

ACHI is a nonpartisan, independent, health policy center that serves as a catalyst for improving the health of Arkansans.

Affordable Care Act: Implications for Arkansas Adults October, 2010

Adults between the ages of 19 and 64 comprise 61percent¹ (about 1,726,000 people) of Arkansas's total population. While 1,972,000² Arkansans have some type of health insurance, the Patient Protection and Affordable Care Act (Act) and the Health Care and Education Reconciliation Act of 2010 will impact all individuals through provisions that will affect their insurance options and personal responsibilities. Factors affecting the significance of impact include age, employment status, income, current health status and insurance coverage status.

HEALTHY INDIVIDUALS

Protection from Cancellation of Health Care Coverage and Coverage Caps

Beginning in September 2010, individuals cannot have their coverage rescinded, or retroactively cancelled, by their insurance companies in the event that they become ill, unless they committed fraud or made an intentional misrepresentation of an important fact on their insurance application. If people commit fraud or misrepresent themselves, insurance companies will have to provide notice prior to cancelling their coverage, and people who wish to contest this action may discuss it with their insurance company or file a complaint through the Arkansas Insurance Department. This provision does not affect individuals who lose their insurance coverage because they stop paying their insurance premiums for any reason.

In addition, insurance companies will be banned from imposing lifetime coverage caps (the total accumulated amount that a plan pays over an individual's lifetime). The intent of this provision is to relieve people of the financial burden of growing medical expenses in the event that they become ill. However, all individuals may realize higher insurance premiums in order to offset the cost of expanded coverage.

Health Insurance Exchange

The Arkansas Insurance Department is currently working with insurance companies to develop the state's health insurance exchange, which will offer Arkansans a choice of health plans to purchase. Anyone may purchase health insurance through the exchange, which will be fully operational on January 1, 2014. Of the 11 percent (about 323,000³ individuals) of Arkansans living at or below 400 percent of the federal poverty level (FPL)ⁱ, those

QUICK FACTS

- 2010—no lifetime caps on coverage
- 2010—no out-of-pocket costs for most preventive services covered under new insurance plans
- 2010—protection from insurance companies cancelling coverage in the event that a person becomes ill unless fraud was committed on the insurance application
- 2010—employers are not required to offer any dependent coverage, but if they do, must cover children up to 26 years old
- 2014—no pre-existing coverage exclusions by any new plans for people aged 19 and older (applies to minors in 2010)
- 2014—all U.S. citizens and legal residents will be required to have qualifying health insurance; penalties will be phased in for the uninsured
- Whether premiums increase, and who pays the cost of any increase, depends on type of coverage

ⁱ FPL requirements are adjusted annually, but as a comparison, in 2010 400% of FPL would be \$43,320 for individuals and \$88,200 for a family of four.

whose employers do not subsidize their health insurance will be eligible for subsidies to help pay for insurance purchased through the exchange.

No Out-of-Pocket Expenses for Preventive Services

In 2010, Arkansans will no longer have to pay out-of-pocket expenses (copays or coinsurance) for most preventive services, including those rated A or B by the United States Preventive Services Task Force. For their list of recommended services to be covered by states, visit <http://www.healthcare.gov/center/regulations/prevention/taskforce.html>

Individual Mandate—All Individuals will be Required to have Health Insurance

Beginning in 2014, all U.S. citizens and legal residents will be required to have qualifying health insurance or face a financial penalty. Information on the amounts and implementation of financial penalties for the uninsured will be posted to the ACHI website in the future.

2014 is also the year that approximately 251,000 legal residents of Arkansas will become newly eligible for public insurance (Medicaid). Although many of these newly eligible people may choose the benefits and zero out-of-pocket cost of Medicaid, factors such as lack of awareness and negative connotations of public insurance may mean that some people choose a public subsidy to purchase health insurance in the private market, or will pay the penalty to remain uninsured.

INDIVIDUALS WITH PRE-EXISTING HEALTH CONDITIONS

In addition to the provisions outlined for healthy individuals, individuals with pre-existing health conditions will have opportunities to obtain medical coverage through their employers, through public health insurance options, through a high-risk pool or through the state's health insurance exchange.

No Pre-Existing Coverage Exclusions by New Insurance Plans

Beginning in 2014, new health insurance plans may not exclude individuals from coverage or charge members a higher premium for a pre-existing condition. While the intent of this provision is to expand coverage and reduce costs for individuals with health conditions, it does not prevent insurance companies from adjusting elements of coverage, such as coinsurance rates or the amount of coverage a person receives. Until this provision becomes effective in 2014, individuals who have been uninsured for at least six months because of a pre-existing health condition may be eligible for Arkansas's Pre-Existing Condition Insurance Plan or "high-risk" pool. Arkansas has 3,100⁴ enrollees in its existing high-risk pool. At least two percent (about 61,000^{5,6} individuals) of Arkansans are estimated to be eligible for the new high-risk pool that opened for applications in July 2010, and federal funding will support up to 2,500⁷ newly-covered enrollees. For more information about the Arkansas high-risk pool, or to apply, visit:

<http://www.insurance.arkansas.gov/administration/HighRiskPool.html>

PREGNANT WOMEN AND NEWBORNS/INFANTS/CHILDREN

Last year, pregnant women comprised about one and a half percent of Arkansas's population (about 44,500⁸ women). The same provisions identified for healthy individuals and individuals with health conditions apply to pregnant women, with some additional benefits.

No Pre-Existing Coverage Exclusions by New Insurance Plans

Beginning in 2010, new health insurance plans offered by employers or through individual plans will not be allowed to deny or exclude coverage to any child under age 19 based on the condition of their health, including babies born with health problems. Additionally, beginning in 2014, new health insurance plans will not be permitted to deny or exclude anyone, or charge them more, for a pre-existing condition, including pregnancy. These provisions, like those in place for individuals with other health conditions, do not prevent insurance companies from adjusting elements of coverage, do not

require employers to offer or pay for dependent coverage, and do not prevent employers from dropping dependent coverage from their existing job-based plans.

Coverage for Pregnant Women and their Children

Starting in 2014, pregnancy and newborn care, along with vision and dental care for children, will be covered in all new individual, small and large business and health insurance exchange plans. However, since this provision does not apply to current insurance plans offered through employers and private insurers, some may reduce or drop some or all elements of their benefits for pregnant women and their dependents.

Additional Programs

Federal funding in excess of \$1.13 billion for programs designed to help pregnant women will be available to states between 2010 and 2019 through competitive grant programs. These programs include the Maternal, Infant, and Early Childhood Home Visiting Program, programs to provide services for individuals with postpartum depression and postpartum psychosis, and a Pregnancy Assistance Fund that will provide financial assistance to pregnant and parenting teens and women. Beginning in 2010, the average size of each grant awarded per state will range from \$200,000 to \$1,600,000. Some states may be eligible for more than one grant per program.

INDIVIDUALS WITH DISABILITIES

About 22.5 percent (557,000 people⁹) of Arkansans over the age of five have some type of disability, making Arkansas the state with the second highest percentage of disabled individuals in the nation. Many of the health insurance options available for healthy individuals and individuals with health conditions are also available to the disabled community.

Medicaid

In 2003, Medicaid covered 4,400¹⁰ disabled Arkansans and starting in 2014 individuals with annual incomes up to 138% of the FPL will qualify for Medicaid in Arkansas.

Community Living Assistance Services and Support (CLASS) Program

After October 2012, employed individuals, including those with disabilities, will be automatically enrolled—unless they opt out—through payroll deductions in the Community Living Assistance Services and Support (CLASS) Program. After five years of paying into the program, individuals will qualify for monthly payments of at least \$1,500 toward services to help them receive care at home instead of in a care facility. While it is difficult to estimate the participation rate in the CLASS program, 11.9¹¹ percent of Arkansans (about 66,300 people) who are disabled but employed would potentially benefit. As the state continues to assess implications of the CLASS program, consideration should be given to costs associated with the program as well as adverse selection issues. Healthy individuals have the option to pursue better quality long term care at lower prices in the private market, which may mean lower enrollment in the CLASS program. This could lead to spreading the costs of the CLASS program among Arkansas's working disabled rather than a larger pool, which could mean higher premiums, increasing the financial burden for the disabled and further dissuading healthy individuals from enrolling.

MINORITIES

While minorities comprise about 24¹² percent of Arkansas's total population (about 682,900 people), 36¹³ percent of minorities are uninsured. Previously mentioned provisions of the health care reform act may apply to minorities as well, but it also contains provisions outlining federal investment in research about specific health disparities that minorities currently face both in their health and in their health care.

Initiatives for Minorities

Federal funding will be appropriated for investment in community health centers (more than \$43,400,000,000 between 2011 and 2015), a significant advance for Arkansas's Hispanic community who heavily utilize community health facilities. Funding will also be available for community based prevention and public health initiatives (\$15 billion available nationally over a period of ten years), improved data collection to capture racial and ethnic information to identify problems and generate solutions for minority health care, promoting language access services and reauthorizing the Indian Health Care Improvement Act. This act will offer health care services to the 19,800¹⁴ Native Americans in Arkansas. These initiatives are designed to expand access to health care for minorities and increase the racial and ethnic diversity and training among health care providers to focus on cultural issues.

Uncertainties and Concerns

- Cost containment—efforts to reduce costs by eliminating services may increase the risk that individuals will not get some health care they need or would like to receive.
 - Higher taxes—taxpayers may have to shoulder higher federal and state taxes in order to fund expansion of health care coverage, including potential rising costs of Medicaid expansion.
 - The “woodwork” effect—individuals who qualify under the current law for Medicaid, but who have not yet enrolled may “come out of the woodwork” to do so, resulting in increased program costs beyond current estimates.
- Age-rating of premiums—provisions will limit the age-rating of premiums to a new ratio of no more than three to one in 2014. This means that insurers may charge older individuals premiums that are less than the actuarial value of their coverage and younger individuals premiums that are higher than the actuarial value of their coverage. Since younger individuals with generally good health and lower incomes are more sensitive to changes in the price of their insurance coverage, there is the potential for them to decline coverage until they become ill.
- Merits, effectiveness and enforceability of the individual mandate—it is unclear whether a sufficient number of individuals will be compelled to obtain health insurance in order to achieve the goals of health care reform. The effectiveness of the penalties for the uninsured is also unclear, and may not be financially enforceable.

CONCLUSION

Arkansans must choose the way in which they navigate the changing landscape of health care. As health care consumers, Arkansans must consider other provisions and specific circumstances in order to make informed decisions about their own short and long-term health care coverage. This overview only addresses the more prominent aspects of health care reform that will affect adult Arkansans, but additional resources are available at www.achi.net/HCR.asp.

Note: Information shared in this overview is based on the law as it is known at this time and is our best interpretation of the data. As the law is written into rules, it will be further interpreted. Details may change during this process.

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