September 3, 2026

Family and Social Services Administration
Office of Medicaid Policy and Planning
Attention: Secretary E. Mitchell (Mitch) Roob
402 West Washington Street, Room W374
Indianapolis, Indiana 46204

Dear Secretary Roob,

This letter is in response to the Indiana Family and Social Services Administration (FSSA) open comment period for the proposed new Section 1115 demonstration waiver on behalf of the Indiana Community Action Poverty Institute (Institute). The Indiana Community Action Poverty Institute is a research and advocacy program dedicated to securing financial well-being for all Hoosiers. We are housed within the Indiana Community Action Association (IN-CAA), which represents Indiana's 20 Community Action Agencies (CAAs). CAAs are designed to be responsive to local needs and offer a wide array of programs and services – over 70 in Indiana alone - including financial literacy, Individual Development Accounts (IDAs), weatherization, and emergency food and shelter. Across the state of Indiana, CAAs are on the front lines, working alongside partners to support Hoosiers struggling with financial stability in finding a pathway to upward mobility.

Hoosiers working towards economic self-sufficiency require access to healthcare to both prevent and treat illness, which the Healthy Indiana Plan (HIP) provides. As of July 2026, there are just over 472,000 Hoosiers enrolled in HIP who can access needed healthcare services to prevent worsening health conditions and address acute or chronic medical needs. The current HIP 3.0 proposal would create significant barriers for Hoosiers who are working towards financial stability and independence to ensure that their most valuable asset - their health - is protected. We submit this comment in response to the Section 1115 waiver demonstration application proposal to encourage Indiana FSSA and the Centers for Medicare & Medicaid Services (CMS) to urge FSSA to take into sincere consideration the health and well-being of Hoosiers and our communities.

We strongly request that FSSA consider a significant reduction in the copayments being proposed in the Section 1115 demonstration waiver application.

The passage of the One Big Beautiful Bill (OBBB: Public Law No: 119-21) dictated to Medicaid expansion states cost-sharing requirements (Sec. 71120) of more than $0 and up to $35 for services, and created a 5% cost cap on household income on either a quarterly or monthly basis (dependent on states). In 2026, the Indiana state legislature passed SEA1, which created a baseline range to use in determining co-payment rates (IC 12-15-44.5-5.7) that presently delineates the additional cost-sharing boundaries (mirroring OBBB), of *"least one dollar ($1) and not more than thirty-five dollars ($35)."*

Household Size	138% FPL	Quarterly Break- Out of Household Income	5% Quarterly co-payment maximum	Maximum copayment on a monthly average
1	$22,024.80	$5,506.20	$275.31	$91.77
2	$29,863.20	$7,465.80	$373.29	$124.43
3	$37,701.60	$9,425.40	$471.27	$157.09
4	$45,540.00	$11,385.00	$569.25	$189.75
5	$53,378.40	$13,344.60	$667.23	$222.41
6	$61,216.80	$15,304.20	$765.21	$255.07

Both OBBB & SEA 1 grant FSSA the ability to reduce the currently proposed cost-sharing scale delineated in the Section 1115 demonstration waiver proposal, thereby supporting the financial stability and mobility of Hoosiers on HIP. The cost-sharing structure currently being submitted to CMS for consideration will have significant financial impacts on the budgets of everyday Hoosiers on HIP.

The potential financial harm from even $35 copays becomes clear when considering the minimum amount of income needed for a young Indiana family to maintain stability. A family of four living in Evansville – with two working adults, one toddler, and one infant – needs an estimated survival budget of at least $3,993 per month. Note that this baseline budget does not include utilities, gas or car insurance, or any non-food household purchases.

	Monthly Survival Budget	Rent, Two Bedroom	USDA Thrifty Food Plan, Two Adults & Two Children	Transportation, Avg. used car payment	Childcare, Home-based care, one infant & one toddler
A family of four living in Evansville - Two working parents, one infant, and one toddler	**$3,993**	***$1,113***	***$1,025***	***$531***	***$1,324***

Data Sources: HUD Fair Market Rent (40th Percentile), USDA (thrifty food plan), Experian (average used car payment), Brighter Futures Indiana (childcare).

Even with this pared-down estimate of costs, a family of four that is income-eligible for HIP would earn a maximum of $3,795 per month, which already falls $197.98 short of the bare minimum survival budget. Additionally, these costs only reflect HIP coverage for the two parents and do not include other healthcare costs potentially associated with the two children. When considering the potential impact of now having copays, even capped at 5%

of quarterly income, that family's budget would need to absorb an average monthly cost of $189.79, or potentially up to $569.25 in any given quarter. This is just one example.

The concerns highlighted in the household budget table scenario above were echoed by Hoosiers we engaged with in focus group conversations on the provisions within the OBBB during the spring of 2026. Participants shared openly and clearly that cost-sharing would create a significant financial burden on their households:

- *"**Having to pay a co-pay would probably put me back in the homeless category**. It's that close* [financially] *for me. I have a lot of doctors. I didn't choose this life. It was not what I had wanted…"*

- *"**I don't know how we're supposed to get by if we ever start paying co-payments.** We're hardly getting by, hardly keeping our utilities on…"*

- *"*[A co-payment] *is going to be challenging to me. Right now, with the economy being the way it is, it may be difficult for some of us to pocket that. I mean, just get that particular money to go to the doctor, a copay, and especially if you are a sickly person. So, **it's going to be a forced issue: go to the doctor or use this money to pay for this or pay for that**. So, it's going to be very challenging if they go ahead and say we have to do a co-pay."*

Furthermore, cost-sharing has unintended consequences. For example, studies show that among those needing medications, copayments reduce adherence to regimens. Expected costs are also a deterrent to seeking care, as has been seen in our previous research on medical debt. We hear this directly from Hoosiers as well. For example, a new mother clearly expressed to us that the fear of medical debt caused her to actively delay seeking care:

- *"Right after we had him* [her new child] *last year…**I was having like severe pain in my abdomen and…my chest** and everything. It was just on fire. And I remember like being up at 1:00 in the morning trying to just get it to go away because I'm like, **'I don't want to go to the doctor and have emergency visit bills**.'"*

If this Section 1115 demonstration waiver proceeds as written by FSSA, with the higher cost-sharing, ***we expect to hear more stories of delayed care and the potential life-ending consequences to become increasingly frequent*** as Hoosiers forgo or lose access to healthcare.

While cost-sharing is a requirement of OBBB and SEA 1, ***we suggest capping all co-payments at or below $5 across all service categories.*** Copayments can quickly accumulate and become medical debt for Hoosiers struggling to make ends meet and functionally become a deterrent to attendance at preventive healthcare appointments and in seeking care. Additionally, the *"healthy incentive initiative"* co-payments proposed in

this Section 1115 waiver application are tied to claims processes for the completion of certain preventive activities (i.e. participants must complete at least three). The application states plainly that those who complete those three from the list will "*receive the incentive of reduced copayments for the remainder of the benefit period and for the following benefit period*" (FSSA, Healthy Indiana Plan 3.0 Section 1115 waiver application, 2026, p.13). Functionally, this requires verification via *"claims submissions"* that such activities were completed by the HIP member and therefore would rely on office billing cycles to run all on the same time period for reimbursement (or claims submissions). This would lead to a delay in implementation of these reduced copayments even when a Hoosier is taking the preventative steps requested to meet that threshold. How FSSA would address this is not noted in the waiver application. A simpler process would be to ***reduce the number of services with copayments*** **and** ***create one copayment cost across all categories***. Without simplifying this process, creating variable tiers for co-payments, and basing the ability to access "lower" co-payments on the claims process will create additional instability and unpredictability for lower-income Hoosiers needing healthcare, and increase the potential that they will forgo care or acquire medical debt.

We strongly urge FSSA to reconsider the proposal to "cap" or stop enrollment of those needing access to the Healthy Indiana Plan (HIP).

The Section 1115 demonstration waiver proposal seeks to remove HIP from being nested under the present Medicaid system in Indiana as a State Medicaid Expansion plan. Instead, this Section 1115 demonstration waiver would uncouple HIP from the standardized rules present in State Medicaid expansion plans and allow them to create *bespoke state rules* under the waiver (if approved), while being required to follow newly created OBBB provisions for Section 1115 programs that are tied to "budget neutrality." Functionally, budget neutrality means that programs under a Section 1115 waiver in CMS are not to be approved, amended, or renewed if the project is expected to increase federal spending compared to if the project didn't exist. This is a bar that will be difficult for many state Medicaid expansion programs created via Section 1115 to meet/prove, which could lead to additional state waiver rejections and, in turn, increase the number of uninsured in lower-income populations.

FSSA's proposal takes an extended approach to *bespoke state rules*, requesting that CMS provide "e*xplicit confirmation"* that *"if available funding is no longer sufficient to support HIP consistent with state law and current enrollment, Indiana may either terminate the demonstration authority for the adult expansion population and end HIP expansion coverage or otherwise seek an amendment to limit enrollment in HIP (depending on available funding constraints at the time) rather than operate the program beyond appropriated resources" (*FSSA, Healthy Indiana Plan 3.0 Section 1115 waiver application, 2026, p.9). Functionally, we see this as a request for clearance from CMS to defer to the recently-passed SEA 1 "trigger" provisions (IC 12-15-44.5-4).

Two key components within SEA 1 are tied to this Section 1115 waiver proposal:

- Newly-created trigger provisions within Indiana state law to completely terminate state Medicaid expansion programs if there is a reduction in federal funding support (the "federal medical assistance percentage" (FMAP))

- Requiring the implementation of "incremental fees" to fund the state share of expenses (IC 16-21-10-13.3), functionally shifting costs to those seeking this healthcare coverage to de facto recoup some percentage of costs

While the law passed in the 2026 legislative session (SEA 1) did create a state-level trigger law, it is not unlikely that additional state laws could be proposed to adjust these changes. Therefore, shifting to a purely Section 1115 demonstration waiver for HIP would reduce the state's ability to be responsive to its citizens by placing new boundaries (New Federal "budget neutrality" requirements) on HIP due to being a state Medicaid expansion program vs a Section 1115 demonstration program. This can be most acutely seen in Arkansas's Section 1115 demonstration program (Medicaid expansion) potentially being ended due to newly created OBBB provisions requiring federal budget neutrality and CMS's expanded approach to application. Therefore, by seeking this waiver, the state is placing lower-income Hoosiers at significant risk of CMS stepping in and deeming HIP not budget neutral for the federal government and removing the Section 1115 waiver (functionally closing HIP).

It is also important to note that while one of the stated goals in this Section 1115 application is to "*assure State fiscal responsibility and efficient management of the program,"* the state of Indiana **does not allocate any funds from its General Fund** for HIP (FSSA, Healthy Indiana Plan 3.0 Section 1115 waiver application, 2026, p.15). FSSA has plainly stated this in its public financial reports on Medicaid:

"The favorable variance to forecast in SFY 2026 YTD for the Healthy Indiana Plan (HIP), PathWays, and Hoosier Healthwise is due to lower-than-forecasted enrollment. The HIP program is predominantly funded through an increased federal medical assistance percentage (FMAP), a portion of state cigarette tax revenue, and hospital assessment fees. As a result, these expenditures do not impact the State's general fund." - *FSSA Monthly Medicaid Financial Report for April 2026*

FSSA has stated ***four goals*** related to this application:
"1. Promote value-based decision-making, personal health responsibility, and disease prevention to achieve better health outcomes.
2. Improve health care access, appropriate utilization, and health outcomes among HIP members.
3. Assure State fiscal responsibility and efficient management of the program.
4. Develop program policies to encourage providers to collect copayments and continue providing high-quality care to Medicaid members." (FSSA, Healthy Indiana Plan 3.0 Section 1115 wavier application, 2026, p.15).

FSSA is narrowly focused on *"fiscal responsibility"* in its Section 1115 demonstration waiver application, even though HIP is ***not based on State appropriations of monies,*** as there are no state General Fund monies appropriated for HIP. In doing so, FSSA is minimizing the importance of its other stated goals, such as improving "access to care" and "health outcomes." If FSSA allows for this Section 1115 demonstration waiver application to proceed as is, and CMS were to make it explicit that Indiana could unilaterally control the budgetary confinements of Medicaid expansion in the state, we are concerned there will be significant negative health impacts for low-income Hoosiers. To reinforce our point, FSSA is requesting this permission even though the state is not at a known risk of losing the 90% FMAP monies, allocated from the Federal government, which covers the majority of expansion plan costs while the state covers the rest - 10% - via ***non-state General Fund budgetary means*** (e.g., hospital assessment fee, cigarette tax). Therefore, the present funding structure is not reliant upon the Indiana General Fund and this drive to "reduce costs" seems primarily motivated by a future possibility that there could be a reduction in set-asides (e.g., hospital assessment fee, cigarette tax) used to support the 10% requirement for coverage by the state.

Arbitrarily capping enrollment or doing away with HIP altogether would be devastating to Hoosier families seeking support. In our listening sessions, people told us how much they valued HIP as a source of support in a difficult time or a time of life transition:

- *"I'm a retired barber, and I have some sciatica neck damage. So in between that time before I started my next phase of life, HIP and SNAP came through and allowed me to be on Medicaid while I was off and get some procedures and surgeries done. And now I'm on a new chapter. I'm a licensed CDL truck driver."*

- *"When I was unemployed, HIP came through for me, and I really do appreciate that."*

Medicaid expansion is an evidence-based policy to improve health and households' financial stability. Research has shown that Medicaid expansion programs such as HIP are associated with increased access to care, significantly decreased mortality (for near-elderly adults) in comparison to non-expansion states and improved credit scores amongst lower-income earners by preventing the acquisition of medical debt. Medicaid expansion has also allowed for those with chronic health conditions to obtain and retain employment and has been found to reduce the potential for households to seek out high-interest loan products, such as payday loans.

Further loss of access to healthcare and medicine for low-income Hoosiers – through copayments or loss of HIP coverage altogether – will have far-reaching negative impacts touching every facet of life: workplaces, hospitals, families, and communities in the state of Indiana. We humbly ask FSSA and CMS to consider the functional and real-life human impacts the proposed Section 1115 demonstration waiver will have on everyday

Hoosiers, the health of our communities, and the future of our state. One of our greatest assets is the people in our state; Hoosiers are worth the investment.