

Arkansas' Approach to Low Income Premium Assistance

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Arkansas has obtained conceptual approval from the Secretary of the Department of Health and Human Services (HHS) to extend premium assistance for private coverage to low-income adult Arkansans with incomes up to 138% of the federal poverty level (FPL). Under the emerging plan, Arkansas would use Medicaid funding to enable low-income adults to enroll in private health insurance plans through the health insurance exchange in 2014.

Draft description (subject to legislative and federal approval)

Through premium assistance, Arkansas Medicaid would fund the purchase of qualified health plan (QHP) coverage in the Exchange on behalf of eligible participants. These low-income adults would apply for benefits in the exchange in the same fashion as higher income adults, and if their income is found to be below 138% FPL and they meet other qualifying criteria (e.g., citizenship), premium assistance would come from the Medicaid program rather than the Federal Treasury. The group of adults expected to participate in the premium assistance QHP buy-in includes both the new eligibility category, as well as the existing category of adult caretaker/parents, with incomes between X% (where $X \leq 17\%$ FPL) and 138% FPL. This group of adults would select coverage from among the insurance carriers offering a QHP in the "Silver" category of the exchange. "Silver" is the health plan category receiving the greatest level of federal subsidies for premiums and cost-sharing for the non-Medicaid population, i.e., the health plan level designed to best serve those below 150% FPL. Limiting Medicaid-funded participants' options to the premium assistance program may require a federal waiver. Similar waivers have been granted in the past. The state also intends to develop a proposal for future review that structures benefits in a way that further enhances participants' ownership in health care purchasing decisions.

The Medicaid program would pay insurance premiums and supplemental cost sharing subsidies directly to the QHP issuers for enrolled low-income participants – just as the Federal treasury would fund insurance costs for other low-income exchange participants. Low income enrollees' essential health benefits would be covered through the same health insurers serving the State's individual and small group health insurance markets. It is Arkansas' intent through this plan to increase participation and competition in its health insurance markets, intensifying price pressures and reducing costs for both publicly- and privately-funded health care. Where necessary for low income individuals with exceptional needs, Arkansas Medicaid would provide some supplemental services. Also, some Federal rules for Medicaid-funded health insurance would apply, such as due process. The cost of the low income premium assistance and supplemental services for newly eligible adults would be funded through 100% federal financing from 2014 through 2016, declining to 90% by 2020 and thereafter, subject to continued legislative support.

The State would implement its market based approach to cover low income adults by taking steps to ensure that QHPs in the "Silver" plan level have appropriate regional or statewide coverage and participate in the Arkansas Health Care Payment Improvement Initiative. e.g., the patient-centered medical home.

Benefits of Arkansas' approach:

- **Integration and efficiency** – Arkansas is taking an integrated and market based approach to covering low income Arkansans, shrinking rather than expanding a Medicaid program that is separate and duplicative. For example, pregnant women and individuals with very high medical costs would be covered by private insurance on a continuous basis rather than receiving short term Medicaid benefits. This integration is a more efficient mechanism for achieving coverage for Arkansans and should lead to better health outcomes. We will seek increased flexibility in serving the existing Medicaid population and new participants. Flexibility for both cost savings and developing solutions tailored to Arkansas populations are critical components of the emerging plan.
- **Market-driven provider reimbursement and improved access** – Medicaid has long been acknowledged to provide low reimbursement, raising questions about whether the program could successfully serve an expanded population and causing some providers to “cross subsidize” their Medicaid patients by charging more to private insurance. The Arkansas low income premium assistance plan would help rationalize provider reimbursement, bringing more providers into the program and significantly reducing the need for providers to cross-subsidize. The costs of increased access for low income Arkansans would be determined directly by market-based interactions with providers.
- **Continuity of coverage** – For families with members eligible for Medicaid and Exchange coverage as well as those who have income fluctuations that cause their eligibility to change year-to-year leading to churn (e.g., movement between Medicaid and Exchange subsidized coverage), Arkansas' plan for low income premium assistance would create continuity of health plans and provider networks. Families can stay enrolled in the same plan regardless of their underlying subsidy.
- **“All payor” health care reform** – Arkansas is at the forefront of payment innovation and delivery system reform, and low income premium assistance will reinforce and strengthen the multi-payer nature of the Arkansas Health Care Payment Improvement Initiative. Payment initiatives and medical home investments can be implemented across Exchange insurers to the benefit of hundreds of thousands of patients, regardless of their insurance source.
- **Personal Responsibility.** Individual cost-sharing requirements for the low income adults under 138% FPL have not been developed, but could be comparable to cost-sharing requirements in the exchange, where individuals are subject to scaled income-related obligations, e.g., approximately 2-5% of income for the lowest-income participants in the exchange. Medicaid's ability to use cost-sharing tools such as co-pays and co-insurance was recently increased under proposed regulations issued by the federal government in January, which would allow cost-sharing at or above levels for individuals served through the exchange with incomes between 139-150% FPL.
- **Impact on Health Insurance Exchange.** The state's exchange would benefit from the addition of Medicaid-funded participants, potentially doubling the number of covered lives. This would enhance the attractiveness to recruit new carriers and potentially increase the competitive aspects of the Arkansas health insurance market. Importantly, the need to retain local control of consumer engagement and plan management is increased under Arkansas' approach to low income premium assistance.
- **Reduction in enrollment in current Medicaid programs.** The existing patchwork of traditional Medicaid programs could be scaled back. ARHealthNetworks would be eliminated, as would the family planning waiver and potentially other limited benefit Medicaid programs such as the Breast and Cervical Cancer

program and the Tuberculosis program. Other categories such as Pregnant Women and Medically Needy would continue to exist (required by CMS), but would largely dry up because the people who would have entered those categories will already have coverage. The state also intends to use available flexibility to serve higher income children in the ARKids B program through their parent's private insurance, keeping family units together in a single insurance plan.