

# Arkansas Works Act of 2016

## FACT SHEET

• May 2016

Originally developed in 2013 as a bipartisan solution to leverage federal funding opportunities made available through the Patient Protection and Affordable Care Act (PPACA), the Health Care Independence Program (HCIP) extended coverage to low-income Arkansans through Medicaid. Rather than expanding coverage through the traditional fee-for-service Medicaid program, the HCIP used Medicaid dollars to purchase individual qualified health plans (QHPs) offered through the Health Insurance Marketplace. The enabling legislation for the HCIP and subsequent legislation passed by the Arkansas General Assembly set a termination date for the HCIP at the end of 2016. Following the nearly year-long deliberations of the Health Reform Legislative Task Force and clear signals from Arkansas Governor Asa Hutchinson that balancing the state's budget was contingent upon continued Medicaid expansion funding, the Arkansas General Assembly voted to adopt a new program entitled Arkansas Works. Arkansas Works retains the foundation of the HCIP—individual plan premium assistance—but adds new features intended to strengthen employer-sponsored coverage and promote wellness and personal responsibility. This fact sheet will describe the legislative intent of Arkansas Works, program eligibility, new program features, and other notable provisions in the enabling legislation.

## OVERVIEW

Enabling legislation for Arkansas Works was passed during the 90th General Assembly's Second Extraordinary Session, 2016, and was signed into law on April 8, 2016. During the subsequent fiscal session, the Department of Human Services' budget of \$8.4 billion included \$1.7 billion for the Arkansas Works program. The legislature authorized this amount for fiscal year 2017 following a series of procedural tactics including the governor's use of the line-item veto power.

At its core, Arkansas Works will extend the availability of healthcare coverage for approximately 250,000 low-income Arkansans. The program will continue use of the state's innovative individual plan premium assistance approach for most eligible individuals, while adding premium requirements for beneficiaries meeting an income threshold of 100 percent of the federal poverty level (FPL), wellness requirements, incentive benefits, and work referrals. It will also require eligible individuals to take up cost-effective employer-sponsored insurance coverage at the election of small employers.

### Arkansas Works Act of 2016: Legislative Intent

1. Empower individuals to improve their economic security and achieve self-reliance;
2. Build on private insurance market competition and value-based insurance purchasing models;
3. Strengthen the ability of employers to recruit and retain productive employees; and
4. Achieve comprehensive and innovative healthcare reform that reduce state and federal obligations for entitlement spending.

### Program Eligibility

Arkansas Works covers adults between the ages of 19 and 65 years who meet the following requirements:

- Childless adults earning up to 138 percent of the FPL or parent/caretakers who earn between 17 percent and 138 percent of the FPL.
- A U.S. citizen or qualified, documented alien.
- Those not eligible for Medicaid under pre-2014 eligibility requirements, such as individuals who are disabled, children, and dual eligible.
- Adults with exceptional medical needs as identified by a healthcare needs questionnaire.
- Those not enrolled in Medicare or receiving advanced premium tax credits to enroll in the Health Insurance Marketplace.
- Those not incarcerated.<sup>1</sup>

While most eligible individuals will be enrolled in private plans, Arkansas Works will continue offering coverage for those with exceptional medical needs through traditional fee-for-service Medicaid, unless cost-effective coverage is available through an employer.

## New Features of Arkansas Works

A December 2015 letter from Governor Hutchinson to the federal Department of Health and Human Services (HHS) Secretary Sylvia Burwell outlined proposed amendments to the state's existing Section 1115 demonstration waiver through which the HCIP has been implemented. The letter indicated that the modifications were "to ensure that Arkansas Medicaid promotes personal responsibility, incentivizes work and ensures program integrity."<sup>2</sup> Those proposed modifications were subsequently adopted by the Arkansas General Assembly in the Arkansas Works enabling legislation (See Table 1). A five-year waiver extension application will be submitted by the Arkansas Department of Human Services (DHS) to the federal Centers for Medicare and Medicaid Services this summer for consideration.

**Table 1. New Features of Arkansas Works<sup>3</sup>**

<b>Employer Sponsored Insurance (ESI) Premium Assistance</b>	<ul style="list-style-type: none"> <li>Eligible individuals 21 and older must enroll in cost-effective employer-sponsored insurance if offered by a small employer (2-50 employees) that elects to participate</li> <li>Eligible employer-sponsored plans must cover 10 federally-required essential health benefits</li> <li>Program will cover employee premiums (except for the premium obligation detailed below) and cost-sharing as needed to limit out-of-pocket exposure to no greater than Medicaid maximum (5% of annual income)</li> <li>Small employers that elect to participate will be incentivized through assistance with a portion of employer premium expenditures</li> </ul>
<b>Premium Obligation for Select Participants</b>	<ul style="list-style-type: none"> <li>Program participants with incomes of 100-138% FPL will be required to pay premiums of no more than 2% of income                             <ul style="list-style-type: none"> <li>This replaces the Health Independence Account (HIA) required contributions through the HCIP</li> </ul> </li> <li>Failure to pay premiums for three consecutive months will lead to the loss of incentive benefits and the accrual of a debt to the state                             <ul style="list-style-type: none"> <li>Benefits will be restored upon payment of all premiums owed</li> </ul> </li> </ul>
<b>Retroactive Eligibility</b>	<ul style="list-style-type: none"> <li>Ends retroactive eligibility coverage for eligible individuals                             <ul style="list-style-type: none"> <li>Previously covered for 90 days prior to eligibility application</li> </ul> </li> </ul>
<b>Incentivizing Work for Program Participants</b>	<ul style="list-style-type: none"> <li>Eligible individuals with incomes up to 50% FPL will be referred to the Department of Workforce Services for participation in job training and job search programs</li> <li>DHS will provide work training opportunities and outreach and education about work training opportunities to eligible individuals regardless of income</li> </ul>
<b>Wellness Promotion Activities</b>	<ul style="list-style-type: none"> <li>Program participants must receive a wellness visit from a primary care provider within the first year of program participation                             <ul style="list-style-type: none"> <li>Failure to meet this requirement will lead to the loss of incentive benefits for up to one year</li> </ul> </li> </ul>

## Additional Provisions<sup>3</sup>

- A plan to transition program participants within 120 days if federal medical match percentages drop below previously established thresholds (See Figure 1).
- Quarterly reporting to the legislature regarding enrollment and eligibility, utilization, premium and cost-sharing reductions costs, health insurer participation and competition, avoided uncompensated care, and participation in incentivized work requirements.
- Required participation in Arkansas's Patient-Center Medical Home Program of insurers offering individual QHPs.
- Removal of insurers' ability to offset premium tax exposure for plans issued through the Arkansas Works and the Arkansas Health Insurance Marketplace
- Expiration of the program on December 31, 2021.

Year	Federal Match
<b>2017</b>	95%
<b>2018</b>	94%
<b>2019</b>	93%
<b>2020</b>	90%

\*Arkansas Works Act of 2016, p. 6

<sup>1</sup> Arkansas Center for Health Improvement. *Arkansas's Health Care Independence Act of 2013*. <http://achi.net/Content/Documents/ResourceRenderer.ashx?ID=205>

<sup>2</sup> 1115 Waiver Letter & Extension Application, December 29, 2015. [http://ee-governor-2015.ark.org/images/uploads/1115\\_Waiver\\_Extension\\_Submission.pdf](http://ee-governor-2015.ark.org/images/uploads/1115_Waiver_Extension_Submission.pdf)

<sup>3</sup> Arkansas Works Act of 2016, Act, 1, Act 2