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State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-SIXTH SESSION

HOUSE FILE NO. 1642

March 12, 2009
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The bill was read for the first time and referred to the Committee on Health Care and Human Services Policy and Oversight

1.1 A bill for an act
1.2 relating to human services; establishing a medical assistance health opportunity
1.3 account demonstration project; requiring reports; proposing coding for new law
1.4 in Minnesota Statutes, chapter 256B.

1.5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.6 Section 1. **[256B.695] HEALTH OPPORTUNITY ACCOUNT**
1.7 **DEMONSTRATION.**

1.8 Subdivision 1. **Establishment.** The commissioner shall establish a five-year health
1.9 opportunity account demonstration project that meets the criteria specified in section 6082
1.10 of the Deficit Reduction Act of 2005, Public Law 109-171. In selecting demonstration
1.11 counties, the commissioner shall ensure geographic balance. Enrollment in the
1.12 demonstration project is voluntary. The commissioner shall implement the demonstration
1.13 project effective January 1, 2010, or upon federal approval, whichever is later.

1.14 Subd. 2. **General criteria.** (a) The demonstration project must provide participants
1.15 with alternative benefits, consisting of coverage of:

1.16 (1) all medical assistance services, after an annual deductible has been met; and

1.17 (2) contributions into a health opportunity account, which may be used to pay for
1.18 services subject to the deductible.

1.19 (b) The demonstration project must:

1.20 (1) create patient awareness of the high cost of medical care;

1.21 (2) provide incentives for patients to seek preventive health services;

1.22 (3) reduce the inappropriate use of health care services;

1.23 (4) enable patients to take responsibility for health care outcomes;

1.24 (5) provide enrollment counselors and ongoing education activities;

2.1 (6) require transactions involving health opportunity accounts to be conducted
2.2 electronically; and
2.3 (7) provide participants with access to negotiated provider payment rates.
2.4 Subd. 3. **Eligible persons.** (a) Participation in the demonstration project is limited
2.5 to families and children who are eligible for medical assistance under section 256B.055,
2.6 subdivisions 3, 3a, 9, 10, and 10b. Individuals who, at the time of application, are
2.7 disabled, age 65 or older, or pregnant, and others excluded under section 1938(b) of the
2.8 Social Security Act, are not eligible to participate in the demonstration project.
2.9 (b) Participation in the demonstration project is voluntary. Enrollment is effective
2.10 for a period of 12 months and may be extended for additional 12-month periods with
2.11 the consent of the individual. Enrollment in the demonstration project is subject to the
2.12 individual maintaining eligibility for medical assistance.
2.13 (c) An individual who, for any reason, is disenrolled from the demonstration project
2.14 shall not be permitted to re-enroll before the end of the one-year period that begins on the
2.15 effective date of disenrollment.
2.16 Subd. 4. **Alternative benefits.** (a) Participants in the demonstration project shall
2.17 receive the following alternative benefits:
2.18 (1) coverage for medical expenses for items and services for which benefits are
2.19 otherwise provided under medical assistance, after the annual deductible specified in
2.20 paragraph (b) has been met; and
2.21 (2) contributions into a health opportunity account.
2.22 (b) The amount of the annual deductible shall be 100 percent of the annualized
2.23 amount of contributions to the health opportunity account.
2.24 (c) The following services shall not be subject to the annual deductible: (1)
2.25 preventive services as specified by the commissioner; and (2) prescription drugs prescribed
2.26 for the treatment of diabetes, high blood pressure, high cholesterol, epilepsy, and other
2.27 health conditions as determined by the commissioner.
2.28 (d) After an individual has satisfied the annual deductible, alternative benefits for that
2.29 individual shall consist of the benefits that would otherwise be provided to that individual
2.30 under medical assistance had the individual not been enrolled in the demonstration project.
2.31 The individual shall be subject to all medical assistance cost-sharing requirements.
2.32 (e) Subject to any limitations under paragraph (f), each individual may obtain the
2.33 alternative benefits specified in paragraph (a), clause (1), from a managed care plan,
2.34 county-based purchasing plan, or other health plan company whose proposal to provide
2.35 the alternative benefits has been approved by the commissioner, and which has entered
2.36 into a contract with the commissioner to provide the alternative benefits. The per capita

3.1 payment to the managed care plan, county-based purchasing plan, or other health plan
3.2 company for the provision of the alternative benefits to the individual must not exceed
3.3 the per capita payment that would otherwise apply under the prepaid medical assistance
3.4 program, adjusted for the deductible and any differences in the use of health care services
3.5 by the population served under the demonstration project.

3.6 (f) The commissioner may contract directly with health care providers to provide the
3.7 alternative benefits specified in paragraph (a), clause (1), and purchase reinsurance for
3.8 the cost of providing these alternative benefits. If the commissioner chooses to contract
3.9 directly with health care providers, the commissioner is not required to, but still may,
3.10 contract with managed care plans, county-based purchasing plans, or other health plan
3.11 companies under paragraph (e).

3.12 Subd. 5. **Contributions to and administration of health opportunity accounts.**
3.13 (a) Contributions into a health opportunity account may be made by the state and by other
3.14 persons and entities, such as charitable organizations. The state shall contribute an annual
3.15 amount into the health opportunity account of each participating individual. For calendar
3.16 year 2009, the amount contributed by the state shall equal $1,150 for an individual and
3.17 $2,300 for a family. For future calendar years, these amounts must be increased by the
3.18 change in the medical component of the consumer price index for all urban consumers
3.19 (CPI-U).

3.20 (b) The commissioner shall contract with a third-party administrator to administer
3.21 health opportunity accounts. A managed care plan providing services under section
3.22 256B.69, a county-based purchasing plan providing services under section 256B.692, a
3.23 health plan company providing alternative services under this section, or the financial
3.24 institution under contract under paragraph (c), may not serve as a third-party administrator.

3.25 (c) The commissioner shall contract with a financial institution, as defined in
3.26 section 47.59, subdivision 1, paragraph (k), to establish health opportunity accounts for
3.27 demonstration project participants. The commissioner shall negotiate, as part of the
3.28 contract, the amount of any administrative fee to be paid by the financial institution to the
3.29 third-party administrator on behalf of demonstration project participants, and the interest
3.30 rate to be paid by the financial institution to demonstration project participants.

3.31 (d) Amounts in, or contributed to, a health opportunity account shall not be counted
3.32 as income or assets for purposes of determining medical assistance eligibility.

3.33 Subd. 6. **Incentives for preventive care.** The commissioner shall develop and
3.34 provide positive incentives for individuals enrolled in the demonstration project to
3.35 obtain appropriate preventive care. In developing these incentives, the commissioner
3.36 shall consider additional account contributions for individuals demonstrating healthy

4.1 prevention practices and shall also consider the provision of positive incentives for
4.2 accessing preventive services that are in addition to those available to medical assistance
4.3 enrollees not participating in the demonstration project.

4.4 Subd. 7. **Use of money in the health opportunity account.** (a) Except as provided
4.5 in subdivision 10, money in a health opportunity account may be used only for payment
4.6 for medical care, as defined in section 213(d) of the Internal Revenue Code of 1986.

4.7 (b) Money in a health opportunity account may not be used to pay providers for
4.8 items and services unless:

4.9 (1) the providers are licensed or otherwise authorized under state law to provide
4.10 the item or service; and

4.11 (2) the provider meets medical assistance program quality standards and complies
4.12 with medical assistance prohibitions related to fraud and abuse.

4.13 (c) Money in a health opportunity account may not be used to pay a provider for an
4.14 item or service if the commissioner determines that the item or service is not medically
4.15 appropriate or necessary.

4.16 (d) The commissioner shall establish procedures to:

4.17 (1) penalize or disenroll from the demonstration project individuals who make
4.18 nonqualified withdrawals from a health opportunity account; and

4.19 (2) recoup costs that derive from nonqualified withdrawals.

4.20 Subd. 8. **Electronic transactions required.** The commissioner shall require all
4.21 withdrawals and payments from health opportunity accounts to be made using electronic
4.22 debit cards. The debit card developed or selected for the demonstration project must
4.23 provide real-time, encounter level payment to health care providers. The debit card may:

4.24 (1) allow information from a patient's medical record to be stored and accessed by
4.25 the patient and health care providers; and

4.26 (2) be capable of storing and transferring for analysis the encounter level data for
4.27 provider and enrollee-specific, and aggregate, health care quality measurement and
4.28 monitoring.

4.29 Subd. 9. **Access to negotiated provider payment rates.** The commissioner shall
4.30 require managed care plans and county-based purchasing plans to:

4.31 (1) allow demonstration project participants, when subject to a deductible, to obtain
4.32 services from providers under contract with the plan at the same payment rate that the
4.33 provider would otherwise receive from the plan had the individual not been participating
4.34 in the demonstration project; and

4.35 (2) allow demonstration project participants, when subject to a deductible, to obtain
4.36 services from providers who are not under contract with the plan and who voluntarily

5.1 choose to serve demonstration project participants, at payment rates that do not exceed
5.2 125 percent of the medical assistance fee-for-service payment rate.

5.3 Subd. 10. **Maintenance of a health opportunity account for persons who become**
5.4 **ineligible; vesting.** (a) If a participant becomes ineligible for medical assistance because
5.5 of an increase in income or assets:

5.6 (1) the state shall make no further contributions to the participant's health
5.7 opportunity account; and

5.8 (2) the balance in the account that is not attributable to private contributions shall
5.9 be reduced by 25 percent.

5.10 (b) Following application of paragraph (a), money in the account shall remain
5.11 available to the account holder for three years from the date on which the individual
5.12 became ineligible for medical assistance, under the same terms and conditions that would
5.13 apply had the individual remained eligible for the demonstration project, except that the
5.14 money may also be used as provided in paragraphs (c) and (d).

5.15 (c) Money in the account may be used to purchase health coverage from a health plan
5.16 company. Money used for this purpose must be transferred by the third-party administrator
5.17 directly from the account to the health plan company. An account holder is not required to
5.18 purchase a high-deductible policy as a condition for maintaining or using the account.

5.19 (d) Individuals who have participated in the demonstration project for at least one
5.20 year may also use money in the account for job training, educational expenses, and other
5.21 uses as specified by the commissioner, if:

5.22 (1) money in the account is transferred by the third-party administrator directly from
5.23 the account to the entity providing the service; and

5.24 (2) the entity providing the service has been approved by the commissioner.

5.25 Subd. 11. **Participation of enrollees served by managed care and county-based**
5.26 **purchasing.** (a) Participation in the demonstration project by enrollees served by managed
5.27 care and county-based purchasing plans under sections 256B.69 and 256B.692 is subject
5.28 to the following conditions:

5.29 (1) the number of individuals enrolled in a specific plan who participate in the
5.30 demonstration project must not exceed five percent of the total statewide medical
5.31 assistance enrollment in the plan; and

5.32 (2) the proportion of medical assistance enrollees in a specific plan who participate
5.33 in the demonstration project must not be significantly disproportionate to the proportion of
5.34 medical assistance enrollees in other plans who participate.

5.35 (b) The commissioner shall adjust capitation payment rates and application of the
5.36 risk adjustment system under section 62Q.03 to reflect differences in the likely use of

6.1 health care services between plan enrollees who participate in the demonstration project
6.2 and plan enrollees who do not participate in the demonstration project.

6.3 (c) The commissioner, in consultation with managed care and county-based
6.4 purchasing plans, shall develop procedures to encourage demonstration project
6.5 participants with complex or chronic conditions to receive health care services from
6.6 providers certified as health care homes under section 256B.0751.

6.7 Subd. 12. **Additional duties of commissioner.** (a) The commissioner shall provide
6.8 enrollment counselors and ongoing education for demonstration project participants.
6.9 The counseling and education must be designed to meet the project goals specified
6.10 in subdivision 2, clauses (1) to (4), provide participants with assistance in the use of
6.11 electronic debit cards and in accessing providers and obtaining negotiated provider
6.12 payment rates, and provide participants with information on the benefits of maintaining
6.13 continuity of care by receiving services through the same health care provider both prior
6.14 to and after meeting the required deductible.

6.15 (b) The commissioner shall make the services of the office of ombudsman for state
6.16 managed care programs available to demonstration project participants and shall require
6.17 the office to address access, service, and billing problems related to the provision of
6.18 alternative benefits under subdivision 4.

6.19 (c) The commissioner shall implement a streamlined medical assistance renewal
6.20 process for demonstration project participants. This process must include:

6.21 (1) requiring eligibility renewals every 12 months;

6.22 (2) allowing passive renewal, under which individuals receive from the
6.23 commissioner a completed renewal form; and

6.24 (3) providing to the commissioner updated information or a signed statement
6.25 attesting that the individual's eligibility information has not changed.

6.26 (d) The commissioner shall request, and may approve, proposals from managed care
6.27 plans, county-based purchasing plans, and other health plan companies, as defined in
6.28 section 62Q.01, subdivision 4, to provide the alternative benefits specified in subdivision
6.29 4, paragraph (a), clause (1).

6.30 (e) The commissioner shall present annual progress reports on the demonstration
6.31 project to the legislature, beginning October 1, 2010, and each October 1 thereafter through
6.32 October 1, 2014. The commissioner shall include in the progress reports recommendations
6.33 for any state law changes necessary to improve operation of the demonstration project
6.34 or to comply with federal requirements. The commissioner shall include, in the report
6.35 due October 1, 2013, recommendations on whether the demonstration project should be
6.36 continued and expanded to include additional participants.

7.1 Subd. 13. **Federal approval.** The commissioner shall seek all federal approvals
7.2 necessary to establish and implement the health opportunity demonstration project as
7.3 required under this section.