

Arkansas



Medicaid Primer

ACHI
ARKANSAS CENTER FOR HEALTH IMPROVEMENT

Updated March 2011

Table of Contents

- 1** What is Medicaid?
- 3** What services are covered by Medicaid?
- 4** Who does Medicaid cover?
- 7** How much does Arkansas spend on Medicaid?
- 9** How does Arkansas compare to other states?
- 11** Medicaid and the Affordable Care Act
- 12** Sources

The staff of the Arkansas Center for Health Improvement extend their thanks to Russ Montgomery, a student at Hendrix College, for the initial development and design of this publication; and to Elisabeth Wright Burak, Health Policy and Legislative Affairs Director - Arkansas Advocates for Children and Families, for her guidance and review.

What is Medicaid?

1 **Medicaid** is a publicly financed program that provides health services to low-income individuals. It is funded by both state and federal revenues but is administered at the state level. Currently, individuals eligible for Medicaid include low-income children and their parents, pregnant women, certain individuals with disabilities, and low-income seniors. After 2014, low-income adults aged 19-64 will become eligible. All states must provide a core set of services as mandated by the federal government, but have the opportunity to offer additional services and design waivers, or their own supplementary programs.

With one of the nation’s lowest average per-capita incomes, Arkansas is predisposed to having a larger percentage of uninsured people. The state has expanded Medicaid services over the years to include a larger number of Arkansans. The program provides health insurance to 26 percent of Arkansans at an annual cost of \$4.3 billion, making the program the second largest expenditure for the state, behind general education funding.³

26%
of Arkansans
are enrolled
in Medicaid³

In Arkansas, about four-fifths of the total state Medicaid budget is covered by the federal government. All states receive federal funding for Medicaid in the form of matching funds. Federal match rates vary from state to state depending on per capita income, with the poorest states receiving the highest matching amounts. Arkansas has a federal match of 81.18 percent, which is higher than all but four other states. In most cases, for every dollar spent on Medicaid in Arkansas, \$0.812 is funded by the federal government, with the state funding the remaining \$0.188 from its own various revenue sources.^{8,6} However, the federal match rate varies for some Medicaid services and programs. For example, the State Children’s Health Insurance Program (SCHIP) is funded with an 80.95 percent federal match.

Medicaid vs. Medicare	
Medicaid	Medicare
Partnership between the federal government and states. Funding and administration shared.	Federally funded health insurance program for Americans 65 and older and for many adults with permanent disabilities.
Provides health and long-term care coverage to low-income children, low-income pregnant women, elders, and individuals with disabilities.	Provides acute care coverage but limited long-term care and drug coverage.
Is a “means-tested” program: individuals must meet certain income criteria and resource asset tests in order to qualify.	Requires U.S. citizenship or legal residence for at least five years, an age of 65 or older, and/or Social Security eligibility. Income is not a factor. ^{9,13}

AR Matching Fund Ratios—FY2010		
	Federal	State
Medicaid	81%	19%
SCHIP	81%	19%
Administration	50%	50%
Family Planning	90%	10%

Medicaid and Medicare were enacted concurrently by the Social Security Act of 1965 to expand health care coverage to low-income and elderly Americans. While both

provide publicly financed health insurance, the purpose and administration of the programs are quite distinct.

Medicare is an entitlement program in that anyone 65 or older is automatically enrolled. **Medicaid** is a social welfare program aimed at providing assistance to those who cannot afford health care. Individual participation in Medicaid is voluntary, and all 50 states offer the program. The Arkansas Medicaid program was implemented on January 1, 1970. The Arkansas Department of Health and Human Services administers the Medicaid program through the Arkansas Division of Medical Services.²

Medicaid services available vary greatly from state to state. All states must provide certain federally-mandated services. Beyond that, states have the option to design Medicaid waivers that expand coverage to more population groups and cover additional medical services, subject to approval by the federal Centers for Medicare and Medicaid Services.



2

What is a Medicaid Waiver?

Section 1115, 1915(b) and 1915(c) of the Social Security Act give the U.S. Secretary of Health and Human Services broad authority to waive provisions in Title XIX, the Medicaid statute. These "waivers" permit a state to further the purposes of Medicaid "to make more adequate provisions for aged persons, blind persons, dependent and disabled children, maternal and child welfare, (and) public health.." Generally, a waiver is approved for a two-to five-year period and may be renewed.

A central element of many waivers is the expansion of Medicaid eligibility to low-income persons not covered under federal rules. The new populations covered, however, vary from waiver to waiver, as does the scope of coverage and the nature of the provider organizations. In many cases, including ARKids First, waivers can expand health care coverage and reduce costs at the same time. This occurs by using innovative financing and program design, such as focusing on preventive care, which saves costs over time.^{9,13,14}

What **Services** are Covered by **Medicaid**?

Mandated by Federal Government

- Inpatient and outpatient hospital services
- Rural health and maternity clinics and federally qualified health centers
- Physician, nurse practitioner and midwife services
- Nursing facility (age 21 and up) and home health services
- Laboratory and x-ray services
- Early and periodic screening, diagnosis, and treatment for children (EPSDT)
- Family planning (including prescriptions)
- Transportation
- Medical and surgical services of a dentist

Optional Covered Services

- Alternatives for adults with physical disabilities
- Inpatient/outpatient transplant and rehabilitation
- Physician transplant and managed care
- Prescription drugs
- Family planning waiver services
- Net managed care waiver (transportation)
- Chiropractor services
- Certified registered nurse anesthetist services
- Hospice
- Personal care services
- Vaccinations (administered in pharmacy)
- Tuberculosis
- Ventilator services
- Hyperalimentation services
- Hemodialysis
- Vision Care
- Durable Medical Equipment
- Nursing facilities (under age 21)
- Ambulatory surgical centers
- Communicable disease program
- Mental hospital services for the aged
- Community mental health
- Independent Choices

ARKids First Services

- Ambulance services
- Ambulatory surgical services
- Chiropractic services
- Dental services
- Durable medical equipment
- Emergency room services
- EPSDT screening*
- Family planning
- Federally qualified health centers
- Hearing services*
- Home health
- Hospice*
- Immunizations
- Inpatient hospital
- Inpatient psychiatric care*
- Laboratory and x-ray
- Medical supplies
- Nurse midwifery
- Outpatient mental and behavioral health services
- Physician services
- Podiatric services
- Prescription drugs
- Preventive health services/wellness exams
- Psychology services*
- Rural health clinics
- Occupational,* physical,* and speech therapy
- Transportation (for Medicaid eligible services)*
- Vision care

Additional Covered Services (Individuals Under 21)

- Nursing facilities
- Inpatient psychiatric services
- School-based mental health services
- Division of Youth Services rehabilitation
- Sexual offender program
- Case management (CMS/DCFS)
- Targeted case management (DYS)
- Case management
- Individual and group therapy
- Developmental Day Treatment Clinic Services
- EPSDT-Child health management services, prosthetic device, orthotic appliance, podiatry and psychology services
- Dental services
- Respite care
- Hearing aid
- Private duty nursing
- Audiologist
- Psychologist

*Services excluded under ARKids Part B. All ARKids B services require limited co-pays.

Medicaid eligibility is based on income and may also depend on age, available financial resources, and health conditions. Federal mandates require states to provide coverage to all eligible individuals in certain population categories. For most Medicaid enrollees, income eligibility criteria are based on federal poverty guidelines. Because states have flexibility to expand eligibility thresholds, specific eligibility criteria vary greatly among the states. Traditionally, Arkansas has had a comparatively low income eligibility threshold.

Who Does Medicaid Cover?

Medicaid Eligibility Groups

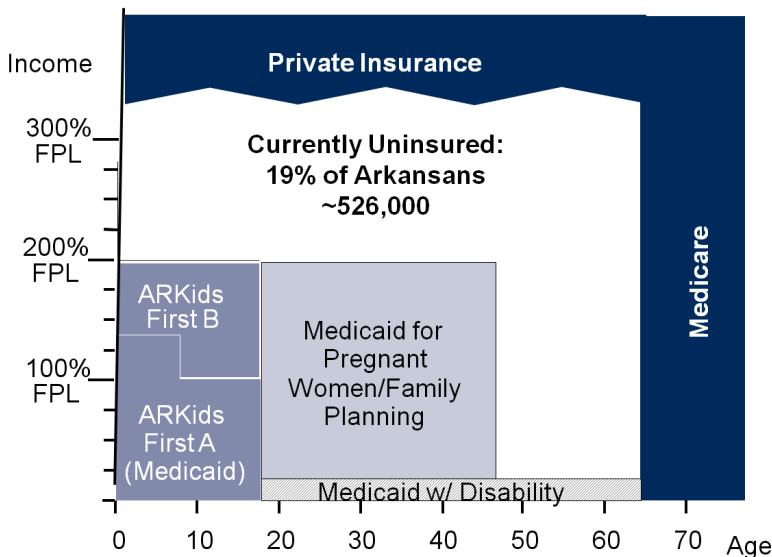
The federal statutes outlining Medicaid eligibility are expansive and include over 50 mandatory population groups. Additionally, Arkansas has chosen to cover other groups beyond the federally mandated eligibility requirements using Medicaid waivers. In general, Medicaid eligibility applies to four broad categories of people:

Seniors: For low-income Medicare beneficiaries 65 and older, **Medicaid** also provides long-term care with co-pays and deductibles.

Disabled: Low-income individuals with disabilities, regardless of age, qualify for medical and long-term care through Medicaid.

Low-income Children: ARKids First covers children from low-income families.

Low-income Adults: Fewer adults than children can qualify for full Medicaid benefits, due to certain restrictive eligibility categories.



This diagram, created by Dr. Joe Thompson, Director of the Arkansas Center for Health Improvement, demonstrates Medicaid's contribution to the patchwork of overall health care coverage in Arkansas.

2010 Federal Poverty Guidelines

Household	36% FPL	74% FPL	100% FPL	133% FPL	200% FPL
1	\$3,899	\$8,014	\$10,830	\$14,404	\$21,660
2	5,245	10,782	14,570	19,378	29,140
3	6,591	13,549	18,310	24,352	36,620
4	7,938	16,317	22,050	29,327	44,100
5	9,284	19,085	25,790	34,301	51,580
6	10,631	21,852	29,530	39,275	59,060
7	11,977	24,620	33,270	44,249	66,540
8	13,324	27,387	37,010	49,223	74,020
For each adtl person	1,346	2,768	3,740	4,974	7,480

Medicaid Resources for Seniors

• Supplemental Security Income (SSI)

All individuals aged 65 and older who qualify for SSI are eligible for full Medicaid coverage. To qualify for SSI, individuals must have income less than 74 percent of the federal poverty level and have resources of less than \$2000 per individual or \$3000 per couple.

• Medicare Enrollee Supplement

Coverage varies based on income, ranging from full payment of the Medicare premiums, deductibles and co-insurance for low-income individuals to payment of only a portion of the Medicare Part B premium for individuals with higher incomes.

• Long-term Care

Individuals who are residents of nursing homes may qualify for Medicaid if the care in the facility is medically necessary and they meet income, resource, and other criteria.

Long-term care accounts for **19%** of all Medicaid

• ElderChoices Waiver

Covers those seniors who would be eligible if they were in a nursing home facility, but choose to remain at home.

• LivingChoices Waiver

Provides assisted living services in approved facilities for eligible seniors.

• IndependentChoices

Self-directed personal care model that enables beneficiaries to hire and supervise their own personal care providers.

Medicaid Resources for the Disabled

• Supplemental Security Income (SSI)

All individuals with disabilities aged 65 and below, who qualify for SSI are eligible for Medicaid coverage. To qualify for SSI, individuals must have a medical condition that prevents them from working or constitutes a severe functional limitation and is expected to last for at least 12 months or result in death.

• Working Disabled

Full Medicaid coverage to disabled individuals who are working. Co-pays are required.

• Alternatives for Adults with Physical Disabilities Waiver

Covers individuals between the ages of 21 and 65, who are physically disabled and who would be eligible for Medicaid if they were in a nursing home facility, but choose to remain at home.

• DDS Alternative Community Services Waiver

Covers individuals of any age who are developmentally disabled and would be eligible for Medicaid if they were in a nursing home facility, but choose to remain at home.

• LivingChoices Waiver

Provides assisted living services in approved facilities for disabled beneficiaries.

Dual Eligibility

An important aspect of the Medicaid and Medicare programs is the sizeable group of individuals who are enrolled in both programs. Virtually all elderly **Medicaid** enrollees are also enrolled in Medicare. Because Medicare does not cover long-term care, **Medicaid** covers a large portion of the total health costs for low-income elders. In addition, individuals with disabilities receiving Social Security Disability Income (SSDI) automatically qualify for Medicare, as well as Medicaid. In Arkansas, one-fifth of Medicare enrollees are dually enrolled in **Medicaid** ^{9,10,13}

Independent Choices

Self-directed personal care model that enables beneficiaries to hire and supervise their own personal care provider.

Medicaid Resources for Children

• ARKids First

Individuals under age 19 who meet certain family income requirements may be eligible for ARKids First. **ARKids A** is for low income (< 133% FPL) families and provides the full benefits shown on page 3. **ARKids B** is for families with income above the ARKids A eligibility level, at or below 200% FPL. It has reduced benefits with nominal co-pays.

• State Children’s Health Insurance Program (SCHIP)

A federal program aimed at covering children not originally covered by Medicaid, SCHIP provides funding supplements to the pre-existing ARKids First program.

Medicaid Resources for Adults

• Very Low-income Parents

Parents of Medicaid-enrolled children who earn no more than 36% of FPL, or who are eligible for transitional Medicaid via Temporary Assistance for Needy Families (TANF) because their incomes have recently increased above the 36 percent threshold.

• Pregnant Women

Pregnant women with incomes at or below 200% FPL.

Expanding Coverage while Saving Costs

ARKids First is a Medicaid waiver program designed by the State of Arkansas and approved by the federal government. The program covers more than 70,000 children who would otherwise have gone without health insurance. Arkansas has successfully reduced the number of uninsured children in Arkansas from 24 percent in 1997 to around 11 percent in 2009. It has served as a model to other states developing State Children’s Health Insurance Programs (SCHIP).^{7,10}

ARKids First has expanded coverage while cutting health care costs for the state and families. ARKids A is aimed at low-income children and their families, and provides a comprehensive benefits package. ARKids B provides slightly fewer services and requires copayments, but the income eligibility covers a wider range of families.⁷

• Women’s Health

Women who are able to have children and with incomes at or below 200% FPL may receive family planning services, including birth control.

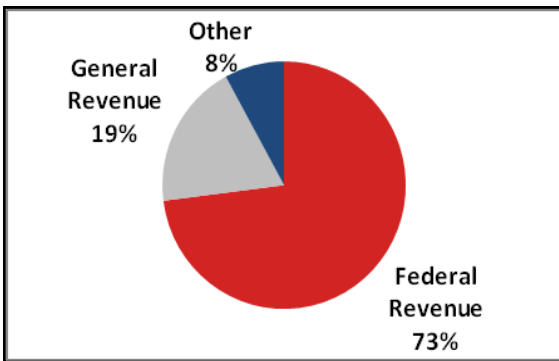
• Breast and Cervical Cancer Program

Covers women aged 40-64 with breast or cervical cancer and incomes at or below 200% of the FPL.

ARKids First Income Eligibility						
Family Size	ARKids A				ARKids B	
	Under age 6		Age 6 and over		Annually	Monthly
	Annually	Monthly	Annually	Monthly		
1	\$14,404	\$1,200	\$10,830	\$903	\$21,660	\$1,805
2	\$19,378	\$1,615	\$14,570	\$1,214	\$29,140	\$2,428
3	\$24,352	\$2,029	\$18,310	\$1,526	\$36,620	\$3,052
4	\$29,327	\$2,444	\$22,050	\$1,838	\$44,100	\$3,675
5	\$34,301	\$2,858	\$25,790	\$2,149	\$51,580	\$4,298
6	\$39,275	\$3,273	\$29,530	\$2,461	\$59,060	\$4,922
7	\$44,249	\$3,687	\$33,270	\$2,773	\$66,540	\$5,545
8	\$49,223	\$4,102	\$37,010	\$3,084	\$74,020	\$6,168
9	\$54,198	\$4,516	\$40,750	\$3,396	\$81,500	\$6,792
10	\$59,172	\$4,931	\$44,490	\$3,708	\$88,980	\$7,415
For each additional	\$4,974	\$415	\$3,740	\$312	\$7,480	\$623

How much does Arkansas Spend on Medicaid?

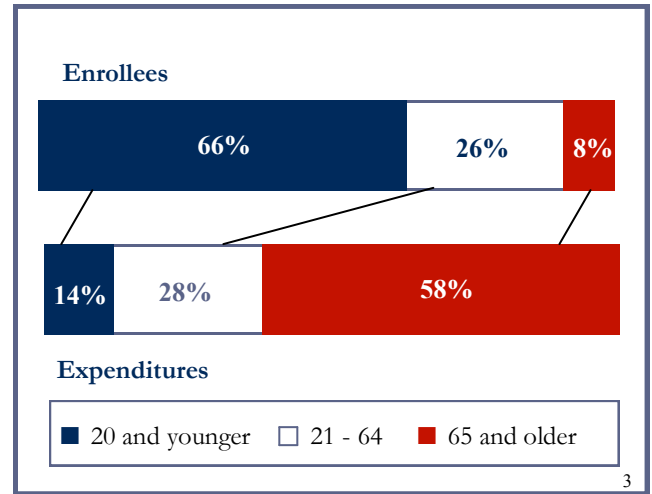
Because of its overall federal match rate of 78%, Arkansas funds slightly over one-fifth of the state's Medicaid budget. This funding comes primarily from state general revenue sources, which include sales, income and other taxes. However, general revenues account for only a small portion of the Medicaid budget. Other revenue sources include fees for services, nursing home facility quality assurance fees and rebates from drug manufacturers. In addition, funds from the soft drink tax and the tobacco settlement were allocated to the Medicaid Trust Fund by a voter approved referendum. Overall, general tax revenue accounts for just 19% of the state Medicaid budget.



Expenditures by Age Group

Considerable variances exist in Medicaid spending per enrollee age group. Despite comprising a small percentage of the total number of Medicaid enrollees, expenditures per elderly enrollee are much higher than expenditures per child and adult.

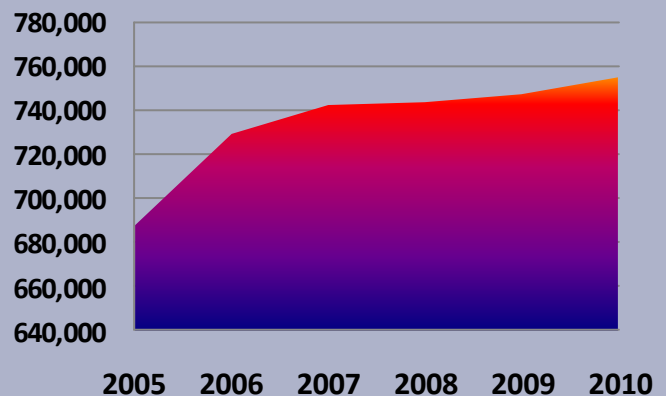
In FY10, the average annual cost of covering an elderly enrollee was \$12,444, compared to \$3,018 for the average child, despite the fact that almost all elderly Medicaid enrollees are also eligible for Medicare. The reason for the difference in average expenditures is



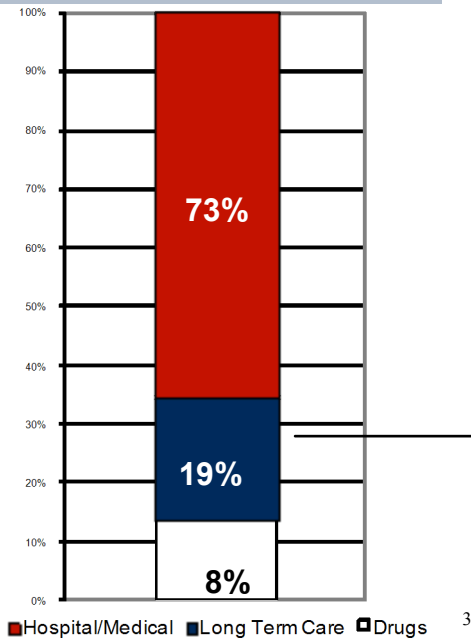
due in large part to long-term nursing home care. Medicare, while intended to provide health care coverage for the elderly, extends payment only for limited nursing home stays for recuperative purposes. Other nursing home long-term care for dual eligibles is paid for by Medicaid.³

Arkansas Medicaid paid for nearly 4.4 million patient days in private nursing facilities in FY10 at an average cost of \$128 per day. Long-term care accounts for 19% of all Medicaid expenditures in Arkansas, with

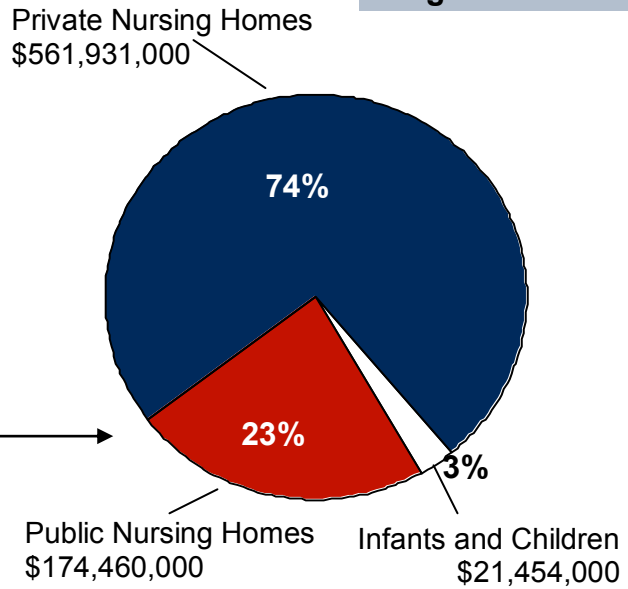
Arkansas Medicaid Enrollment 2005-2010



Total Medicaid Expenditures



Long Term Care



97% of those expenditures coming from nursing home care. However, the ElderChoices waiver, which allows long-term benefits for those who chose to stay at home in lieu of a nursing home, has reduced spending on long-term care because home health care is less expensive than nursing home care.

Since FY05 Medicaid drug expenditures have been cut in half, largely as a result of a federal law expanding the ability of states to capture drug rebates from manufacturers. In FY10 the state collected \$24.1 million in drug rebates from manufacturers.³

Trends in Medicaid Costs






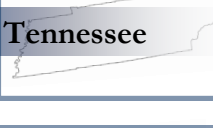

Despite the substantial decrease in drug expenditures, overall Medicaid costs in Arkansas increased by 36% from FY05 to FY10. Over the same period, enrollment in Medicaid increased by only 10%. The increase in costs is attributable, in part, to the recent expansion of several eligibility categories.

8

SFY	Total Program Costs	% Increase Costs	Unduplicated Beneficiaries	Cost Each
2010	\$4,102,000,000	10%	755,607	\$5,429
2009	\$3,716,000,000	5%	747,891	\$4,969
2008	\$3,533,000,000	7%	744,269	\$4,747
2007	\$3,299,000,000	5%	742,965	\$4,440
2006	\$3,137,000,000	4%	729,800	\$4,298
2005	\$3,007,000,000		688,150	\$4,370

How Does Arkansas Compare to Surrounding States?

9

	2008-2009 Source of Coverage			2004-2007 Medicaid Growth	
	Medicaid	Employer	Uninsured	Spending*	Enrollment
 United States	16%	49%	17%	3.6%	2.9%
 Arkansas	16%	44%	19%	4.9%	12.5%
 Mississippi	22%	42%	18%	-1.4%	-12.0%
 Texas	15%	44%	26%	8.1%	6.8%
 Missouri	14%	52%	14%	2.1%	-17.7%
 Louisiana	16%	47%	18%	1.6%	-2.0%
 Tennessee	17%	46%	15%	.3%	-12.7%
 Oklahoma	15%	48%	16%	9.2%	11.3%

Source: Kaiser Family Foundation State Health Facts Online: <http://www.statehealthfacts.org>.
 * Increases in Medicaid benefit and hospital payments only. Does not include administrative costs.

Covering the Uninsured

Approximately 526,000 Arkansans (19%) lacked health insurance in 2009. Of working age adults 19-64 years old, 26% have no source of coverage. Fewer than half of all Arkansas businesses offer health insurance as an employee benefit with high premium costs being the most cited reason. Of businesses with fewer than 50 employees, 2/3 do not offer any health care benefit.

Compared to surrounding states, Arkansas ranked second only to Texas (25%) in the highest percentage of citizens uninsured.

Growth: Spending vs. Enrollees

In an effort to provide insurance coverage for more Arkansans, the state has expanded its Medicaid program over the last several years. As a result, Arkansas has seen 12.5% growth in enrollment between 2004 and 2007, four times the national increase of 2.9% over the same period and the highest percent increase in enrollment among all surrounding states.

During the same time period, Arkansas' 4.9% increase in spending was higher than the national spending increase of 3.6%. Regionally, both Arkansas and Oklahoma experienced increases enrollment that outpaced increases in spending. In fact, Arkansas' increase in enrollment more than doubled spending. Despite enrollment decreases in four surrounding states—Louisiana, Mississippi, Missouri, and Tennessee—three nonetheless saw increases in spending.

In an attempt to lower per capita costs, Arkansas instituted a series of cost containment measures to reduce spending growth. For example, Arkansas has employed disease prevention, case management and enrollee cost-sharing. These reforms may reduce future costs by

focusing on preventive care and encouraging more appropriate utilization of services.

Arkansas' Newest Health Care Innovation: ARHealthNet

Arkansas recently implemented an innovative Medicaid waiver program to provide health coverage to uninsured workers. The program targets self-employed individuals who have not had a major medical insurance policy and businesses that have between 2 and 500 employees and have not offered health care coverage to their employees for at least one year.

This program is a partnership between the state, the federal government, and private business. NovaSys Health is administering the program for the Arkansas Department of Health and Human Services. Interested businesses should contact their insurance agent, or NovaSys directly at 800 540-7566 or www.ARHealthNet.com.

Basic Program Features: Employers, who voluntarily participate and share in the cost of the program with enrollees, are eligible to participate if at least one full-time employee meets income qualifications. When an employer decides to participate, employees and their spouses are eligible for the program, and all employees will be required to enroll unless they provide evidence of other group coverage. Among several other basic requirements, self-employed individuals are eligible if they currently own a business in operation for two months, work at least 30 hours for that business, meet income eligibility, and do not have state or school employee benefits available to them.

Benefit Package: Covered individuals receive: six physician visits per year; seven inpatient hospital days per year (acute care hospital days); two outpatient hospital services per year; two prescription drugs per month (using a tiered formulary).²

Medicaid and the Affordable Care Act

In 2010 Congress passed the Patient Protection and Affordable Health Care Act (the Act), the latest and most comprehensive milestone in the evolution of health care in the United States. In addition to initiating sweeping reform in the private health insurance market, the Act introduces many changes to Medicaid. The changes in Medicaid can be categorized into three categories: expanded eligibility, new benefits, and financing modifications.

Expanded Eligibility

Beginning in 2014, states will be required to extend health insurance through Medicaid coverage to most individuals aged 19-64 years with incomes at or below 133% of the federal poverty level (FPL), which in 2010 is \$14,400 for an individual. This eligibility will be in addition to those groups presently covered under Medicaid, which means that approximately 251,000 Arkansas residents will become newly eligible.

The health reform law extends authorization and funding for Arkansas Medicaid through 2015 and requires states to maintain current income eligibility levels for children (now at 200% of FPL) until 2019.

New Benefits

Both current and newly eligible Medicaid recipients will see new benefits as a result of health care reform. These include: expanded services and funding options for special populations, including maternal and child populations, and long-term and elder care; and coverage of prescription drugs through benchmark benefits, rebates, and requirements to cover specific drugs.

Financing Modifications

For the 3-year period from 2014 to 2016, the federal government will reimburse states for the *full cost of coverage* (100% Federal Medical Assistance Percentage [FMAP]) for any individuals enrolled in Medicaid who became newly eligible as a result of the reform. This federal subsidy for new enrollees will fall to 95% in 2017, 94% in 2018, 93% in 2019, and 90% in 2020 and beyond.

Enrollees newly eligible under reform will continue to be covered at 90% FMAP while others will be covered at original FMAP rates, which are currently set to be 71.37% for the 2011 fiscal year and projected to be 70.73% for the 2012 fiscal year. Beginning in 2013, states that provide preventive services and immunizations at no out-of-pocket cost will receive an increase of 1% FMAP for these services.

Improving Quality

With the goal of improving health care quality, states will be given the opportunity to build upon current quality improvement efforts in the private sector and existing strategies within their Medicaid programs, as well as inform the public about the performance of hospitals, nursing homes, and physicians through quality reporting on standardized Internet web sites. State Medicaid programs will also have opportunities to test models for improving the delivery, quality, and payment of services.

Specifically, states have options to consider models related to the following: health information technology, capacity and infrastructure, health care workforce, and coordination within systems of care.

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The **Arkansas Center for Health Improvement** (ACHI) is a non-partisan, independent health policy center dedicated to improving the health of Arkansans. It is jointly sponsored by the University of Arkansas for Medical Sciences, the Arkansas Department of Health and Human Services, and Arkansas BlueCross BlueShield.



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