ACHI
Arkansas Center for Health Improvement

ISSUE BRIEF

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

Arkansas Health Insurance Marketplace • October 2013

The *Patient Protection and Affordable Care Act* (PPACA) was passed by the U.S. Congress and signed into law on March 23, 2010.[1] It has far-reaching effects for health care consumers, providers, and the insurance industry. Legislatively, it is likely the most disruptive innovation that the United States has seen since the advent of Medicare and Medicaid via the Social Security Act of 1965. One of the mandatory aspects of the law—and complementary to the expansion of Medicaid for very low-income individuals—is that each state must have a regulated health insurance marketplace ("marketplace") in which individuals, families, and businesses can shop for and select insurance plans on an online platform and determine whether they qualify for advance tax credits, or subsidies, to help pay insurance premiums. Arkansas has engaged in a partnership with the federal government to operate the marketplace and is using it to facilitate expansion of coverage to low-income individuals who would have otherwise been eligible for Medicaid expansion through the PPACA. (An issue brief describing Arkansas's innovative alternative to Medicaid expansion—the Health Care Independence Program or "private option"—is available at www.achi.net.) This issue brief focuses on the purpose and structure of marketplaces generally and provides specific information about the Arkansas marketplace.

INTRODUCTION

Health insurance marketplaces, originally called health benefits exchanges, are intended to provide a structured, regulated marketplace for the sale and purchase of health insurance to individuals and small businesses. The Arkansas marketplace is regulated by the Arkansas Insurance Department (AID) to ensure that all insurance plans offered on the marketplace meet PPACA mandates and state requirements for health insurance. Some of the federal mandates are that coverage cannot be denied to individuals with pre-existing conditions; a partial community rating must be created that requires insurers to offer the same premium price to all applicants of the same age and geographical location without regard to gender or pre-existing conditions; and children and dependents may remain on their parents' insurance plan until their 26th birthday.

PPACA required that marketplaces be operational in all states but recognized that not all states would have the desire or capacity to operate one. Consequently, the law provides that the federal government would operate marketplaces in states choosing not to do so themselves. At this time roughly half of the states have declined to operate their own marketplaces, while 16 have chosen a state-based marketplace. Six states, including Arkansas, have opted to work in a partnership with the federal government to operate the marketplace, with each state choosing whether to provide either plan management or consumer assistance functions, or both. Two states have elected to operate only the small-business health options program (SHOP) marketplace while declining to operate the individual marketplace.*

* Please see State Reforum's map, "Where States Stand on Exchanges," at https://www.statereforum.org/where-states-stand-on-exchanges for a full accounting of states' decisions.

Definitions: **AHIM,** Arkansas Health Insurance Marketplace; **AID**, Arkansas Insurance Department; **AV,** actuarial value; **DHHS**, U.S. Department of Health and Human Services; **FFM**, federally facilitated exchange; **FPL**, federal poverty level; **PPACA**, Patient Protection and Affordable Care Act; **QHP**, qualified health plan; **SADP**, stand-alone dental plan; **SHOP**, small-business health options program

THE ARKANSAS MARKETPLACE

Governor Mike Beebe and AID staff initially endeavored to create a state-based marketplace in 2011, but the 88th Arkansas General Assembly rejected the idea. Instead, the state opted for a partnership model in December 2012, when Governor Beebe formally petitioned the U.S. Department of Health and Human Services (DHHS) Secretary Kathleen Sebelius.[2]

In late 2011 Arkansas began planning for the implementation of the marketplace and has been awarded several grants from the federal government for marketplace development and implementation. To date, Arkansas has received approximately $27.5 million in grants for research, planning, information technology development, and implementation of the marketplace.

Arkansas submitted an application for $7.6 million in federal funding to design and implement IT systems to connect Arkansas Medicaid and state-run exchange functions to the federally operated eligibility and enrollment portal, implement systems to support state-operated consumer assistance functions, and develop plan management functions of the marketplace. In September 2012, Arkansas received a second level-one establishment grant of $18.6 million to work in partnership with the federal government and other state stakeholders to implement plan management and consumer assistance components of the marketplace. Specifically, these grants were to:

1. design and implement automation functions to connect Arkansas Medicaid and appropriate state-run exchange functions with the federally-facilitated exchange (FF M)[a] eligibility and enrollment portal;
2. design, develop, and implement operations and information systems to support state-operated FFE consumer assistance functions; and
3. design, develop, and automate state-operated plan management functions of the FFM including qualified health plan certification, rating, monitoring, and evaluation to effect continuous quality improvement.

On October 1, 2013, the Arkansas marketplace became active and Arkansans began selecting and enrolling in health insurance coverage, albeit with numerous technical issues associated with the federal enrollment website, www.healthcare.gov. The open enrollment period will last from October 1, 2013 to March 31, 2014, with coverage beginning on January 1, 2014 for those enrolling by December 15, 2013, or from 2–4 weeks after the enrollment date if coverage is purchased in 2014.

Arkansans can access the marketplace directly via www.healthcare.gov or through the state website at www.arhealthconnector.org. Applications for coverage may be completed online or by phone at 1-800-318-2596 or mail, with or without the assistance of in-person assistors—state-based guides, federal navigators, health care provider-based certified application counselors, or insurance agents/brokers.

Qualified Health Plans

Qualified health plans (QHPs) are insurance plans that are certified by the marketplace, provide essential health benefits,[b] follow established limits on cost-sharing[c] (deductibles, copayments, and coinsurance), and meet other basic requirements of the federal law. In plan year 2014 four medical plan

[a] FFMs are those states that have opted to work in a partnership with the federal government to operate the marketplace, with each state choosing whether to provide either plan management or consumer assistance functions, or both.

[b] The 10 categories of essential health benefits are: ambulatory patient services; emergency services; hospitalization; maternity and newborn care; mental health and substance use disorder services, including behavioral health treatment; prescription drugs; rehabilitative and habilitative services and devices; laboratory services; preventive and wellness services and chronic disease management; and pediatric services, including oral and vision care. All plans offered through the HIM must include the EHBs unless there are stand-alone pediatric dental and vision plans offered, in which case a medical plan does not have to include those benefits.

[c] For all non-grandfathered employer group health plans, out-of-pocket costs will be limited to $6,250 per individual and $12,500 per family

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issuers are offering certified plans in Arkansas:

1) Arkansas Blue Cross and Blue Shield; 2) Blue Cross and Blue Shield Multi-state plan; 3) Arkansas Health & Wellness Solutions (Ambetter); and 4) QCA Health Plan, Inc. (QualChoice) There are also four stand-alone pediatric dental plan issuers offering a total of 24 QHPs: 1) Arkansas Blue Cross and Blue Shield; 2) BEST Life and Health Insurance Company; 3) Delta Dental of Arkansas; and 4) Dentegra Insurance Company.

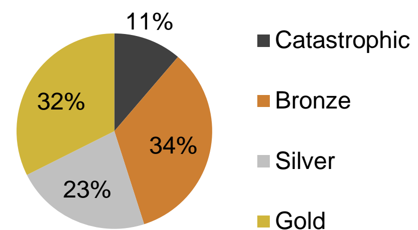
Table 1: Number of Medical Plans by Actuarial Value[d]

Metal Level	Number of Plans	Percent of Total
Catastrophic	8	11%
Bronze	24	34%
Silver	16	23%
Gold	23	32%
Total	71	100%

Source: Public Consulting Group.*2014 Arkansas Qualified Health Plans.* September 13, 2013.

Of the 71 medical QHPs offered through the Arkansas individual marketplace, four levels of plans are available (Table 1, Figure 1): catastrophic, bronze, silver, and gold plans. Plan levels vary based on actuarial value (AV), which is defined as the share of health care expenses the plan covers for a typical group of enrollees. As plans increase in actuarial value—e.g., from bronze at 60% AV to platinum at 90% AV—they cover a greater share of enrollees' medical expenses.[d] At this time there are no platinum level plans offered to individuals through the Arkansas marketplace.

Figure 1: Percent of Medical Plans by Actuarial Value[d]



Source: Public Consulting Group.*2014 Arkansas Qualified Health Plans.* September 13, 2013.

The AVs for the 24 stand-alone pediatric dental QHPs (SADPs) can be either low, which means 70 percent of qualifying health expenses are covered by the plan, or high, which means 85 percent of qualifying health expenses are covered by the plan (Table 2).

Table 2: Number of SADPs per Actuarial Level*

Actuarial Level	Number of Plans
Low	12
High	12
Total	24

Note: Of the 24 plans, nine are child-only plans and 15 are both children and adult plans.
Source: Public Consulting Group.*2014 Arkansas Qualified Health Plans.* September 13, 2013.

Advance Tax Credits

An important aspect of PPACA that affects the affordability of coverage is the federal tax credits, or subsidies, available to individuals with household incomes from 100 to 400 percent of the federal poverty level (FPL).[e] In 2013, for an individual, this is $11,490–$45,845, and for a family of four, this is $23,550–$94,200.[3] Individuals and families with annual household income between the 100 to 400 percent FPL range will pay anywhere from 2 to 9.5 percent (based on a sliding scale) of their income toward the purchase of insurance coverage on the marketplace.[4]

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[d] Catastrophic plans, which are plans that meet all of the requirements applicable to other QHPs but do not cover any benefits other than three primary care visits per year before the plan's deductible is met. Bronze=60% of qualifying health expenses are covered by the plan. Silver=70% of qualifying health expenses are covered by the plan. Gold=80% of qualifying health expenses are covered by the plans. Platinum=90% of qualifying health expenses are covered by the plan.

[e] Instead of opting to expand the traditional Medicaid program for adults with incomes up to 138 percent of FPL as provided by the PPACA, Arkansas decided to use federal funding to allow those individual to purchase private insurance through the HIM. It is commonly called the "private option," the Arkansas 89th General Assembly passed the Health Care Independence Act of 2013 that authorized the use of federal funding for the purpose. Please see the issue brief entitled "Health Care Independence Act Summary," at www.achi.net.

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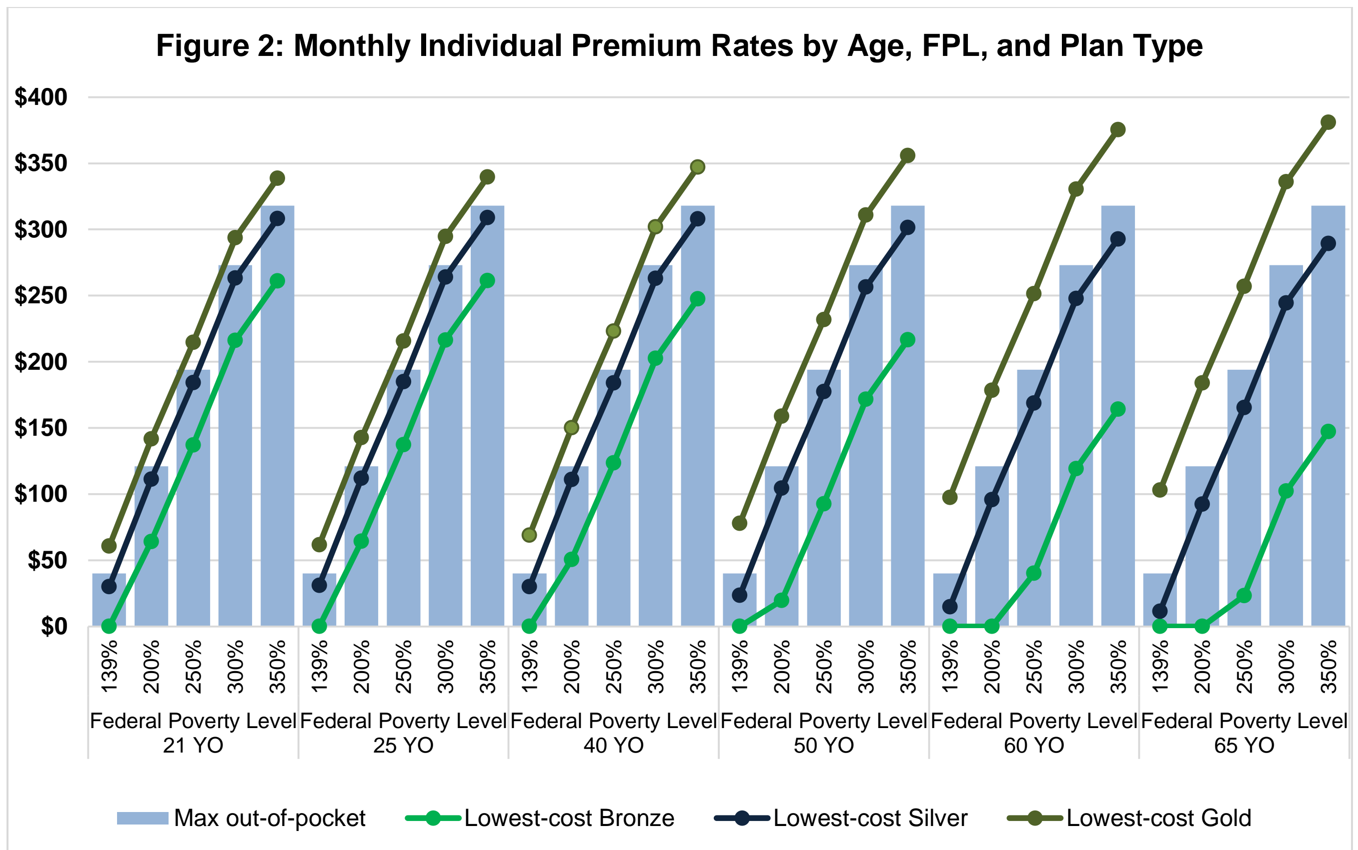
FPL income levels by household size for 2013 are provided in Table 3.

Figure 2 depicts the lowest monthly premium rates[5] by age, FPL,[3] and plan type, as well as the maximum out-of-pocket costs[4] on plans that are offered on the Arkansas marketplace. For example, a 21 year-old with income at 139 percent of FPL who purchases the lowest-cost silver plan will have an out-of-pocket premium cost of $30 monthly, while a 21 year-old with income at 350 percent of FPL will pay $308 monthly for the same plan. A 50 year-old with income at 139 percent of FPL who purchases the lowest-cost silver plan will pay $23, while a similarly aged individual with income at 350 percent of FPL will pay $302 monthly for the same plan.

Table 3: 2013 Federal Poverty Guidelines[3]

Household Size	17% FPL	100% FPL	138% FPL	200% FPL	400% FPL
1	$1,953	$11,490	$15,856	$22,980	$45,960
2	$2,637	$15,510	$21,404	$31,020	$62,040
3	$3,320	$19,530	$26,951	$39,060	$78,120
4	$4,004	$23,550	$32,499	$47,100	$94,200



State-Based Marketplace

During the 89th Arkansas General Assembly, legislators passed a law[6] that would potentially transition the state–federal partnership model to a state-based marketplace entitled the Arkansas Health Insurance Marketplace (AHIM), pending DHHS approval. The law's intent is to establish a private, nonprofit, health insurance marketplace in Arkansas and to transition authority from AID to the AHIM board—created by the law—no earlier than July 1, 2015.

The AHIM board represents stakeholders from the groups of insurance brokers or agents, consumer representatives, health insurers, small employers, and a health related professional licensed in the State of Arkansas, who are appointed by the Governor, the President Pro Tempore of the Senate, and the Speaker of the House of Representatives. Joining them on the board are the Arkansas Insurance

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Department Commissioner and the Directors of the Arkansas Department of Health and Department of Human Services.[f]

The duties of the AHIM are the following.

- Implement procedures and criteria for the certification, recertification, and decertification of health benefit plans as qualified health plans in coordination with the Insurance Commissioner and in compliance with state and federal law
- Provide for the operation of a toll-free telephone hotline to respond to requests for assistance
- Maintain an internet website through which enrollees and prospective enrollees of qualified health plans may obtain standardized comparative information on such plans
- Assign a rating to each qualified health plan offered through the marketplace
- Use a standardized format for presenting health benefit options in the marketplace
- Review compensation rates for licensed brokers and agents
- Establish a calculator to determine the actual cost of coverage after application of a premium tax credit
- Establish a SHOP exchange
- Other such functions necessary for the running of the marketplace

The AHIM board has begun its work toward establishing a state-based marketplace, including applying for federal grant funds in cooperation with AID and identifying staffing needs. The board is expected to develop and present a business plan to a legislative oversight committee in late 2014.

Conclusion

Estimates indicate that 200,000 subsidy-eligible Arkansans are expected to enroll in QHPs through the marketplace by 2016.[7] Importantly, these estimates account for the tax penalty for failing to purchase coverage in 2016, which is $695 or 2.5 percent of income, whichever is greater. Optimal consumer engagement could bring greater enrollment numbers earlier than 2016. As the state moves forward with the creation of a state-based marketplace, it will be important to build on the successes of the state-federal partnership and to work with state officials to improve marketplace competitiveness, ensure quality of the marketplace plans, and develop a sustainable business model to protect the availability of affordable coverage for Arkansans.

REFERENCES

1 Public Law 111-148. Patient Protection and Affordable Care Act.
2 Letter from Gov. Mike Beebe to Sec. Kathleen Sebelius. December 12, 2012. Accessed at http://hbe.arkansas.gov/FFE/GovBeebePartnershipLetter.pdf on October 2, 2013.
3 U.S. Department of Health and Human Services. Annual Update of the HHS Poverty Guidelines. Federal Register, January 24, 2013. [FR Doc. 2013-01422 Filed 1-22-13; 11:15 am]
4 Fernandez B, Gabe T. Health Insurance Premium Credits in the Patient Protection and Affordable Care Act (ACA). Congressional Research Service, July 31, 2013.
5 Arkansas Department of Insurance. Personal communication. September 2013.
6 The Arkansas Health Insurance Marketplace Act, Act 1500 of 2013.
7 PriceC, SaltzmanE. The Economic Impact of the Affordable Care Act on Arkansas. RAND Corporation. 2013

[f] The 11 member board consists of: (Governor appointees) Mike Castleberry, Chris Parker, and Annabelle Imber Tuck; (Senate Pro Tem appointees) Fred Bean, John Denery, and Steve Farris ; (Speaker of the House of Representatives appointees) Sherrill Wise, Dr. Jerry Jones, and Greg Hatcher; as well as Jay Bradford and John Selig, or their designees.

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