



STATE OF INDIANA
OFFICE OF THE GOVERNOR
State House, Second Floor
Indianapolis, Indiana 46204

Michael R. Pence
Governor

February 13, 2013

The Honorable Secretary Kathleen Sebelius
Department of Health and Human Services
200 Independence Avenue, SW
Washington, DC 20201

Dear Secretary Sebelius,

On behalf of the citizens of Indiana, I respectfully submit this application to extend the Healthy Indiana Plan 1115 demonstration through 2016. We in Indiana believe strongly that this program, which has achieved wide bipartisan support, should continue given its track record of innovation and results.

As I have said in the past, I believe that the Healthy Indiana Plan should serve as the starting point for all future discussions of health care reform in Indiana. While our administration has committed to fully funding Indiana's current Medicaid forecast, we believe that expanding coverage absent significant reforms would not be in the best interest of Hoosiers.

Accordingly, our administration will not pursue an expansion of traditional Medicaid as permitted under the Affordable Care Act. To do so, in my view, would be to expand a highly flawed program in Indiana and place an enormous burden on Hoosier taxpayers. The people of our state deserve better.

The Congressional Budget Office projects that an expanded program will more than double annual federal Medicaid expenditures to \$578 billion by 2023. In Indiana, an expansion of traditional Medicaid under the Affordable Care Act would cost our taxpayers upwards of \$2 billion over the next seven years.

Medicaid is broken. It has a well-documented history of substantial waste, fraud and abuse. It has failed to keep pace with private market innovations that have created efficiencies, controlled costs, and improved quality. It has done little to improve health outcomes and does not adequately reimburse providers. Its burdensome rules and unwieldy regulations do not allow states to effectively manage their programs.

As you know, a number of creative proposals exist for granting states greater flexibility to tailor innovative Medicaid programs to meet the specific needs of their citizens. Block grants such as the Healthy Indiana Plan are a key tool in this regard. Greater flexibility would help states create and manage programs consistent with their local values and overcome the bureaucratic and inefficient nature of traditional Medicaid.

Our administration would predicate any expansion of Medicaid in Indiana on our ability to promote Hoosier innovation in the Healthy Indiana Plan to the expanded population. The Healthy Indiana Plan has significantly increased preventive services among its enrollees. It has empowered them to make better decisions affecting their health, dramatically reduced emergency room visits, and given them more “skin in the game.” As a result, 94 percent of Healthy Indiana Plan enrollees say they are satisfied with the program, and 99 percent say they would re-enroll.

I would welcome the opportunity to meet with you to discuss how like-minded governors in statehouses across the country can work together with the Obama administration and Congress to grant more freedom and flexibility to states that want to improve Medicaid, as we do here in the Hoosier State.

It is in this spirit of cooperation that I submit our application for the continuation of the Healthy Indiana Plan. We look forward to hearing from you.

Sincerely,

/S/

Michael R. Pence
Governor of Indiana