronavirus treatment costs by looking at typical spending for hospital admissions for pneumonia. The analysis found that the average total cost of treatment ranged from \$9,763 to \$29,292 depending on if the patient had complications and/or comorbidities. For pneumonia admissions without complications, average out-of-pocket costs for insured individuals were \$1,464. However, because costs vary by plan design, at the 75th percentile and regardless of severity,

¹ https://law.yale.edu/sites/default/files/area/center/ghjp/documents/final_covid-19_letter_from_public_health_and_legal_experts.pdf

² <https://www.commonwealthfund.org/publications/issue-briefs/2019/feb/health-insurance-coverage-eight-years-after-aca>

³ <https://www.commonwealthfund.org/publications/issue-briefs/2019/feb/health-insurance-coverage-eight-years-after-aca>

⁴ <https://www.kff.org/report-section/kaiser-family-foundation-la-times-survey-of-adults-with-employer-sponsored-insurance-executive-summary/>

⁵ <https://www.kff.org/report-section/kaiser-family-foundation-la-times-survey-of-adults-with-employer-sponsored-insurance-executive-summary/>

out-of-pocket costs were over \$2,000. These out-of-pocket cost estimates for COVID-19 treatment do not include the cost of balance billing by out-of-network providers, also referred to as “surprise medical bills.” The analysis found that one in five patients with in-network admissions for pneumonia experienced balanced billing for out-of-network charges, increasing the true out-of-pocket cost further.⁶

A review of the research on individuals delaying medical tests or treatment due to high out-of-pocket costs, the total cost of COVID-19 treatment, and the out-of-pocket cost exposure for those who are insured (many of whom are underinsured), demonstrate the risk of not addressing the barrier of cost. The fear of high out-of-pocket costs, lack of coverage, or underinsurance could cause delays or reduce the number of people seeking testing and treatment, which would have a direct, adverse impact on the state’s effort to mitigate the community spread of COVID-19.

Compounding the issue, the risk of high out-of-pocket costs is occurring at the same time people are increasingly more vulnerable financially and with the potential of a recession looming. Uncertainty causes delay and indecision at a time when rapid action by Illinois residents is needed. Removing the barrier of cost also simplifies the public message, removing any uncertainty by assuring people they do not need to delay testing and treatment out of financial concern. This simplified, universal messaging will lead to high rates of testing and treatment for low-income individuals and for Illinoisans.

Urgent action is needed as COVID-19 spreads throughout communities in Illinois. It is in the public interest, and the interest of healthcare systems which are already stretched thin from the COVID-19 public health emergency, to remove all financial barriers for COVID-19 testing and treatment as well as any corresponding administrative barriers for payment. The public health benefits of this proposal exceed the costs (*i.e.*, the potential gain in reduced morbidity and mortality dramatically outweigh the expected costs).

Cover Housing During the Quarantine Period for Individuals with COVID-19 Experiencing Homelessness

It is essential that individuals who test positive for COVID-19 are quarantined for the full, recommended quarantine period (currently 14 days) to prevent community spread of the virus. However, this clinical recommendation is particularly challenging for homeless individuals.

As noted on the HUD Exchange, communicable diseases, like influenza, often affect homeless populations more severely than other populations.⁷ Interim guidance for homeless service providers published by the U.S. Centers for Disease Control and Prevention (CDC) suggest using individual rooms in shelters or service agencies, if available, and designating a separate bathroom for sick clients, if possible.⁸ These recommendations are not sufficiently scalable if

⁶ <https://www.healthsystemtracker.org/brief/potential-costs-of-coronavirus-treatment-for-people-with-employer-coverage/>

⁷ <https://www.hudexchange.info/homelessness-assistance/diseases/#covid-19-community-planning-and-preparedness>

⁸ <https://files.hudexchange.info/resources/documents/Interim-Guidance-for-Homeless-Service-Providers-to-Plan-and-Respond-to-COVID-19.pdf>

COVID-19 begins to spread among people experiencing homelessness. Allowing Medicaid coverage for housing during the quarantine period will mitigate spread within the homeless population and throughout the state. The public health benefits of this proposal exceed the costs.

Waive the Inmate Exclusion

HFS proposes to waive the inmate exclusion (42 U.S.C. §1396d(a)(30)(A)) to allow HFS to claim for Medicaid services provided in jails and prisons for the testing, diagnosis, and treatment of COVID-19 or other services. This will ensure all care is provided in a safe way without transporting individuals to acute care facilities. The public health benefits of this proposal exceed the costs.

Cover Home Delivered Meals for Families Who Do Not Have Access to Meals During the Directed Social Distancing Period

Social distancing is resulting in some Medicaid beneficiaries being unable to access healthy meals. The Illinois Medicaid Managed Care Organizations (MCOs) have experienced an increase in requests from beneficiaries needing food. Many children were previously receiving meals at schools or day care centers that have since closed due to directed social distancing. Additionally, many families are struggling with reduced income due to closures or reduced hours in the service sector because of the need to mitigate the impact and community spread of COVID-19 from directed social distancing. The increasing number of Medicaid beneficiaries facing food insecurities as a direct result of the COVID-19 public health emergency poses an imminent health risk. Research has found that food insecurity is associated with increased risks for some birth defects, anemia, lower nutrient intakes, asthma, cognitive issues, aggression, anxiety, behavioral issues, depression, suicide ideation, higher risks of being hospitalized, worse oral health, and poorer health in general.⁹ Covering home delivered meals for families who do not have access to meals during the directed social distancing period will mitigate the impact and community spread of COVID-19 while addressing a health risk caused by the public health emergency. The public health benefits of this proposal exceed the costs.

Streamline Illinois Medicaid Application Processing to Provide Access to Needed Healthcare Services as Quickly as Possible

Allow State to Determine PE Upon Receipt of Medicaid Application for All Adults

HFS proposes to modify the presumptive eligibility (PE) process during the emergency to assure that most adult applicants do not go without healthcare while their application is pending, including those in the AABD category of eligibility. Given staff reductions due to the emergency, and the potential for further reductions if staff become sick, the state is concerned that extended processing times will keep applicants from getting the services they need. HFS proposes a PE program by which the state is the PE entity which determines PE upon receipt of a Medicaid application. The demonstration proposal adds all adults, including those in the Aged, Blind, and Disabled (AABD) category of eligibility, to the groups that currently have the opportunity for PE in Illinois including pregnant women and children.

⁹ <https://www.healthaffairs.org/doi/full/10.1377/hlthaff.2015.0645>

Suspend Transfer-of-Assets Rule

HFS proposes to waive of Section 1817(c) to allow eligibility staff to promptly process Medicaid applications for clients in nursing facilities and similar institutions. This proposal will benefit many applicants who will have additional challenges gathering the information required for the look back period during the public health emergency. Additionally, performing a 60 month asset look back adds extra time to the process of starting Medicaid benefits for eligible long term care clients. It not only takes time to review client submitted documents related to the look back period, it adds time related to requesting and waiting for clients to submit the requested documents.

Allow Self-Attestation of Immigration and Citizenship Status

To streamline application processing, HFS proposes waiver of Section 42 CFR 435.407 to allow for self-attestation of immigration and citizenship status at application. This will allow prompt application resolution when immigration or citizenship status cannot be verified by electronic means and applicants have difficulties submitting documentation to verify their status, especially those who have been affected by the emergency. HFS aims to assure that all who are eligible have coverage. Once the emergency is over, the state will require verification documents for all who were enrolled with self-attestation. The public health benefits of this proposal exceed the costs.

Allow Diversified Staff in Additional Locations

HFS proposes waiving SSA 1902 (a)(4) to allow diversified staff that are not state employees in additional locations. Given state staff reductions due to the emergency, and the potential for further reductions if staff get sick, the state is concerned that extended processing times will keep applicants from getting the services they need. Allowing diversified non-state staff in additional locations will strengthen the state's ability to continue processing Medicaid applications during the public health emergency while mitigating the potential risk of a further reduced state workforce due to future illness from COVID-19.

Allow Direct Enrollments into MCOs through Auto-Assignment

HFS proposes to allow direct enrollments into MCOs through MCO auto-assignment, waving the initial MCO choice period. Auto-assignments would be made by the Illinois Client Enrollment Broker, HFS, and/or the Federally Facilitated Marketplace (FFM).

With nearly 80% of Illinois Medicaid beneficiaries enrolled in managed care, the existing fee-for-service (FFS) infrastructure is no longer set up to serve a large number of Medicaid beneficiaries who have questions about their coverage or how to find providers. Immediately enrolling Medicaid beneficiaries into an MCO will provide needed capacity for their customer service needs as well as immediate access to care coordination during the public health emergency.

Preserve Access to Medicaid Coverage During the Public Health Emergency**Extend Renewal Dates for 12 Months**

HFS proposes that each person up for redetermination be extended for one year during the public health emergency. This will allow customers to access care without worrying about their eligibility. It will also allow available state staff to focus on processing applications during the emergency.

Due to diminished eligibility processing as a direct impact of the COVID-19 public health emergency, from staff working remotely and potentially falling ill, HFS is concerned that application and redetermination backlogs will accumulate and will be impossible to resolve in six months. This proposal is an extension of the Families First Coronavirus Response Act provision that no currently covered clients lose coverage to assure access to care during the emergency. The public health benefits of this proposal exceed the costs.

Hypotheses and Evaluation

The table below presents an overview of the hypotheses and goals associated with each waiver policy.

Goal	Hypothesis	Metrics
Mitigate the impact and community spread of the COVID-19 virus.	Covering treatment of COVID-19 for the uninsured and for the insured as the secondary payer will remove a financial barrier to seeking testing and treatment timely to mitigate the impact and community spread of COVID-19.	<p>Number of uninsured who are covered for costs associated with COVID-19, and the dollar value of the financial burden lifted for those individuals.</p> <p>Number of insured where Medicaid is the secondary payer for costs associated with COVID-19, and the dollar value of the financial burden lifted for those individuals.</p> <p>Percentage of low-income individuals in Illinois who received COVID-19 testing and treatment, based on federal surveys or CDC records.</p>
	Covering housing for homeless individuals with COVID-19 during the quarantine period will allow homeless individuals to comply with clinical	Number of homeless individuals who were able to comply with the

	recommendations and mitigate the impact and community spread of COVID-19.	full quarantine period due to Medicaid covering housing costs.
	Waiving the inmate exclusion will allow Medicaid claiming for services related to COVID-19 or other services without transporting inmates to acute care facilities to provide services promptly while mitigating the impact and community spread of COVID-19.	Number of inmates with services provided while the inmate exclusion is waived.
	Covering home delivered meals for families who do not have access to meals during the directed social distancing period will address immediate health risks caused by food insecurity while mitigating the impact and community spread of COVID-19.	Number of home delivered meals per month during the public health emergency.
Streamline Illinois Medicaid application processing to provide access to needed healthcare services quickly.	Allowing the state to determine PE upon receipt of a Medicaid application for most adults, including adults in the AABD category of assistance, will assure that no one goes without healthcare while their application is pending given caseworker limitations from COVID-19.	Number of Medicaid beneficiaries with PE coverage by month.
	Suspending the transfer-of-assets rules will remove barriers for applicants who face additional challenges gathering the required information during the public health emergency while allowing eligibility staff to promptly process Medicaid applications for individuals in nursing facilities and similar institutions.	Number of cases the transfer-of-assets suspension was applied to.
	Allowing self-attestation of immigration and citizenship status when it cannot be verified through data sources will allow for more efficient processing of Medicaid applications throughout the public health emergency while maximizing caseworker ability to process more applications.	Number of total Medicaid applications processed.
	Allowing diversified staff in additional locations will expedite application processing during the public health emergency and mitigate the risk of a further reduced state workforce due to future illness from COVID-19.	Number of total Medicaid applications processed.
	Allowing direct enrollments into MCOs through auto-assignment will expedite applicant enrollment into managed care, providing immediate access to care coordination services and expanded customer service during the public health emergency.	Number of direct enrollments into MCOs through auto-assignment by month.

Preserve access to Medicaid coverage throughout the public health emergency.	Extending renewal dates for 12 months will preserve access to Medicaid coverage throughout the public health emergency.	Number of Medicaid beneficiaries covered each month.
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All proposals within the Demonstration will operate statewide. Additionally, the Demonstration will not affect and/or modify other components of the State's current Medicaid and CHIP programs outside of eligibility processing and covered benefits, which are targeted to the COVID-19 public health emergency.

Section II – Demonstration Eligibility

HFS proposes to limit the following demonstration initiatives to individuals who experience out-of-pocket costs for COVID-19:

- Cover treatment of COVID-19 for the uninsured; and
- Cover treatment of COVID-19 for the insured as the secondary payer.

HFS proposes to limit the following demonstration initiative to individuals who are experiencing homelessness:

- Cover temporary housing during the quarantine period for individuals with COVID-19 experiencing homelessness.

HFS proposes to limit the following demonstration initiative to individuals who are inmates:

- Waive the inmate exclusion requirement.

HFS proposes to limit the following demonstration initiative to individuals in the AABD category of eligibility:

- Suspend the transfer-of-assets rule.

HFS proposes to implement the following Demonstration initiatives across all eligibility groups:

- Cover home delivered meals for families who do not have access to meals during the directed social distancing period;
- Waive PE requirements to give most adults access to PE upon application, including individuals in the AABD category of assistance;
- Allow self-attestation of immigration and citizenship status;
- Extend renewal dates for 12 months;

- Allow diversified non-state eligibility staff in additional locations; and
- Allow direct enrollments into MCOs through auto-assignment.

There are no enrollment limits under the Demonstration proposals. The Demonstration also does not change HFS policies on post-eligibility treatment of income for long term services and supports or spousal impoverishment rules. Additionally, this Demonstration is not undertaking eligibility changes based on specific standards or changes in 2014.

Section III – Demonstration Benefits and Cost Sharing Requirements

This Demonstration has no new cost-sharing, copayments, or coinsurance for any benefit provided under the waiver. State Plan benefits will continue to be applied in accordance with the State Plan and all eligibility groups will continue to receive all State Plan benefits.

Additional benefits and partial benefit programs added by the Demonstration will only be available to those who qualify.

Section IV – Delivery System and Payment Rates for Services

The delivery system used to provide benefits to Demonstration participants does not differ from the Medicaid and/or CHIP State plan. Covering treatment for COVID-19, covering housing during the quarantine period for individuals with COVID-19 experiencing homelessness, and waiving the inmate exclusion will occur outside of managed care. The home delivered meal benefit will be delivered by MCOs for beneficiaries enrolled in Medicaid MCOs and by the state for beneficiaries in Medicaid FFS.

To the extent Medicaid FFS payments are made for any services, the Demonstration will not cause a deviation from State Plan provider payment rates. Additionally, to the extent payment is being made through managed care entities on a capitated basis, the Demonstration does not change the methodology for setting capitation rates or cause any deviations from the payment and contracting requirements under 42 CFR Part 438. The Demonstration also does not dictate quality-based supplemental payments to providers.

Section V – Implementation of Demonstration

HFS is prepared to implement the Demonstration proposals as soon as possible after receiving federal CMS approval to more effectively address the growing COVID-19 public health emergency in the state. The Demonstration proposals are needed to mitigate the impact and community spread of COVID-19, streamline Illinois Medicaid application processing to provide access to needed healthcare services as quickly as possible, and preserve access to Medicaid coverage during the public health emergency. HFS is also seeking a retroactive effective date to the beginning of the public health emergency.

Additionally, the Demonstration does not require new MCO procurements. Under the Demonstration, any coverage provided through a Medicaid MCO will occur within HFS's current MCO infrastructure.

Section VI – Demonstration Financing and Budget Neutrality

The Demonstration proposals in this waiver request are designed specifically to address the COVID-19 public health emergency and are deemed to meet budget neutrality due to the nationally declared public health emergency for COVID-19 under 42 CFR 431.416(g)(2). HFS estimates that 769,300 individuals will use benefits under the COVID-19 1115 demonstration, with total aggregate expenditures estimated at \$1.2 billion per quarter. The expenditure estimate assumes all COVID-19 treatments occur over six months; the estimated per quarter cost decreases if treatments occur over a longer period of time. Ultimately, coverage and costs will be determined by the spread of COVID-19, which these proposals are designed to mitigate.

Section VII – List of Proposed Waivers and Expenditure Authorities

Under this Demonstration, HFS requests to waive the following requirements of the SSA:

- Comparability, § 1902(a)(10)(B), to the extent necessary to limit the partial-benefit programs for COVID-19 treatment to the uninsured and, as a secondary payer, for the insured who otherwise would experience cost-sharing, and to limit the coverage of housing during the recommended quarantine period to individuals experiencing homelessness;
- Amount, Duration, and Scope of Services, § 1902(a)(10)(b), to the extent necessary to allow the state to provide a benefit package to the demonstration population that differs from the state plan benefit package, including providing housing to individuals experiencing homelessness in the recommended quarantine period and providing home delivered meals;
- Freedom of Choice, § 1902(a)(23), to the extent necessary to allow the state to limit those entities providing housing to quarantine individuals experiencing homelessness in the recommended quarantine period;
- Inmates in Public Institutions, § 1905(a)(29)(A), to the extent necessary to allow claiming for Medicaid services related to COVID-19 or other services without transporting inmates to acute care facilities;
- Verification of Immigration Status, § 1902(a)(46)(A), § 1137(d), § 1137(f), § 1903(x), and § 1902(ee), to the extent necessary to allow for self-attestation of immigration and citizenship status when it cannot be verified through electronic data sources;
- Transfer-of-Assets Prohibition, § 1917(c), to the extent necessary to temporarily suspend transfer-of-asset rules;
- Organization and Function of Medicaid Agency, § 1902(a)(4), to the extent necessary to allow diversified non-state staff in additional locations;
- Presumptive Eligibility, § 1920, § 1902A(D), § 1902(a)(47)(A), and § 1902(e)(6), to the extent necessary to give most adults access to PE upon application, including adults in the AABD category of eligibility;

- Redetermination and Renewal, § 1915(i)(1)(I), to the extent necessary to extend renewal dates for 12 months during the public health emergency;
- Mandatory Managed Care Enrollment and Disenrollment, § 1903(m)(2)(A)(vi); § 1932(a)(1)(A), § 1932(a)(4), to the extent necessary to allow direct enrollments into MCOs through auto-assignment without an initial choice period.

HFS requests expenditure authority for all proposals included in the Demonstration.

Section VIII – Public Notice

HFS has not gone through the standard public notice period due to the urgency of the COVID-19 public health emergency. However, the State will conduct Tribal consultation, post this emergency 1115 waiver request on the HFS website, discuss the emergency 1115 waiver request with stakeholders at the upcoming Medicaid Advisory Committee (MAC) meeting and MAC Subcommittee meetings, and accept comments and questions regarding the emergency 1115 waiver request at hfs.bpra@illinois.gov.

Section IX – Demonstration Administration

Please email hfs.bpra@illinois.gov to submit questions and comments regarding the Illinois Emergency 1115 Waiver for COVID-19.