



Arkansas Health Care Finance Overview

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Existing Challenges in Arkansas for System Reform

One of the biggest challenges facing Arkansas and our nation is how needed health care is financed—everyone along the continuum of individuals and families to employers to local, state, and federal governments are presented with this problem. While there are a very few in this country who comfortably pay “out of pocket” for their health care, almost all others rely upon some type of health insurance to share in reimbursement of medical care expenses. However, both nationally and in Arkansas a large proportion of our population lacks even basic health insurance.

Among Arkansas’s, 2.7 million people, almost half a million individuals do not have health insurance coverage. Surveys conducted by national organizations as well as by the Arkansas Center for Health Improvement (ACHI) document that lack of health insurance is a pervasive condition impacting every community in Arkansas. The picture is not uniformly bleak—although approximately 17% of the state’s residents are uninsured, more than 90% of children and almost all seniors over the age of 65 years have either public or private health insurance. The key group of individuals who continue to face challenges in obtain health insurance are those aged 19 to 64 years, 25% of whom do not have coverage. The statistics are even more daunting for those aged 19 to 44 years—30% are estimated to be uninsured and rates of uninsurance are even higher for certain geographic and demographic groups.

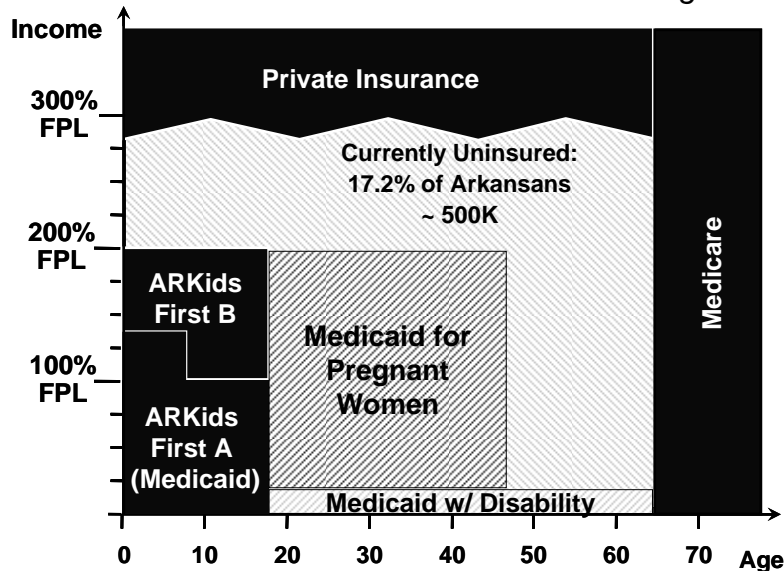
For uninsured and underinsured individuals and families the negative impact is immediately felt in their diminished fiscal and physical well being. However, the shadow cast by lack of coverage darkens the scene for others as well. Employers must cope with a work force that is not optimally healthy; absenteeism and decreased productivity increase business costs. Health care providers are forced to limit services as they are increasingly less able to cost-shift expenses related to care for the uninsured. State and federal governments, often used as a resource of last resort for those needing care or coverage, have less discretionary ability to provide coverage.

Proposals to expand health insurance coverage represent a key component of overall health system reform in Arkansas. Challenges to successful broad-scale health system reform are reflected in specific characteristics of the state’s health care landscape and serve as barriers to readily advance these efforts. An essential characteristic that comprises a barrier in Arkansas is the employer-based nature of present day health insurance coverage—and the specific lack of such offerings by sectors of the Arkansas employer community.

For those with health insurance, employers comprise the primary source of coverage (~75%). This is true in Arkansas as well as nationally. Mirroring national trends, almost all large Arkansas employers offer health insurance as a benefit (AR 93%, US 95%). Importantly, when offered the opportunity to purchase health insurance, most Arkansas workers will enroll in health insurance plans. However, a key challenge in Arkansas has been that, unlike many other states, only 29% of small Arkansas employers offer health insurance and the majority of Arkansas employers are classified as small (<50 employees). Additionally, the availability and/or uptake of family-dependent coverage, when offered, has increasingly been eroded as health insurance premiums continue to outpace inflation and wage increases.

In addition to the problems posed by the present employer-based health insurance system, our state faces additional barriers to ready expansion of health care. These include lack of substantive available state funds dedicated to expansion of coverage. Other challenges are the low income, poor health, and related high utilization of many Arkansans. Due to the present lack of available options (see Figure), many Arkansans are faced with a seeming insoluble dilemma of limited or no choice in obtaining health insurance.

Patchwork Quilt of Available Health Insurance Coverage in Arkansas



Innovations in Publicly Financed Coverage in Arkansas

ARHealthNet: When presented with limited options, Arkansas is a state that historically has been eager to maximize existing and available resources. An example of this is the Health Insurance Flexibility and Accountability (HIFA) waiver requested by the state to create a unique public/private partnership that will provide a "safety net" benefit package to as many as 50,000 to 75,000 uninsured individuals over 5 years. The program was operationalized January 2007 as ARHealthNet, and is designed to help qualified small businesses (those between 2 and 500 employees in size) that have not offered health insurance coverage for the preceding 12 months. Premiums for low-

income workers with annual earnings at or below 200% of the federal poverty level (FPL) are subsidized using tobacco settlement funds and existing Medicaid dollars. The concept for ARHealthNet, endorsed by Governor Beebe and the Arkansas General Assembly, was developed by the Arkansas Health Insurance Expansion Initiative Roundtable and the Arkansas Center for Health Improvement (ACHI), in partnership with the Arkansas Department of Health and Human Services.

Arkansas State Employees/State Teachers Plan Innovations: Policy makers in Arkansas have identified a key “leverage point” that can serve to influence broad health system reform through micro-level efforts applied in confined settings. The Arkansas State Employees/State Teachers (AR SE/ST) health insurance plan serves as one such setting the state has identified. This publicly financed health plan provides coverage for approximately 147,000 Arkansas state and public school employees, retirees, and their dependents.

In recognition of the fact that personal behaviors strongly influence health care use and ultimately cost and to enhance organization and management of the statewide health plan, the state implemented a voluntary health-risk assessment (HRA) tool to identify risk behaviors in 2005. The goal of the survey is to increase awareness of healthy and non-healthy behaviors. In addition to increased awareness, respondents are also offered support resources for improving healthy behaviors. Tiered premiums are now offered based both on participation in the HRA and self-reporting of modifiable risk behaviors.

Upon analysis and consideration of the HRA results, the state plan board instituted a series of evidenced-based interventions to improve health, decrease utilization, and decrease overall plan costs. These interventions included provision of first dollar coverage of evidence-based clinical preventive services, tobacco cessation program, and obesity management strategies.

Analyses are in progress, but importantly, results of these interventions in this publicly financed health plan are being and will continue to be communicated throughout the state to inform and influence improvements in the scope and nature of coverage in the private sector (both fully and self insured).

Other Publicly Financed Health Insurance Programs

Arkansas Comprehensive Health Insurance Pool (CHIP): This program provides an alternative coverage platform for Arkansas residents deemed uninsurable by the private marketplace. CHIP is an individual, comprehensive major medical policy with premiums set by statute to ensure affordability. At present, CHIP serves to provide coverage for about 3,000 Arkansans who would otherwise not have health insurance coverage.

Arkansas Medicaid: Three traditional key components of the state’s Medicaid program are ARKids First, ConnectCare, and TEFRA. As of June 2007, Arkansas’s traditional Medicaid programs cover almost 629,500 individuals—257,400 are adults and 372,200 children.

In addition to the ARKids A population (covering children under age 6 in families up to 133% of FPL and those aged 6 to 18 in families earning up to 100% FPL), ARKids B provides coverage for children with family incomes up to 200% FPL through a full benefit package requiring co-payments; an additional 73,000 children receive health care through this Medicaid waiver (SCHIP) program.

ConnectCare, Arkansas Medicaid's managed-care program established in 1994, encompasses Arkansans for whom Medicaid is the primary payer. ConnectCare operates as a primary care case management program administered by the State's Department of Human Services (DHS) Division of Medical Services. Included are all beneficiaries of Aid to Families with Dependent Children, Temporary Assistance for Needy Families, and Arkansas Transitional Employment Assistance—those who have the lowest incomes. Also included in ConnectCare are most of the Supplemental Security Income (SSI) eligibles with chronic health problems. By employing a primary care case management system, Arkansas has improved access, increased Medicaid beneficiaries' participation in the health care system, and enabled patients and physicians to establish continuity of care.

In Arkansas, TEFRA 134(a) extends Medicaid coverage to provide care to disabled children in their homes rather than in institutions. To qualify, the child must be disabled according to the SSI definition, meet the medical-necessity requirement for institutional care, be younger than 19 years of age, cannot have income that exceeds the Long Term Care Medicaid limit, and cannot have countable resources that exceed \$2,000. Parental income and resources are not considered in eligibility determinations.

Other Medicaid Benefits and Waivers: In Arkansas, pregnant women may receive health care through either the Pregnant Women (SOBRA) or AFDC Pregnant Women (full Medicaid) programs. As a result of expanded eligibility, Arkansas now provides public financing for over 50% of all pregnancies in the state. Other waiver programs in operation cover non-emergency transportation, cash and counseling demonstration to promote self-direction for persons receiving community support, alternative community services, elder health choices, family and friends respite care, and assisted living waivers.

Reforming Policies in Arkansas

Although we are a state of limited resources, Arkansas has a long and rich history of her citizens coming together to work on issues of importance. This is especially true of health and health care. In the early 1990s, in anticipation of proposed national health care reforms, then Governor Jim Guy Tucker commissioned a taskforce of state leaders to study health care issues and create a strategic plan. One of the successful outcomes of this plan was the creation of a revenue stream Trust Fund that has provided long-term stability to the Arkansas Medicaid Program. More recently, the Arkansas Health Insurance Expansion Initiative Roundtable and ACHI conducted quantitative and qualitative primary data collection to inform a series of recommended state and federal actions intended to expand coverage while promoting marketplace stability. Many of these recommendations have come to fruition, including the HIFA Medicaid waiver to

expand coverage to the 19–64 year old age group (see description of ARHealthNet above).

Through legislative and executive branch initiatives and cooperation, eligibility for children and pregnant women has been expanded—as a result, more than 50% of these respective groups receive publicly financed health care. Arkansas has a history of politicians and policy makers crossing party lines to forge coalitions to address issues of importance to Arkansans. ARKids First, created through sponsorship of leading Democratic Senator Beebe (now Governor Beebe), and supported by then Republican Governor Huckabee, is representative of this spirit of cooperation and willingness of both political parties and branches of state government to work together in joint initiatives. The program has enjoyed significant success and stability and serves as a hallmark program for study by other states that are exploring expansion of coverage.

Development, implementation, and maintenance of programs such as ARKids First and expanded Medicaid coverage to pregnant women and seniors did not occur by accident or happenstance. These and other successful initiatives have occurred in our state through executive branch calls to action and sponsorship of enabling legislation, shepherding of statutes and supervised studies through the legislature, and supportive efforts and coalition creation and maintenance by stakeholders and grassroots organizations (e.g., Arkansas Advocates for Children and Families, Arkansas Association of Retired Persons, Arkansas Farm Bureau).

Of essential and sentinel importance to many of these efforts has been the activities of the Arkansas Center for Health Improvement (ACHI). ACHI has played key roles in initiatives including but not limited to the securing and distribution of dollars from the Tobacco Settlement Proceeds Act to fund health programs and health insurance expansion in the state and provision of technical assistance to the Arkansas Department of Health and Human Services in crafting and submitting the HIFA Medicaid waiver that created ARHealthNet (discussed above). ACHI serves as an unbiased resource for state and federal stakeholders and policy makers seeking to *improve the health and health care of Arkansans*. In a fortunate conjoining of personnel, this unique organization is directed by Dr. Joe Thompson, who also serves as Arkansas Surgeon General. In this role, Dr. Thompson provides advice and counsel to Governor Beebe, his Cabinet and senior executive staff as well as leaders in the Arkansas General Assembly.

The need for substantive health system reform has been clearly documented and communicated to Arkansas leadership. Surveys conducted by ACHI have demonstrated the steadily increasing rates of uninsurance in the state, increased cost burden, as well as the accelerating erosion of private sector coverage (notably in the area of dependent offering and take-up). Increased utilization of services related to poor health, deferment of needed preventive care, and limited access to providers only serve to exacerbate the situation.

While the health care outlook is not without complication in our state, the general environment is one that is supportive of innovative initiatives. This receptivity is reflected

in the previously discussed history of cross-party health care reform efforts and currently exemplified by the success of the 2007 Arkansas General Assembly Regular Session. Led by Governor Beebe, Senate President Jack Critcher and Speaker of the House Benny Petrus, the legislature received testimony regarding mechanisms by which the Arkansas health insurance marketplace could be stabilized and expanded. A result of this attention to health care finance needs in our state is the establishment of an interim health care system study, commissioned to strengthen and expand health insurance coverage in Arkansas.

The need to address health and health care of Arkansans is driven by quantitative and qualitative data and information. Key stakeholders in the public and private sector are eager to undertake change-making initiatives. Supportive funding and technical assistance made available to our state through the RWJF SCI Coverage Institute and technical assistance of partners at AcademyHealth will help ensure the ultimate success of these activities.

Vision for the Future: Coverage for all Arkansans

The vision for the future of health care reform in our state can be stated simply and clearly—access to affordable and quality, evidence-based health care for all Arkansans, irrespective of income level, employment status, geographic location, age, race or gender. Attainment of this goal will improve the health of our citizens, increase educational achievement, and enhance the growth potential of businesses and communities. While the goal is simply stated, Arkansas’s leaders acknowledge the complex path required to attain this objective.

While the health care system and reform solutions are complex, past performance and achievement in our state can and should serve as a predictor of future success. Arkansas has successfully pursued health insurance programs for low-income children, expanded eligibility for pregnant women, and secured care for disabled adults and children. Success of these initiatives occurred in large measure through the willingness of key stakeholders to readily address the needs of our state’s residents, to think beyond their own perspectives and constituencies, and most importantly to partner with others.

Creation of the health care reform team supported by resources of the SCI Coverage Institute, securing of modeling resources to test the applicability and worthiness of expansion proposals, and access to technical assistance of SCI and AcademyHealth staff to support development of a health care expansion strategy will substantively potentiate success in Arkansas.

Commitment by public and private sectors policy makers and stakeholders to create a successful, realistic and implementable long-term strategic plan for health care reform is clearly not lacking. As one person eloquently and succinctly phrased it, “Our state deserves nothing less than everything we can give.”