



# Arkansas Private Option 1115 Demonstration Waiver

## Quarterly Report

July 1, 2016-September 30, 2016



### *Executive Summary:*

Enabling legislation for Arkansas Works was signed into law on April 8, 2016. With the passage of the Arkansas Works Act, legislators passed reforms to Arkansas expanded coverage program aimed at: empowering individuals to improve economic security and promoting self-reliance; enhancing private insurance market competition and value-based insurance purchasing models; strengthening the ability of employers to retain and recruit productive employees; and achieving comprehensive and innovative healthcare reforms to reduce state and federal obligations for entitlement spending.

While extending healthcare coverage for current enrollees that make up to 138% of federal poverty level (FPL) and continuing the state's individual plan premium approach for most eligible individuals there are some distinct changes. Arkansas Works requires issuer participation in Arkansas's Patient- Centered Medical Home, adds wellness requirements and possible incentive benefits, work referrals and ends retroactive eligibility coverage for eligible individuals (90 days prior to eligible application). It also requires eligible enrollees to take cost-effective employer-sponsored insurance coverage when offered by their small business employers. Additional provisions requires quarterly reporting by the state to the legislature regarding enrollment, reduction of costs, health insurer participation and competition, avoided uncompensated care, and participation in incentivized work requirement.

The Health Independence Account (HIA) component of the Private Option (My Indy Card) ended June 30, 2016, as required by the Arkansas Works Act. The Health Independence Accounts were designed to enable enrollees to be protected from point-of-service cost-sharing by paying an advance monthly contribution for their coverage. The program was costly to administer and had low participation rates. Of the approximate 250,000 people enrolled in the Private Option, only those with incomes above the poverty level (approximately 60,000) were eligible to participate in the HIA program. Further, in order to activate the card, enrollees had to call or go the third party administrator's website. Of the 16,000 who activated the card, only 7,900 participated in the program by ever paying a monthly contribution.

A state fiscal session was held during this quarter. The Department of Human Services budget of \$8.4 billion, which included \$1.7 billion dollars for Arkansas Works, was approved.

Submission of the Arkansas Works 1115 demonstration waiver amendment was submitted to on June 28<sup>th</sup> 2016. With the Private Option, ending December 31, 2016 submission of the 1115 demonstration waiver for Arkansas Works was critical to continue coverage for the new adult group in Arkansas.

Concurrently with the development of Arkansas Works, the Private Option continued to grow in enrollment over the third quarter. As of September 30, 2016, 324,318 individuals were determined eligible for Private Option.

***I. Eligibility and Enrollment***

As of September 30, 2016, there were 324,318 newly eligible adults determined eligible for the Medicaid expansion program in Arkansas. Of these, 23,309 were designated as medically frail and were served through fee-for-service Medicaid. The majority of the remaining individuals participated in the Section 1115 Demonstration and received QHP coverage sold through the Health Insurance Marketplace. Others may have been determined eligible but not yet selected a QHP or been determined medically frail.

*See graphic below for additional enrollment data.*

Private Option Enrollment and Premium Information						
Year Month Paid	Medically Frail	Number Determined Eligible	Premium Count	Premium Expenditures	Advance Cost Share Payments	Wrap Costs
July 2016	23,042	307,878	258,161	\$92,668,529.82	\$34,486,129.64	\$1,070,928.74
August 2016	23,043	317,289	265,608	\$95,331,912.69	\$35,480,274.91	\$1,112,043.84
September 2016	23,309	324,318	270,573	\$97,551,865.10	\$37,066,056.19	\$1,115,217.42

***II. Press Reports:***

In the third quarter, a few studies were published comparing Medicaid expansion and non-expansion states. On July 11, 2016, the *American Journal of Public Health* published online a study comparing access to care for low-income adults and their perceived healthcare quality by insurance type before Medicaid expansion in Arkansas, Kentucky, and Texas. Of the three states, Texas did not expand Medicaid. The study found that, when compared to uninsured adults, low-income adults covered by Medicaid, Medicare, and private insurance reported “significantly greater access and quality of care,” regardless of their insurance type. The study titled *Access and Quality of Care by Insurance Type for Low-Income Adults Before the Affordable Care Act* can be found at <http://ajph.aphapublications.org/doi/full/10.2105/AJPH.2016.303156>.

On August 8, 2016, the *Journal of American Medical Association Internal Medicine* published online a study assessing post-Medicaid expansion changes in Arkansas, Kentucky, and Texas. The study found that in the two expansion states, Arkansas and Kentucky, there were “major improvements in access to primary care and medications, affordability of care, utilization of

preventive services, care for chronic conditions, and self-reported quality of care and health.” The study titled *Changes in Utilization and Health Among Low-Income Adults After Medicaid Expansion or Expanded Private Insurance* can be found at <http://jamanetwork.com/journals/jamainternalmedicine/fullarticle/2542420>.

Various press articles were also published during the third quarter regarding the Private Option. On July 12, 2016, an article was published online at [www.swtimes.com](http://www.swtimes.com/news/arkansas-medicaid-expansion-cost-rises-25-million-consultants-say) discussing an update provided to the Health Reform Legislative Task Force (“Task Force”) by The Stephen Group, a consultant hired by the Task Force. The Stephen Group reported that the cost difference between the Arkansas Works 1115 demonstration waiver amendment submitted for public comment on May 19, 2016, and the version submitted to CMS on June 30, 2016, was due to anticipated higher drug costs in the following years. The article can be found at <http://www.swtimes.com/news/arkansas-medicaid-expansion-cost-rises-25-million-consultants-say>. The status report is available at <http://www.arkleg.state.ar.us/assembly/2015/Meeting%20Attachments/836/I14545/July%201%20Status%20Report%20%20Final%20to%20Phil%20.pdf>

On August 8, 2016, the KTHV reported on an opinion provided by Arkansas Attorney General Leslie Rutledge regarding enrollment caps in the Medicaid expansion program. The article can be found at <http://www.thv11.com/news/local/rutledge-federal-law-wont-allow-caps-on-medicaid-plan/291161551>. The opinion can be accessed at <http://www.arkleg.state.ar.us/assembly/2015/Meeting%20Attachments/836/I14594/AG%20letter%20on%20cap%20%20PO.pdf>.

On August 22, 2016, KUAR reported on the insurance rate hike the Arkansas Insurance Department submitted to the federal government. The article titled *Arkansas Readies to Submit Health Insurance Rate Hikes, Commissioner Predicts Bigger Increase In '18* can be found at <http://ualrpublicradio.org/post/arkansas-readies-submit-health-insurance-rate-hikes-commissioner-predicts-bigger-increase-18#stream/0>

*Private Option Enrolls 20,000 over 3 Months; Program Count Tops 258,000* appeared online at [arkansasonline.com](http://www.arkansasonline.com/news/2016/aug/23/private-option-enrolls-20-000-over-3-mo/#/) on August 23, 2016. The article details some updates provided to the Task Force on August 22, 2016, including Private Option enrollment trends and insurance company rate increase requests. The article can be accessed at <http://www.arkansasonline.com/news/2016/aug/23/private-option-enrolls-20-000-over-3-mo/#/>

On August 24, 2016, [arkansasonline.com](http://www.arkansasonline.com) published an article discussing the higher than anticipated enrollment numbers in the Medicaid expansion program. The article can be found

at <http://www.arkansasonline.com/news/2016/aug/24/307-878-listed-on-expanded-medicaid-rol/#/>

Another article published on August 28, 2016 at swtimes.com also discussed the impact of the higher than anticipated enrollment numbers in the Medicaid expansion program. The article can be accessed at <http://www.swtimes.com/news/20160828/arkansas-medicaid-expansion-numbers-spark-debate>.

In August 2016, the Arkansas Center for Health Improvement (ACHI) released a fact sheet illustrating the interim results of the Arkansas Health Care Independence Program. The fact sheet discussed the evaluation design, data sources, comparison populations, and initial findings from the *Arkansas Health Care Independence Program Section 1115 Demonstration Waiver Interim Report* released on June 16, 2016. The fact sheet can be accessed at <http://www.achi.net/Docs/368/>.

### **III. QHP Operations and Performance**

#### *Communication with Carriers*

DHS continued close coordination with carriers during this quarter. In this quarter, carriers, the Insurance Department and DHS worked to assess and plan for the needed programmatic changes to the program in order to transition from the Private Option to Arkansas Works. Several of the new features of Arkansas Works will necessitate changes to the operations of the Qualified Health Plans (e.g. charging premiums for enrollees with incomes above 100% of the federal poverty level (FPL) and tracking completion of the wellness requirements).

#### **Audits**

There were no audits of the Private Option conducted during the third quarter of 2016.

### **IV. Lawsuits**

There were no lawsuits filed during this quarter.

### **V. Access/Delivery Network**

One of the key objectives of Arkansas's evaluation of the Private Option Demonstration is to measure whether the premium assistance service delivery model improves access to needed health care services. Specifically, the evaluation will measure whether Private Option enrollees

have equal or better access to health care compared with what they would have otherwise had in the Medicaid fee-for-service system over time.

The organization selected to complete the evaluation, the Arkansas Center for Health Improvement (ACHI), continued its work to fulfill the requirements of the evaluation during the third quarter. ACHI held several evaluation meetings to discuss items such as the progress of data and findings, planning for the final evaluation report, and the Consumer Assessment of Healthcare Providers and Systems (CAHPS) Survey.

Meetings were also held with Arkansas Foundation for Medical Care (AFMC), the organization subcontracted to conduct the CAHPS survey, to discuss the second CAHPS and Churn Surveys.

In addition, ACHI submitted an article titled *Evaluation of Arkansas's Medicaid Expansion Using Premium Assistance Demonstrates Improved Access and Clinical Performance at a Higher Cost* for peer review to the Health Affairs Journal.

## **VI. Quality Assurance**

Arkansas's Private Option evaluation will assess the quality of care provided to Private Option enrollees by analyzing whether enrollees have equal or better care and outcomes over time compared with what they would have had otherwise in the Medicaid fee-for-service system. Health care and outcomes will be evaluated using the following measures:

- a. Use of preventive and health care services
- b. Experience with the care provided
- c. Use of emergency room services (including emergent and non-emergent use)
- d. Potentially preventable emergency department and hospital admissions

The evaluation will explore whether enrollees have better continuity of care compared with what they would have otherwise had in the Medicaid fee-for-service system over time. Continuity will be evaluated using the following measures:

- a. Gaps in insurance coverage
- b. Maintenance of continuous access to the same health plans
- c. Maintenance of continuous access to the same providers

## **VII. Complaints/Grievances:**

Pursuant to the Intergovernmental Cooperation Act of 1968 and under the terms of a Memorandum of Understanding by and between the DHS and the Arkansas Insurance Department (AID), medical necessity appeals are handled by AID. AID data indicated ten complaints from Private Option enrollees during this quarter. All complaints were resolved.

#### ***VIII. Utilization***

During the third quarter of 2016, the total cost for the newly eligible demonstration population was \$363,100,229.70. Of this amount, \$262,575,071.85 was paid to the issuers for premiums and \$97,715,427.58 was paid for advanced cost sharing reductions. Wrap costs, including Non-Emergency Medical Transportation and Early and Periodic Screening, Diagnostic and Treatment (EPSDT) totaled \$2,809,730.58

#### ***IX. Health Independence Accounts***

The Health Independence Account (HIA) component of the Private Option (My Indy Card) ended this quarter, as required by the Arkansas Works Act. The project was wound down during this quarter and outreach and education efforts informing Private Option enrollees of the termination of the HIA began in April, with contributions accepted only through the end of April. Monthly invoices ceased, but the cards remained active until June 30th. Rollover funds were distributed on behalf of qualified participants. 3,723 individuals were current on payments through April. DHS disbursed \$261,429.18 to 2,197 recipients as a part of the rollover fund wind-down.