

ARKANSAS WORKS ON CHANGES TO HEALTH COVERAGE

AN ANALYSIS OF PROPOSED CHANGES TO MEDICAID EXPANSION



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WHAT YOU NEED TO KNOW:

1. The state of Arkansas expanded Medicaid eligibility to many low-income adults, which sharply dropped rates of uninsured people and saves millions in the state budget every year.
2. The state's Medicaid expansion program, currently known as the Private Option, will end in December 2016 unless lawmakers take action.
3. Governor Hutchinson proposed *Arkansas Works* as an affordable coverage program to replace the Private Option. Soon, during a special session for Medicaid, lawmakers will vote on whether to continue *Arkansas Works*.
4. The *Arkansas Works* program features several changes to the state's Medicaid expansion, including subsidizing coverage offered by an employer; making work training referrals; eliminating 90-day retroactive eligibility; increasing premiums; and giving the state the right to terminate the program in 30 days.
5. Some of the proposals are potentially more harmful to consumers and providers, specifically changes to retroactive eligibility and premiums, and a compressed timeline for terminating the program.



INTRODUCTION

In 2013, Arkansas lawmakers cast a historic vote to expand coverage to 250,000 uninsured Arkansans. Since that time, many working adults, parents, caregivers, students, and everyday Arkansans have enrolled in the Private Option, which provides adults who earn up to 138 percent of the federal poverty level¹ with an affordable, comprehensive coverage option. Medicaid dollars are used to pay the premiums for eligible Arkansans to enroll in private plans on the insurance marketplace.

The Private Option has been very successful. Arkansas is now a national leader in reducing rates of uninsured adults, from 22.5 percent in 2013 to 9.1 percent in 2015.² Also, the state stands to save up to \$757 million in the budget even after it picks up 10 percent of the costs.³ Access to affordable coverage promotes economic security for families and protects them from high medical bills, which is a leading cause of bankruptcy. It also allows people to be healthy enough to earn a living and increases the chances that children in the family maintain coverage.

ARKANSAS WORKS PROPOSAL

Last year, lawmakers passed Act 46 of 2015, which authorized the Private Option program to continue through the end of 2016.⁴ Lawmakers will have to take legislative action to continue to offer expanded health coverage beyond that date. As part of the decision-making process, the Act also created the Health Care Reform Task Force. The Task Force began meeting immediately with a goal of making recommendations to the Governor about future changes to the Private Option. After meeting for several months to consider health reform options, hear from stakeholders, and examine data on the impact of expanded health coverage, the Task Force considered several recommendations. Governor Asa Hutchinson also presented the *Arkansas Works* plan, which includes many of the reforms the Task Force discussed. Recently, the Task Force voted to support the framework for the Governor's plan.

The *Arkansas Works* program will replace what is commonly known as the Private Option, if lawmakers vote to support the proposed changes during a special

session in April 2016. *Arkansas Works* will ensure continued access to coverage for hundreds of thousands of hard-working Arkansans, but it also includes changes that tend to appeal to more conservative lawmakers. The following brief analyzes these proposed changes and the potential impact on Arkansas families.

The chart on the opposite page summarizes the key features of Gov. Hutchinson's *Arkansas Works* proposal.

IMPACT OF PROPOSED CHANGES

Subsidized Employer-Sponsored Insurance (ESI)

Subsidizing ESI for Medicaid-eligible individuals is not a new concept. Arkansas already has a Health Insurance Premium Payment (HIPP) program for traditional Medicaid.⁵ If someone is enrolled in employer-sponsored coverage and eligible for Medicaid, they can receive reimbursement for their out-of-pocket health care costs. This proposed policy would extend the program to the Medicaid expansion or *Arkansas Works* enrollees and make it mandatory (if they work for a participating employer). A potential benefit of this policy is reduced costs to the state because employers will also make contributions. It could also improve the transition between Medicaid and ESI, since employees will not have to switch plans once they are no longer eligible for expanded Medicaid. While this policy may create an incentive for businesses to offer health coverage to their employees, there are potential administrative challenges. The state will have to develop a process for certifying that the employer-sponsored plans meet minimum coverage requirements based on federal law.

Finally, the proposed policy will exclude 19- and 20-year-olds from having to enroll in ESI. This is an important feature to ensure young adults can get full Early and Periodic, Screening, Diagnosis, and Treatment (EPSDT) benefits as required in Medicaid. Usually, plans must provide wraparound benefits to fill in the gaps between what is covered by private plans and Medicaid or CHIP. Research suggests it's difficult for states to provide and track wraparound benefits in coordination with ESI plans.⁶



Key Features of Arkansas Works	
Arkansas Works Feature	Description of Proposed Policy
Subsidized Employer-Sponsored Insurance	Employed individuals eligible for <i>Arkansas Works</i> will be required to enroll in their employer-sponsored insurance plan (if their employer participates in program). The health plan will be subsidized with Medicaid dollars to cover the premium. The state will explore incentives to encourage small businesses to participate.
Work Training and Referrals	Unemployed individuals eligible for <i>Arkansas Works</i> will be referred to the Dept. of Workforce Services to find employment and receive work training. Students and full-time caregivers will be exempt.
Cost-Sharing for Enrollees Above 100% of the Federal Poverty Level (FPL)	Individuals enrolled in <i>Arkansas Works</i> who earn above 100% of the FPL will be required to pay monthly premiums. A flat rate of \$19 was proposed. Failure to pay after a 90-day grace period will result in a debt to the state.
Eliminate 90-Day Retroactive Eligibility	Retroactive eligibility is a standard feature in state Medicaid programs, and covers expenses incurred 90 days before an individual enrolled. This policy would eliminate retroactive eligibility.
Expedient Termination of Waiver	The state will have the right to terminate the program by providing a 30-day notice to end the demonstration waiver.

Premiums for Enrollees

Today, Private Option enrollees with incomes above 100 percent of the FPL make a monthly contribution of \$10-\$15 into an Independence Account. If the enrollee fails to make the monthly payment and sufficient funds aren't in the account, cost-sharing requirements like co-pays are due when the consumer visits the doctor. The *Arkansas Works* proposal increases this amount to a flat fee of \$19, which will be collected by insurance carriers. Extensive research shows that even small fees can be a barrier to enrolling in coverage and accessing treatment.⁷ Also, enrollees will incur a debt to the state if the premiums are not paid. While this is an improvement from more dangerous proposals to lock individuals out of coverage, it will still create a hardship for many low-income families. The proposal reduces administrative costs to the state to collect premiums, but it will require additional coordination between Medicaid and carriers, and they will need to ensure that monthly payment information is clear and easy-to-understand for consumers.

Work Training and Referrals

A major goal of the new *Arkansas Works* program is creating a temporary affordable health coverage program for adults as they transition to other coverage options, mainly employer-sponsored coverage. Initially, plans to achieve this involved imposing a work requirement with the possibility of losing coverage for failure to comply. Aside from the fact that federal laws prohibit tying Medicaid eligibility to employment, this was problematic because it threatened to remove the very thing that allows the state to have a healthy workforce — having stable health coverage. Also, over half of enrollees are already employed, and many others live in a household with a working adult.⁸

The current version of this proposal takes these factors into account and proposes a referral to the Department of Workforce Services for employment and work training. The good news is that this will not create a risk of losing coverage, and it allows exemptions for students and caregivers. Similar exemptions should be allowed for some



families with a single income. Many families choose to have only one parent work full-time due to the high costs and low access to quality child care, and an exemption would be helpful. Enrollees should also know that employment support is voluntary. This is particularly important in regions with limited employment opportunities.

Eliminate 90-Day Retroactive Eligibility

The 90-day retroactive eligibility policy is a standard feature in the Medicaid program that covers any medical bills incurred three months before enrollment. Medical emergencies are unpredictable and costly; 90-day retroactive eligibility helps safeguard low-income families from incurring medical debts they can't pay. Health care providers and the state benefit from retroactive eligibility, too. Doctors and clinics are not left with unpaid bills for treatment they've provided. Though the proposal to eliminate retroactive eligibility would create similar enrollment processes for *Arkansas Works* and insurance carriers, the financial risk of removing retroactive coverage outweighs any potential benefit. It's also important to ensure the policy allows interim coverage from the time of application until the enrollment date. This is critical because of significant delays families currently experience between the time they complete the application and are successfully enrolled in a health plan.

Expedition Termination of Waiver

The *Arkansas Works* proposal includes a policy that will allow the program to be terminated within 30 days. Every state has the right to end a demonstration waiver or program, and details are spelled out in every waiver that receives federal approval. However, it is critical to have a reasonable phase-out of the program that allows the state to implement an alternative plan. For example, Medicaid categories like coverage for breast and cervical cancer would need to be restored. Some Medicaid eligibility categories were eliminated because these individuals became eligible for Private Option. In addition to the burden on families, health care providers would also bear the brunt of a sudden increase in uninsured patients.

Currently, the terms of the Private Option demonstration waiver require the state to notify the federal government of plans to terminate the program no less than six months in advance of the intended end date.⁹ After the phase-out plan

is approved, the state can begin implementing the phase-out process within 14 days. There is no need to change the current terms because they allow for a reasonable timeframe to phase out the program and properly notify and transition enrollees to other coverage options.

FROM THE PRIVATE OPTION TO ARKANSAS WORKS

The transition from the Private Option to *Arkansas Works* is very important because lawmakers will be setting the course for the future of health care in the state. Coverage must continue to be comprehensive, affordable, and accessible regardless of income. By ensuring everyone can have a healthy, productive future, *Arkansas Works* also supports positive economic growth in the state for years to come. However, it's vital that the changes to the program do not create new barriers for families and reverse the impressive progress we've made to improve the health of all Arkansans.

NOTES

¹ Based on 2015 guidelines, 138% of the FPL is \$16,243 for an individual and \$32,465 for a family of four.

² Witters, D. (2015) Gallup. In US, Uninsured Rates Continue to Drop in Most States. Retrieved from <http://www.gallup.com/poll/184514/uninsured-rates-continue-drop-states.aspx>.

³ The Stephen Group estimated a cost savings of \$438 million in August 2015. This figure was updated to \$757 million in March 2016 based on real spending data from the previous and current year. TSG Status Report March 7, 2016.

⁴ Act 46 of 2015: <ftp://www.arkleg.state.ar.us/acts/2015/Public/ACT46.pdf>.

⁵ Arkansas Health Insurance Premium Payment (HIPP) website: <http://myarhipp.com/>.

⁶ Kaiser Commission on Medicaid and the Uninsured (2013). Premium assistance in Medicaid and CHIP. Retrieved from <http://ccf.georgetown.edu/wp-content/uploads/2013/03/premium-assistance.pdf>.

⁷ Kaiser Commission on Medicaid and the Uninsured (2013). Premiums and cost-sharing in Medicaid. Retrieved from <http://kff.org/medicaid/issue-brief/premiums-and-cost-sharing-in-medicaid-a-review-of-research-findings/>.

⁸ Schubel, Jessica (2015). No need for work requirements in Medicaid. Center on Budget and Policy Priorities. Retrieved from <http://www.cbpp.org/blog/no-need-for-work-requirements-in-medicaid>.

⁹ Centers of Medicare and Medicaid Services (August 14, 2015). Special Terms and Conditions. Arkansas Health Care Independence Program. Retrieved from <https://www.medicare.gov/Medicaid-CHIP-Program-Information/By-Topics/Waivers/1115/downloads/ar/ar-private-option-ca.pdf>.