

*Strengthening
Medicaid
Helps
Families*



*Originally published in October of 2012
UPDATED January 24, 2013*

*Report author: Anna Strong, Health Policy Director,
Arkansas Advocates for Children and Families*

*Arkansas Advocates
for Children and Families
Union Station, Suite 306
1400 West Markham
Little Rock, AR 72201
501-371-9678*

*Northwest Arkansas Office
614 East Emma, Suite 107
Springdale, AR 72764
479-927-9800*

www.aradvocates.org



Arkansas's Opportunity to Strengthen Medicaid Helps Families, Is a Good Investment

Hitting the High Points

- When parents have coverage, children get the coverage and care they need.
- Many low-income Arkansans can't access Medicaid today – non-disabled parents in a family of four must earn less than \$3,000 per year to qualify. Most childless adults who are not disabled or pregnant do not qualify.
- Almost half of low-income adults are uninsured, including 80,000 parents in Arkansas.
- Extending Medicaid to those who earn less than 138 percent of the federal poverty level (\$31,800 for a family of four) would help 250,000 more Arkansans access health coverage. It's the right thing to do.
- Most Arkansans that would gain coverage under Medicaid work but cannot afford coverage or access it through their jobs.
- Extending Medicaid is the right thing to do for our state's budget, too. It will save Arkansas \$630 million in state funds over the first eight years.

How will the Affordable Care Act help Arkansas children and families?

In Arkansas, we have successfully lowered the rate of uninsured children under the age of 19 from 22 percent in 1997 to 7.3 percent in 2010 thanks to ARKids First, the state's Medicaid and Children's Health Insurance Program (CHIP) program.^{1,2} Child advocates should be proud of these remarkable gains. However, there is still work to do to ensure that all Arkansas children get health coverage, keep it, and access the health care they need.

One way to help is to ensure the adults in children's lives, including future parents, have health insurance too. More than a half-million Arkansans are uninsured, most of whom are adults between the ages of 19 and 64. New coverage options under the Affordable Care Act (ACA) will give many access to affordable health coverage for the first time.

Overall, the new health law has the potential to reduce the number of uninsured children by about 40 percent, which would help almost 22,000 Arkansas children gain coverage.³ When low-income parents have health coverage, eligible children are more likely to enroll as well, stay enrolled, and receive preventive care and other health services.⁴ Adults benefit too. A recent study showed that, particularly for adults age 35-64, minorities, or those of lower socioeconomic status, mortality is reduced when Medicaid coverage is extended.⁵

Arkansas has the chance to ensure all families can gain from the peace of mind that secure health coverage brings. Two primary components of the ACA would help accomplish the goal of covering uninsured Arkansans:

- Extending Medicaid to uninsured adults who earn less than or equal to 138 percent of the Federal Poverty Level (FPL), or about \$31,800 per year for a family of four, and
- Offering coverage through the state's Health Insurance Exchange to uninsured families with incomes above the new Medicaid eligibility limit, with subsidies on a sliding scale (in the form of advance tax credits) to families of four who earn less than \$92,200 per year.

An estimated 250,000 Arkansans will become eligible for Medicaid if the state takes advantage of the opportunity; another 200,000 will be eligible to purchase subsidized coverage through the Exchange.⁶ This brief demonstrates why Arkansas should make Medicaid available to adults up to 138 percent of the federal poverty level as allowed by the ACA to help all Arkansas families gain access to health coverage and better health.

What coverage is available through Medicaid today?

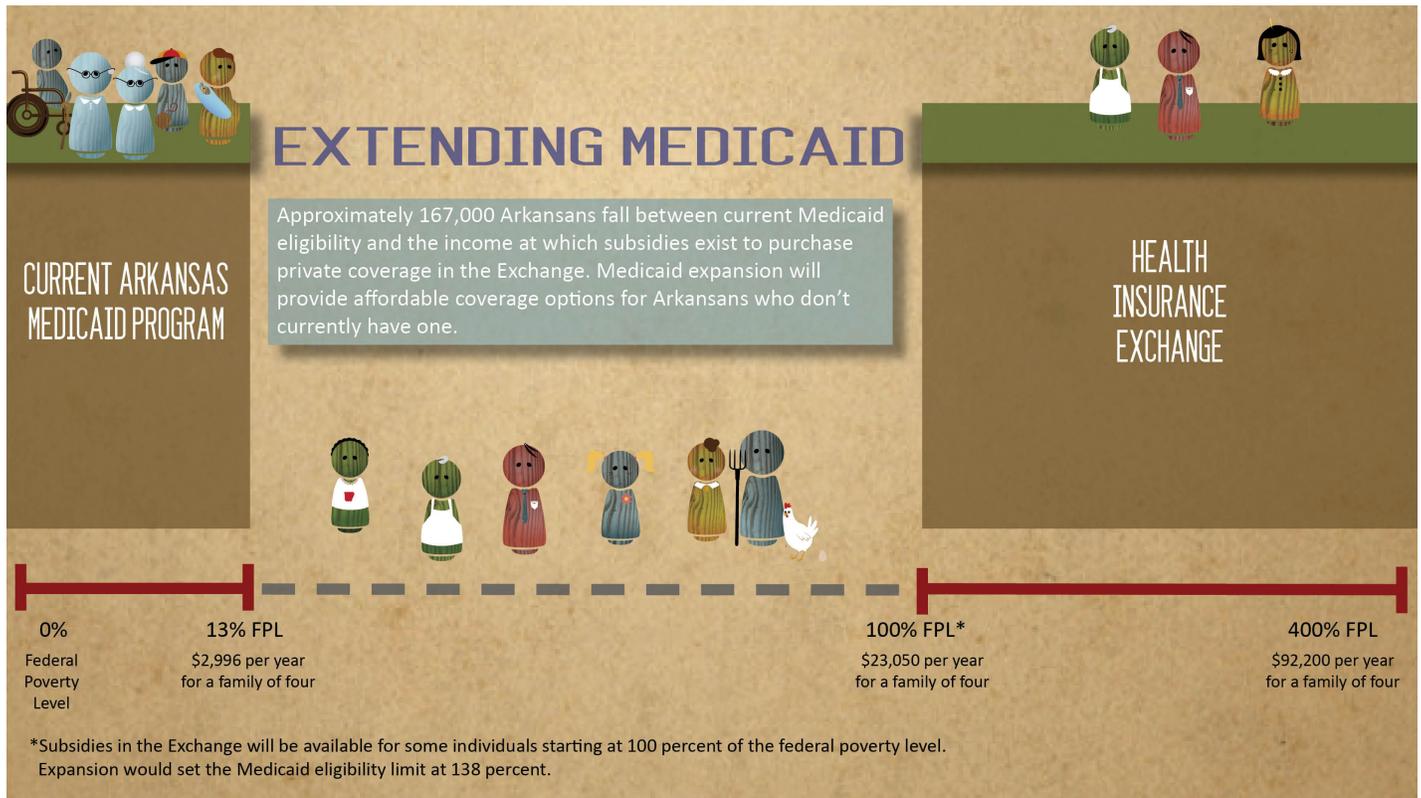
For many years ARKids and Medicaid have ensured that low-income children, disabled adults, pregnant women, and seniors have access to health care. ARKids First covers children up to 200% FPL (\$46,100 for a family of four). However, many low-income adults remain ineligible for Medicaid. While federal law requires Medicaid cover low-income parents, it lets states choose whether to extend beyond the required minimum level of coverage. Arkansas, next to Alabama, has the most restrictive Medicaid program in the country when it comes to eligibility for parents. This means most parents and non-disabled childless adults who are not pregnant do not qualify for Medicaid in Arkansas. The eligibility process is complex, but the table below outlines basic income limits for several Arkansas Medicaid categories.⁷

Arkansas Medicaid Eligibility - Income Limits

Parents	Jobless parents are eligible up to incomes of 13% FPL (\$3,000/year for a family of four). Working parents are eligible up to 17% FPL (\$3,900/year for a family of four). Must have less than \$1,000 in assets. This is the minimum coverage allowed by federal law.
Childless adults (non-disabled, not pregnant)	Non-disabled, childless adults who are not pregnant and work fewer than 30 hours per week are not eligible for Medicaid. Adults who have been uninsured more than 12 months, who are employed or self-employed and work 30+ hours a week, whose jobs do not offer group coverage, who earn less than 200% FPL (\$46,100/year for a family of four) can qualify for AR-HealthNetworks. Only a few thousand childless adults are enrolled in this program today. ⁸
Pregnant Women	Pregnant women are eligible for Medicaid during and immediately following their pregnancy if they earn up to 200% FPL (\$46,100/year for a family of four) and have less than \$3,100 in assets. This is through Medicaid's "Unborn Child" option.
Disabled	Children and adults who are permanently disabled (for more than 12 months) who also earn less than \$674/month and have less than \$2,000 in assets are eligible for Supplemental Security Income (SSI) Medicaid.
Children	Children are eligible for ARKids First if their family earns up to 200% FPL (\$46,100/year for a family of four).
Elderly/Long-term care	Elderly individuals who earn less than \$2,022/month and have less than \$2,000 in assets can qualify for Medicaid.

Private insurance options are not much better for low-income families. The average annual premium for family health coverage was almost \$12,000 in 2010.⁹ In a state with a median income of just \$38,400, the cost of health coverage represents a significant portion of most families' budgets.¹⁰ Many jobs do not offer health coverage to employees, or the employer may not pay enough of the premium for coverage to be affordable to families. This leaves many unable to access private coverage.

Families above the poverty level will qualify for subsidies, in the form of tax credits, to help them afford coverage through the Exchange. However, there is a significant gap between Arkansas's current Medicaid coverage and the lowest income at which subsidies are available, 100 percent of the poverty level. An Urban Institute report estimated that 167,000 uninsured Arkansans exist in a "coverage ravine" where there are no options for affordable coverage.¹¹ Extending Medicaid will help bridge this gap and make coverage affordable for all.



Who are Arkansas' uninsured adults?

Examining the data for uninsured adults helps demonstrate why covering parents and other adults helps children and strengthens families. The data from the American Community Survey help paint a picture of the uninsured adults in Arkansas.

The vast majority of Arkansas's half million uninsured are adults between the ages of 19 and 64 (Figure 1). About half would be eligible for the new Medicaid program, while the other half would be able to purchase coverage in the Exchange.

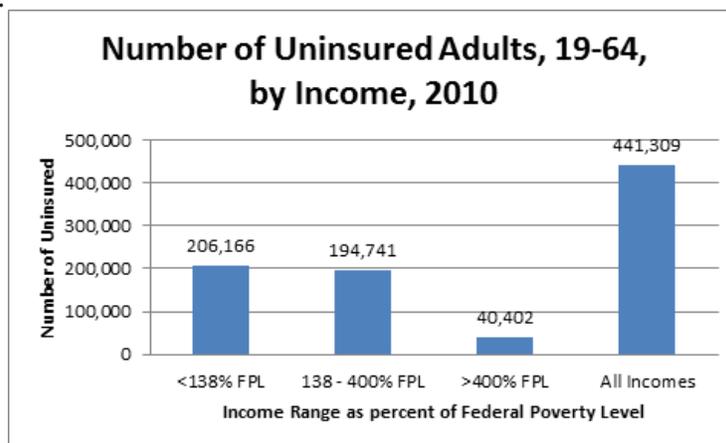


Figure 1 Unpublished runs from Population Reference Bureau analysis of 2008, 2009 and 2010 ACS PUMS data, US Census Bureau¹²

Almost half of non-elderly adult Arkansans who could qualify for extended Medicaid coverage are uninsured.¹³ Their 48 percent uninsured rate is almost double that of any other income range (See Figure 2).

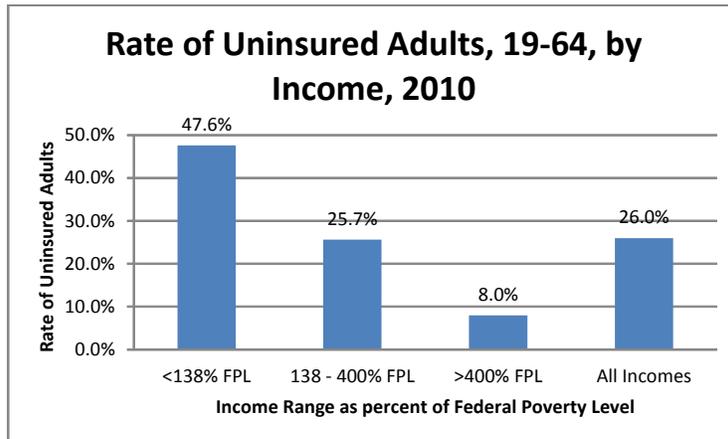


Figure 2 Unpublished runs from Population Reference Bureau analysis of 2008, 2009 and 2010 ACS PUMS data, US Census Bureau

Adults of childbearing and parenting age - those most likely to be caretakers of children - have the highest uninsured rate among those potentially eligible for extended Medicaid coverage.¹⁴ Upwards of 50 percent of younger adults are uninsured (Figure 3). Poor physical or mental health in parents can place stress on a child, impairing his or her well-being.¹⁵ Since uninsured adults are more likely to go without needed care, it's likely more uninsured parents have untreated health issues affecting the children around them.¹⁶

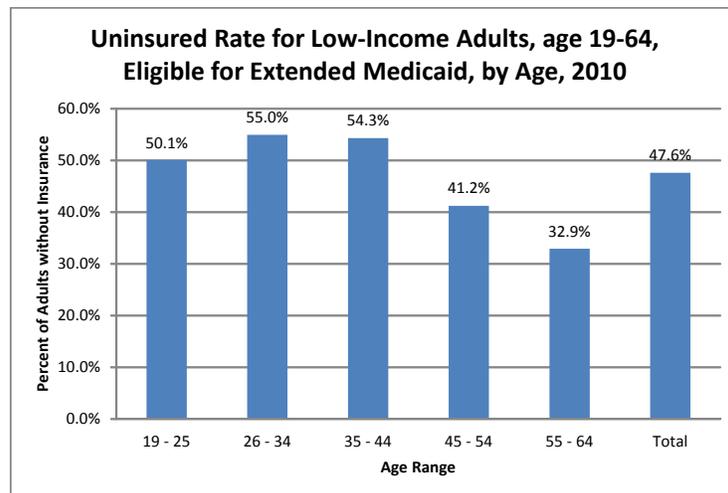


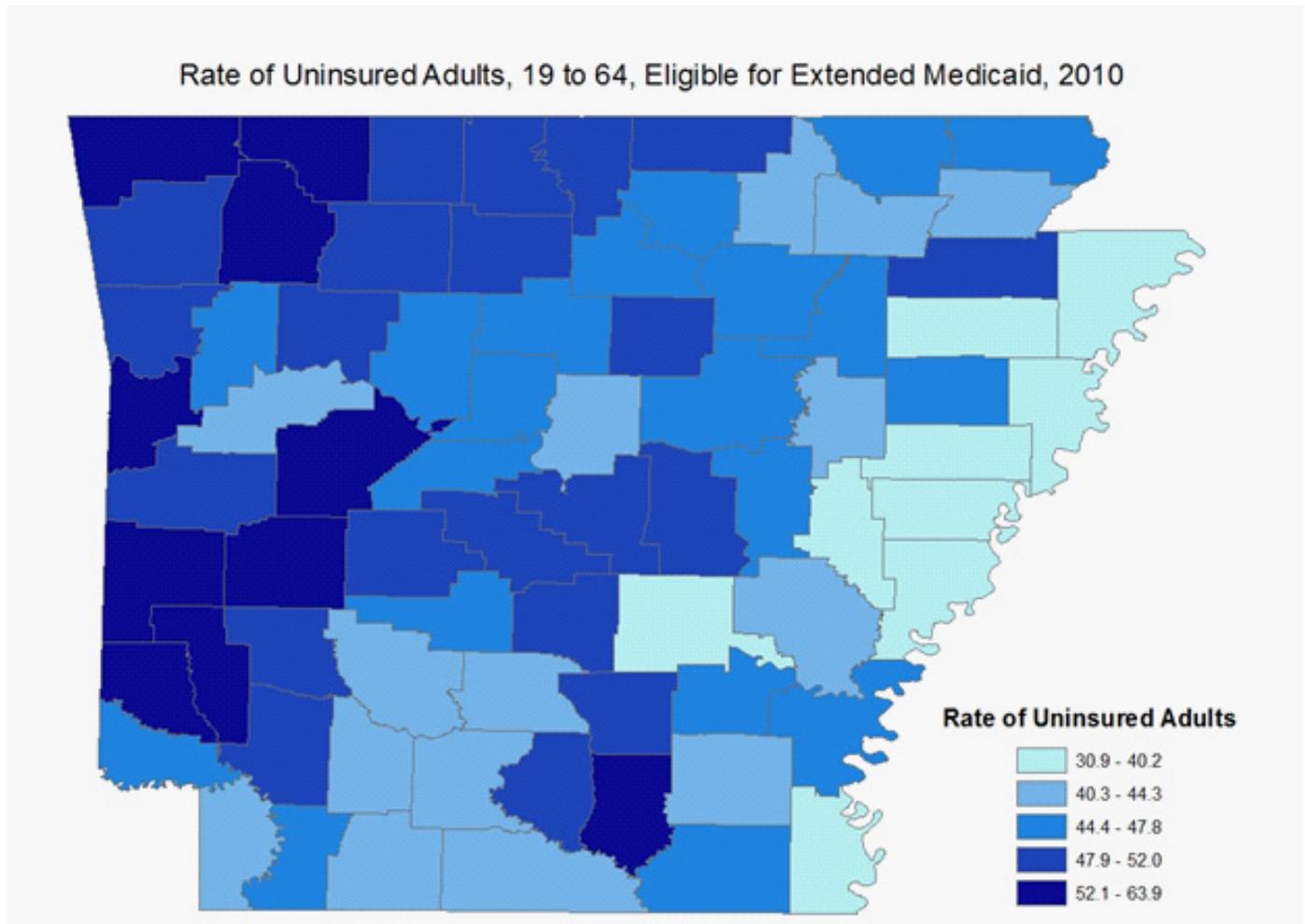
Figure 3 Unpublished runs from Population Reference Bureau analysis of 2008, 2009 and 2010 ACS PUMS data, US Census Bureau

Parents, specifically, lack coverage. In Arkansas, 143,000 parents are uninsured; 80,000 of these would be eligible for Medicaid if were extended to 138 percent of the poverty level. Medicaid eligibility for parents in Arkansas is very low: families can earn no more than \$3,000 per year for a family of four, with a \$1,000 limit on personal assets. Parents with poor health and no coverage may be less able to work and take care of their families.¹⁷ The table below shows that most uninsured parents eligible for extended Medicaid coverage are from working families (See top of page 8).

Of 80,000 Uninsured Parents Eligible for Extended Medicaid Coverage:

23%	Are currently eligible for Medicaid, but un-enrolled
39%	Earn less than \$11,755 per year for a family of four
58%	Work
70%	Are white
100%	Are parents who have a child eligible for ARKids First

If Arkansas does not choose to extend Medicaid, most uninsured adults below the poverty line – including these 80,000 parents - are left without an affordable path to coverage. Significant geographic gaps exist by county as well.



Source: U.S. Census Bureau, Small Area Health Insurance Estimates. <http://www.census.gov/did/www/sahie/data/interactive/index.html>

Extending Medicaid is a good deal for Arkansas

It's clear that covering parents and other adults by extending Medicaid to those who qualify under the ACA is the right thing to do for Arkansas families. If the state does not choose to do so, low-income uninsured adults will continue to lack realistic options for health coverage. Providing coverage for low-income adults has the added benefit of reducing the number of uninsured children in Arkansas.

The great news is that extending Medicaid is the right thing to do not only for Arkansans who will gain coverage, but for the state's budget and taxpayers. Arkansas's Department of Human Services estimates show that extending Medicaid will save more than \$630 million in state funds over the first eight years. Despite covering thousands more people, net savings are achieved through the following¹⁸:

- More than \$800 million in additional federal dollars coming through Arkansas's health care system each year
- State tax revenue generated by the new federal investment
- Reductions in the state's budget directed to uncompensated physical and mental health care
- Transition of individuals from existing categories of Medicaid (such as pregnant women or the medically needy "spend down" category) to the new Medicaid or the Exchange
- An increase in the match rate for ARKids First B beginning in 2015

If Arkansas extends Medicaid starting January 1, 2014, the costs for covering newly-eligible Arkansans will be fully funded for three years by the federal government. After 2017, the state's portion of the cost for the newly eligible adults stair-steps down to a 10% maximum in 2020. It would be a smart investment for the state to allow the federal government to pay for pent-up demand that the newly-insured will have in the first few years of Medicaid's extension, taking over the small state portion once serious health issues have been dealt with.

Medicaid dollars have been shown to turn over more than six times in Arkansas's economy and generate significant tax revenue.¹⁹ While helping grow state revenue, Medicaid also helps build strong communities. A recent report from the Arkansas Hospital Association showed that the state's hospitals generate \$10.3 billion annually in economic activity. Local hospitals are major employers and economic generators that depend on Medicaid to help them stay afloat. Extending Medicaid will reduce the burden of unreimbursed care for hospitals, shown to be \$338 million in 2010.²⁰ It will help hospitals continue to serve their communities, especially as they face reductions in government payments for uncompensated care.

Most of all, healthy Arkansans mean a healthier workforce and better economic opportunities for communities and the state.

What about the Medicaid budget shortfall?

Arkansas faces a predicted shortfall of somewhere between \$250 and \$400 million in its current Medicaid program in state fiscal year 2014. The state savings generated by extending Medicaid will help address this shortfall in years 2015 and beyond, though it will not solve the funding issue on its own.

Arkansas's Payment Improvement Initiative is projected to begin saving state Medicaid dollars by financially incentivizing providers to give high-quality, efficient care.²¹ However, the program has just begun to be implemented, so major savings are not projected to begin in the near term. Without additional revenue sources, the state's existing Medicaid program has the very real potential of being cut.

Optional Medicaid services, which provide vital health benefits to beneficiaries but are not required to be part of Medicaid, would be most vulnerable to cuts. These services include²²:

- Many home- and community-based services for elder care and developmental disabilities
- Prescription drug services
- Assisted living facilities other than nursing facilities
- Durable medical equipment and oxygen
- Hospice
- Transplant programs

While ARKids First B is not a required program, the Affordable Care Act protects children served by this program until 2019 through its “Maintenance of Effort” provision.²³ Arkansas may not cut eligibility for ARKids First before 2019, though services could potentially be altered if the state budget issues are not addressed. Alternatively, provider reimbursement rates could potentially be cut to help deal with the shortfall.

As Arkansas looks for ways to trim costs in Medicaid, the state must be careful not to implement policies that rebuild barriers to enrollment or put the state at risk of future cuts. For example, groundless drug-testing of Medicaid recipients or requiring additional documentation before enrollment could prevent families from applying for coverage. Adding cost-sharing to services is another barrier to children receiving care, and unpaid co-pays are often borne by providers.²⁴ Flexibility in program design is important, but block grants or other caps on federal funding can put the state at risk during tough economic times when more people need coverage through Medicaid but revenues are down.²⁵

The Right Choice for Arkansas

Medicaid is good for children and families, it’s good for the economy, and it’s good for local communities. When parents get coverage, children get the coverage and care they need. Extending Medicaid would help 250,000 more Arkansans, including parents, access health coverage. Arkansas has the opportunity to extend coverage to many who have no option for coverage today, thanks to the Affordable Care Act. When all of the evidence says “it’s the right thing to do,” we’re confident our state leaders will make the right decision.

Notes

- ¹ Arkansas Advocates for Children and Families. Crossing the Finish Line: Cutting the red tape in 2011.
- ² Note that the new 2011 American Community Survey shows an uninsured rate of 5.6% for AR children under age 18. We do not yet have a special run for the under 19 population served by ARKids First. That will be included in our annual child insurance coverage report this fall. Source: U.S. Census Bureau, 2011 American Community Survey.
- ³ Health Affairs. Improving Coverage for children under health reform will require maintaining current eligibility standards for Medicaid and CHIP. 2011. Last retrieved from <http://content.healthaffairs.org/content/30/12/2371.full?ijkey=6QEmwQdpdoGds&keytype=ref&siteid=healthaff> And sourced from Georgetown Center for Children and Families blog at <http://ccf.georgetown.edu/ccf-resources/improving-coverage-for-children-under-health-reform-will-require-maintaining-current-eligibility-standards-for-medicaid-and-chip/?issue=aca%2F>.
- ⁴ Center on Budget and Policy Priorities; Georgetown University Center for Children and Families. Expanding Coverage for Parents Helps Children: Children's Groups Have a Key Role in Urging States to Move Forward and Expand Medicaid. Last retrieved from <http://ccf.georgetown.edu/wp-content/uploads/2012/07/Expanding-Coverage-for-Parents.pdf>.
- ⁵ Sommers, Baicker, Epstein. Mortality and Access to Care among Adults after State Medicaid Expansions. *New England Journal of Medicine*, 2012. <http://www.nejm.org/doi/full/10.1056/NEJMsa1202099>
- ⁶ Arkansas Center for Health Improvement. Expanding Health Care Coverage for Arkansas: The Facts. 2012. <http://www.achi.net/HCR%20Docs/120905%20State%20All%20Co%20Fact%20Sheet%20FINAL.pdf>
- ⁷ Arkansas Medicaid. Note that there are many categories of Medicaid eligibility; these are some of the larger ones that affect children. Retrieved from <https://www.medicaid.state.ar.us/Download/costcurve/EligibilityQuickRef.pdf> and <http://www.statehealthfacts.org/profileind.jsp?cat=4&rgn=5&cmpgrn=1>.
- ⁸ ARHealth Networks Enrollment Summary Report April 2001- April 2012, Arkansas Department of Human Services
- ⁹ Arkansas Center for Health Improvement. Expanding Health Care Coverage for Arkansas: The Facts. 2012. <http://www.achi.net/HCR%20Docs/120905%20State%20All%20Co%20Fact%20Sheet%20FINAL.pdf>
- ¹⁰ Arkansas Center for Health Improvement. Expanding Health Care Coverage for Arkansas: The Facts. 2012. <http://www.achi.net/HCR%20Docs/120905%20State%20All%20Co%20Fact%20Sheet%20FINAL.pdf>
- ¹¹ Kenney, Zuckerman, Dubai, Huntress, Lynch, Haley, Anderson. "Opting in to the Medicaid Expansion under the ACA: Who are the Uninsured Adults who Could Gain Health Insurance Coverage?" Urban Institute. (2012). Retrieved from <http://www.urban.org/UploadedPDF/412630-opting-in-medicaid.pdf>.
- ¹² Note the income ranges for the percent FPL listed. For example, 138% FPL is about 31,800 for a family of 4, and 400% FPL is \$92,200 for a family of 4. For more information, see <http://aspe.hhs.gov/poverty/12poverty.shtml>.
- ¹³ Unpublished runs from Population Reference Bureau analysis of 2008, 2009 and 2010 ACS PUMS data, US Census Bureau.
- ¹⁴ Unpublished runs from Population Reference Bureau analysis of 2008, 2009 and 2010 ACS PUMS data, US Census Bureau
- ¹⁵ Center on Budget and Policy Priorities; Georgetown University Center for Children and Families. Expanding Coverage for Parents Helps Children: Children's Groups Have a Key Role in Urging States to Move Forward and Expand Medicaid. Last retrieved from <http://ccf.georgetown.edu/wp-content/uploads/2012/07/Expanding-Coverage-for-Parents.pdf>.
- ¹⁶ Kaiser Commission on Medicaid and the Uninsured. Five Facts About the Uninsured Population. Retrieved from <http://www.kff.org/uninsured/upload/7806-05.pdf>.
- ¹⁷ Heberlein, Huntress, Kenney, Alker, Lynch, Mancini. Medicaid Coverage for Parents under the Affordable Care Act. Georgetown Center for Children and Families. Retrieved from <http://ccf.georgetown.edu/wp-content/uploads/2012/06/Medicaid-Coverage-for-Parents1.pdf>.
- ¹⁸ Arkansas Department of Human Services, "Estimated Medicaid-related impact of the ACA with expansion." Also available at <http://www.statereforum.org/discussions/fiscal-analysis>.
- ¹⁹ University of Arkansas Sam Walton College of Business. (2010). The economic impact of Medicaid spending in Arkansas. Last retrieved from <http://www.arkadvocates.org/assets/PDFs/walton-Medicaid-impact-report-2010.pdf>.
- ²⁰ Arkansas Hospital Association. <http://www.arkhospitals.org/archive/arkhospmagpdf/AHASummer12.pdf> and <http://www.arkhospitals.org/archive/MiscPDFFiles/Economic%20Impact%20Study.pdf>.
- ²¹ Arkansas Department of Human Services. Retrieved from <http://www.paymentinitiative.org/Pages/default.aspx>.
- ²² Arkansas Department of Human Services. Arkansas Medicaid Program Overview SFY 2011. Retrieved from <http://humanservices.arkansas.gov/reportDocuments/Medicaid%20Program%20Overview.pdf>.
- ²³ Letter from HHS Secretary Sebelius. Retrieved from <http://ccf.georgetown.edu/wp-content/uploads/2012/03/hhs-letter-to-states-2.3.2011and-attachment.pdf> and Georgetown Center for Children and Families. The Medicaid and CHIP Stability Protections: Consequences of Repeal. Retrieved from http://ccf.georgetown.edu/wp-content/uploads/2012/03/policy_health-reform_stability-protections.pdf.
- ²⁴ Alker. National Groups oppose CA request to circumvent cost-sharing protections. Retrieved from http://ccf.georgetown.edu/ccf-resources/national_groups_oppose_ca_request_to_circumvent_cost-sharing_protections/
- ²⁵ Cross-Call, Solomon. Center on Budget and Policy Priorities. Rhode Island's global waiver not a model for how states would fare under a Medicaid Block Grant. <http://www.cbpp.org/files/3-16-11health2.pdf>

