# Health Reform Summary: Key Elements Affecting Arkansas Children and Families (3/30/10)

**By Elisabeth Wright Burak, Health Policy Director**

After decades of attempts and more than a year of debate in the current Congress, the final health reform package passed both chambers and has been signed by President Obama. Details on the potential impacts of the original Senate bill and companion ñfixesò bill continue to emerge, but child advocates should rest assured that the bill will offer much needed financial relief and improve the health of thousands of our stateôs children and families.

This package marks a significant step forward for the health of children and families in Arkansas. It will help Arkansas families obtain affordable coverage and the medical care they need for themselves and their children, as well as reduce the potential of devastating financial impacts associated with medical emergencies and the resulting medical bills. AACF looks forward to rolling up our sleeves and working with partners to ensure strong implementation of the health reform package in Arkansas to benefit the families that need it most.

## The Plan Basics

Health reform seeks to ensure that more Americans have access to affordable coverage and services, regardless of pre-existing conditions, income, changes in their job, or the state they live in. In terms of overall structure, this package will:

- Require all individuals and their children to have health insurance coverage or pay a penalty, with exceptions related to low income, financial hardship, and others.
- Require employers, with exceptions for smaller firms, to offer affordable coverage to employees or pay a fee.
- Significantly increase Medicaid income eligibility levels for low-income individuals under age 65 (children, parents and childless adults) to 133% of the federal poverty level, or $24,000 for a family of three.
- Create a Health Insurance Exchange (ñExchangeò), or marketplace for families to compare and purchase insurance, which would offer a choice of plans to those who cannot otherwise access insurance through employers or are not eligible for Medicaid or Medicare. Individuals could choose among multiple plans, which would have minimum

benefits and cost-sharing requirements. Subsidies would be available to individuals and families to help pay for Exchange coverage.

### Many Elements Take Effect *This Year*

While the package will not be fully implemented until 2014, a number of important changes take effect almost immediately.[1]

- Young adults will be allowed to stay on their parent's policies until they are 26 (effective after September 23, 2010).
- Insurance companies will no longer be able to impose lifetime limits or restrictive annual limits, nor can they drop coverage when someone becomes sick (effective after September 23, 2010).
- Children with insurance no longer can be denied coverage for a pre-existing condition (effective after September 23, 2010) The same will apply to adults in 2014 once Exchanges are operational.
- New plans must provide free preventive services to enrollees (effective after September 23, 2010).
- Effective immediately states will be required to "hold steady" when it comes to providing Medicaid and CHIP coverage -- they must at least maintain the coverage that they have in place now and no longer can add new red-tape barriers that make it harder for families to sign up for coverage.
- Until Exchanges are operational in 2014, a high-risk pool will cover qualified uninsured adults with pre-existing conditions.

Child advocates should also not forget the options available to states under last yearôs Childrenôs Health Insurance Program Reauthorization (CHIPRA), which make it much easier for states to enroll uninsured children who are eligible for ARKids First today. While we wait for health reform to be fully implemented, we should do all we can to cover the thousands of uninsured Arkansas children whom we can help right now.

A more detailed summary of provisions related to children and families can be found below. In May 2009, AACF outlined *Five Questions Child Advocates Should Ask of Health Reform*. As with our previous analyses, the questions frame the summary. Watch AACFôs ARVoices blog and web site for updates as more details and regulations emerge.

## For more information…

This overview does not offer every aspect of the bill affecting children and families. It draws heavily from the sources below as well as the bill texts. For more analysis and detail, including other areas of importance like prevention and wellness, quality improvement, or workforce enhancements, see:

- *Key Medicaid, CHIP, and Low-Income Provisions in the Health Care Reform Package (as of March 24, 2010)* by Georgetownôs Center for Children and Families (also see CCFôs Say Ahh! Blog for real time updates on key pieces of the package;
- Multiple analyses by the Center on Budget and Policy Priorities;
- Voices for Americaôs Childrenôs health reform resource center;
- Bill comparison tools by the Henry J. Kaiser Family Foundation.

## AACF Summary of Key Provisions Affecting Children and Families

| **Five Questions Child Advocates Should Ask of Health Reform** | **Final Health Reform Package** *Patient Protection and Affordable Care Act* and *Health Care and Education Affordability Reconciliation Act of 2010* |
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| **1. Does the proposal recognize and support the unique developmental needs of kids?** | *Transfers many low-income children to Medicaid (ARKids First A in Arkansas), which offers more comprehensive benefits, including EPSDT.* In 2014, approximately 70,000[2] low-income children would be moved to traditional Medicaid with the increase to 133% of the federal poverty level, or $24,000 for a family of three. In Arkansas, this means children between ages 6 through 18 between 100 and 133% of the federal poverty level would become eligible for ARKids First A rather than ARKids First B, which provides fewer benefits. (Children under age 6 in this income bracket are already eligible for ARKids First A). Early, Periodic, Screening, Diagnosis, and Treatment (EPSDT) requires states to ensure children in Medicaid receive any service deemed medically necessary for their healthy development. Children that would be newly eligible for ARKids First A/Medicaid would gain access to this EPSDT benefit, providing all the care they require to grow into healthy adults.<br><br>*Maintains the Children's Health Insurance Program until 2019, with funding through 2015.* The package recognizes the important role CHIP plays in protecting the physical and financial health of millions of children and families, keeping the program in place through 2019. Funding is guaranteed through federal fiscal year 2015 (through September 30, 2015). If a state runs out of federal funding, children may be enrolled in Exchange plans provided they offer comparable coverage. The Secretary of the federal Department of Health and Human Services (HHS) will be required to review and certify which Exchange plans provide CHIP-comparable benefits and cost-sharing. It is not yet clear how or whether a mechanism will exist to ensure comparable plans available through the Exchange.<br><br>Each stateôs CHIP federal matching rate, or enhanced FMAP, will increase by 23 percentage points by October 1, 2015 to a maximum of 100%. Since Arkansasôs enhanced CHIP is already over 80%, Arkansasôs match will increase to 100%. The increased match depends on more federal funding becoming available. If funding does not materialize for the 2016 federal fiscal year, children currently funded in CHIP would move to the Exchange with family subsidies.<br><br>*Sets benefit benchmarks for private insurance coverage.* Health plans must provide a *minimum* benefits package that covers comprehensive services. For children, plans effective after September 23, 2010 must cover the preventive care and screenings identified in Bright Futures, the ñgold standardò guidelines for preventive care and screenings from the American Academy of Pediatrics (AAP) adopted by many states. No cost sharing (co-pays) would be allowed for preventive services in any benefit plan.<br><br>*Funds states to develop maternal, infant and early childhood home visitation programs.* (See ñWill vulnerable children and families be protected?ò below) |

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| **2. Will vulnerable children and families be protected?** | *Extends Medicaid to all low-income uninsured under 65.* The bill would require Arkansas and other states, starting in 2014, to cover all adults up to 133% of the federal poverty level ($24,000 for a family of three) under Medicaid, which offers a comprehensive benefits package for low-income individuals and families with no other affordable insurance option.[3] This would be especially positive for low-income families. Currently, a non-disabled parent in Arkansas is only eligible if his or her income is at or below 17% of the federal poverty level (just over $3000 a year for a family of three). It would also remove asset tests for parents and many childless adults, meaning vehicles and other assets would not count against their income for eligibility purposes.[4] Covering entire families makes a difference: children are more likely to access health services when their parents have coverage.<br><br>*Invests $1.5 billion for states to develop maternal, infant and early childhood home visitation programs.* Funds would be available for the next five years, with $100 million available during 2010. With one of the highest infant mortality rates in the country, Arkansas would benefit significantly from new resources for these programs.<br><br>*Extends Medicaid coverage to former foster care youth.* Effective January 1, 2014, the bill would require states to extend Medicaid eligibility to youth up to age 26 who spent at least six months in the foster care system.<br><br>*Prohibits insurers from denying coverage based on pre-existing conditions.* (See ñWill coverage and access to services be equitable?ò below) |
| **3. Will coverage be affordable for all?** | *Limits out-of-pocket costs for individuals and families (deductibles, coinsurance, copayments).* This provision offers a level of financial protection for consumers. Insurers could no longer cap the cost of benefits provided annually or over a lifetime. Basic benefits packages in the Exchange would be prohibited from requiring co-payments for preventive services, and out-of-pocket costs would be subject to an annual cap of $5,950 for an individual and $11,900 for a family in 2010, with decreasing caps for those with lower incomes. Families under 150% of the federal poverty line, for example, would be subject to an annual cap of $1,983 for an individual and $3,967 for a family.[5]<br><br>*Makes subsidies available for very small businesses.* Effective immediately, small businesses with no more than 25 employees and average wages below $40,000 could receive sliding-scale subsidies covering 35% of premium costs (increasing to 50% by 2014). Note that these small businesses, unlike large employers, would be exempt from the requirement to offer health insurance.<br><br>*Extends Medicaid to all low-income uninsured under 65.* The bill would require Arkansas and other states, beginning in 2014, to cover everyone up to 133% of the federal poverty level under Medicaid, which offers a comprehensive and affordable benefits package for low-income individuals and families with no other affordable insurance option (see above). |

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| **Will coverage be affordable for all? (con't).** | *Provides subsidies to low- and moderate-income families to help purchase coverage through the Exchange, but still a heavy lift for some families.* Individuals and families who do not have access to employer-based insurance or Medicaid with incomes under 400% of the federal poverty level (approximately $73,000 for a family of three) would receive subsidies on a sliding scale to purchase Exchange coverage. |
| **4. Will coverage and access to services be equitable?** | *Prohibits insurers from denying coverage based on pre-existing conditions.* Plans in the Exchange or the small group insurance market would no longer be able to deny coverage for pre-existing conditions. This would take effect after September 23, 2010 for children and in 2014 for adults.<br><br>*Increases reimbursement rates for Medicaid primary care services*. In 2013 and 2014, states will receive 100% federal funding to increase Medicaid reimbursement rates for primary care services up to Medicare levels. In 2008, Medicaid physician rates were 72% of Medicare rates.[6]<br><br>*Creates a "no wrong door" enrollment system* between Exchange subsidies, Medicaid and CHIP. A single application process would guide children and families to the program for which they are eligible, regardless of where they start their application.<br><br>*Increases and extends funding in CHIP for Medicaid and CHIP enrollment and renewal activities.* An additional $40 million would be available to states and communities to improve enrollment and renewal efforts, increasing the total outreach funding to $140 million through 2015.<br><br>*Allows states to provide CHIP coverage to children of state employees.* Currently CHIP law prohibits states from enrolling state employee children. The bill would allow states to enroll these children in CHIP if the employeeôs cost sharing exceeds 5% of the familyôs income. Arkansas already covers state employee children through ARKids First.<br><br>*Funds school-based health centers*. The package provides $250 million to create and fund school-based health centers to offer comprehensive preventive and primary care services for children and their family.[7] With the success of Coordinated School Health and newly-funded school wellness centers from the stateôs tobacco tax, Arkansas would be well-positioned to take advantage of this kind of funding opportunity.<br><br>*Expands funding for community health centers*, which often serve as the only available health care home for the most vulnerable Arkansans.<br><br>*Sets benchmarks for insurance coverage:* Health plans must provide a *minimum* benefits package, with additional requirements for children based on the AAPôs Bright Futures guidelines (see above). |

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| **5. How will we pay for the plan and contain health care costs?** | *Reform will be fully paid for through improved efficiency and a tax on the highest cost health plans*. This package is reported to cost the federal government $938 billion over the next 10 years. These costs are financed through a combination of savings from improved efficiencies in Medicare, Medicaid, and other health programs; an excise tax on the value of health plans over $10,200 for individuals and $27,500 for families[8] and an increase of 0.9% Medicare payroll tax for high-income employees in households over $250,000 for married couples and $200,000 for individuals.[9]<br><br>*Reduce budget deficits by $143 billion over the next decade*[10] This bill will not damage the economic futures of the next generations by adding to the deficit. In fact, according to the Congressional Budget Office, it would actually reduce deficits for ten years and beyond 2019.<br><br>*States would not be required to take on expanded Medicaid costs until 2017.* To make more Americans eligible for Medicaid, the federal government would pay for all new costs under the state-federal Medicaid program for federal fiscal years 2014-2016, and states would begin to contribute to the costs starting in the 2017 federal fiscal year, or October 1, 2016. Arkansas would take on 5% of the cost for new Medicaid recipients in 2017, 6% in 2018, 7% in 2019, and 10% after 2019[11] ï much less than the typical 23% the state usually contributes under Medicaid. The federal match would bring $2 billion or more additional federal dollars into Arkansas annually. At 95% federal match, the 5% state cost is estimated to be approximately $100 million, increasing to as much as $200 million at 10%.[12] |

For more information, contact Elisabeth Wright Burak, Health Policy Director at 501-371-9678 Ext. 119 or Elisabeth.burak@aradocates.org.

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[1] Center for Children and Families (2010). Key Medicaid, CHIP, and Low-Income Provisions in the Health Care Reform Package, Washington DC: Georgetown University. Also see Guyer, J. (2010) ñHealth Reform is the New Law of the Landò Say Ahh Blog, Georgetown Center for Children and Families, available at http://theccfblog.org/2010/03/health-reform-is-new-law-of-the-land.html

[2] State-level estimates by the Lewin Group for the National Governors Association on the Senate Finance bill.

[3] Note: the transfer of children between 100- 150% of the federal poverty level would not occur until 2014.

[4] Children are already not subject to asset tests in Arkansas for ARKids First A/Medicaid or ARKids First B.

[5] See Table 2, Center for Children and Families (2010) *Key Medicaid, CHIP, and Low-Income Provisions in the Health Care Reform Package*, p. 2. Washington, DC: Georgetown University Health Policy Institute, p. 6. Available at http://ccf.georgetown.edu/index/cms-filesystem-action?file=ccf%20publications/health%20reform/health%20reform%20package%20final.pdf

[6] Zuckerman, S., Williams, A.F., Stockley, K. (2009). ñTrends In Medicaid Physician Fees, 2003ï 2008.ñ *Health Affairs*, 28, no. 3 (2009): w510-w519 (Published online 28 April 2009)

[7] National Assembly of School-based Health Care (2010). ñVictory for SBHCs in Health Reformò Available at http://www.nasbhc.org

[8] Center for Children and Families (03/24/10). Key Medicaid, CHIP, and Low-Income Provisions in the Health Care Reform Package, p. 2. Washington, DC: Georgetown University Health Policy Institute, available at http://ccf.georgetown.edu/index/cms-filesystem-action?file=ccf%20publications/health%20reform/health%20reform%20package%20final.pdf

[9] For more information, see the Kaiser Foundationôs summary of the new health reform law at http://www.kff.org/healthreform/upload/finalhcr.pdf

[10] For more information, see the Center on Budget and Policy Priorities 03/25/10 report at http://www.cbpp.org/cms/index.cfm?fa=view&id=3134

[11] For more information, see the Georgetown University Health Policy Instituteôs Center for Children and Families 03/24/10 report at http://ccf.georgetown.edu/index/cms-filesystem-action?file=ccf%20publications/health%20reform/health%20reform%20package%20final.pdf

[12] Estimates by Arkansas Dept of Human Services, phone conversation 1/8/10