History of Arkansas's Traditional Medicaid Program

(1970-2013)

Produced by

ACHI

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

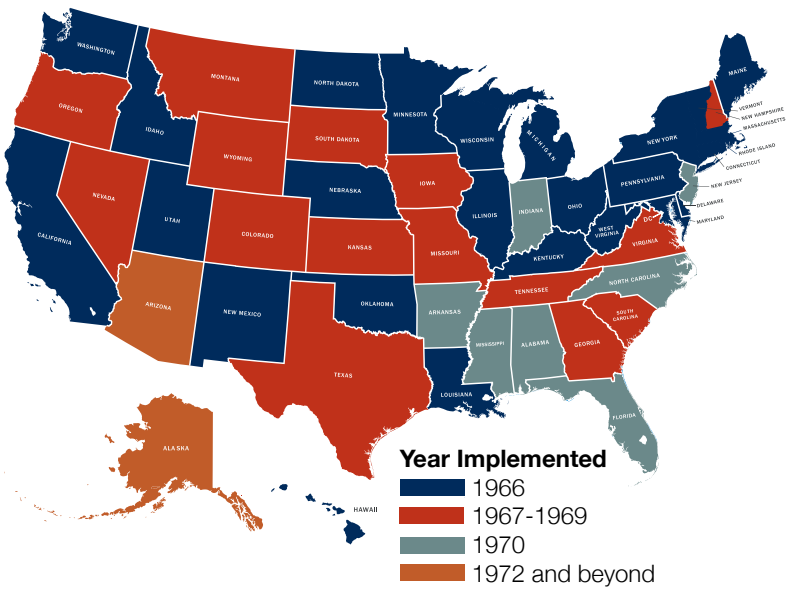
Congressional Authorization and History of Medicaid in Arkansas

The concept for Medicaid was first introduced to Congress by Arkansan Wilbur D. Mills, then Chairman of the House Ways and Means Committee, as an addition to the creation of Medicare. Both were federally enacted in 1965.

Medicare is a federally administered program to provide health coverage for the elderly. Medicaid is a state administered program to provide healthcare coverage for the impoverished and disabled.

State participation in the Medicaid program is optional through Title XIX of the Social Security Act of 1965. Arkansas exercised the federal option in 1970 after having operated a state-based indigent medical care program since 1939. Act 416 of 1977 vested responsibility for Medicaid with the Arkansas Department of Human Services (DHS).

Original Medicaid Implementation Decision by State



Eligibility

Arkansas's Medicaid eligibility requirements have been among the most restrictive in the nation, second only to Alabama. In our state, Medicaid eligibility was based on individual and/or family income, Arkansas residency, disability, and other requirements. There were also limits on the value of assets (e.g., cars, property) individuals could have to qualify. Prior to 2014, almost all Arkansas Medicaid recipients were children from low-income families, individuals with major disabilities, and the frail elderly with very limited financial resources. Unlike other states, Arkansas Medicaid did not cover low-income, non-caretaker adults without disability or special condition (e.g. pregnancy, blindness, or breast or cervical cancer).

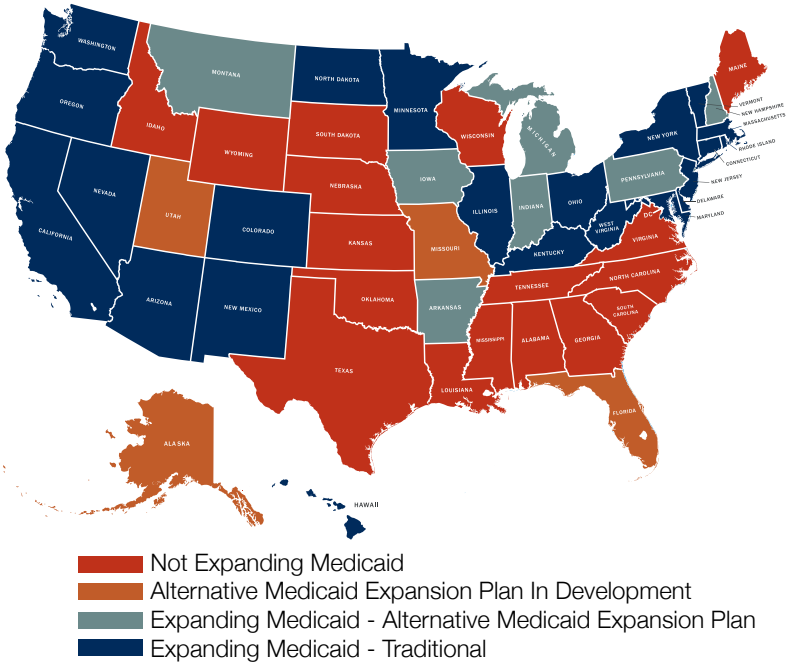
Individuals receiving federal Supplemental Security Income (SSI) are deemed Medicaid eligible by District Social Security Offices. To receive Medicaid benefits, individuals without SSI eligibility must be certified as eligible by DHS field staff located in county offices throughout the state

Administration

Medicaid is a jointly financed federal and state program.

- DHS administers the Arkansas Medicaid program through the Division of Medical Services (DMS), one if its 11 divisions.
- The U.S. Centers for Medicare and Medicaid Services (CMS) administers the federal Medicaid program for the U.S. Department of Health and Human Services.
- CMS authorizes federal funding levels and approves each state's State Plan, ensuring compliance with federal regulations.

Current Medicaid Expansion Decision by State

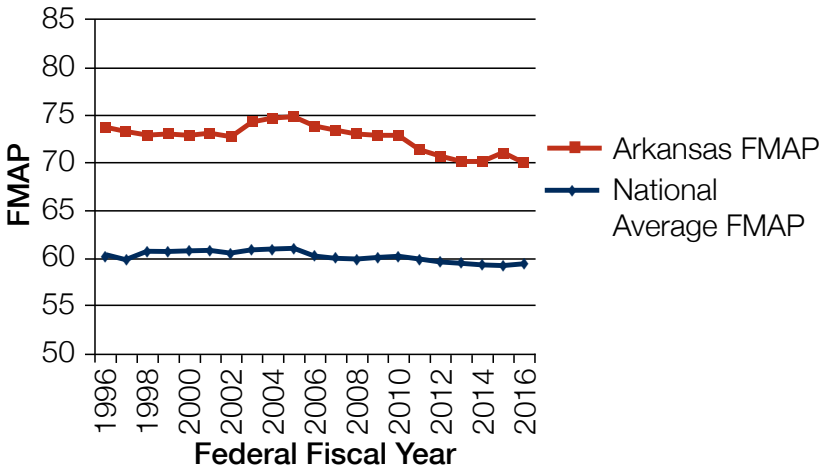


Funding

Funding is shared between the federal government and the states. All states receive federal funding for Medicaid in the form of the Federal Medical Assistance Percentage (FMAP) at a rate of between 50 and 90 percent. The FMAP varies from state to state depending on per capita income, with the poorest states receiving the highest matching amounts. FMAP is subject to adjustment each year to compensate for changes in the per capita income of each state relative to the nation as a whole. The federal match rate also varies for some Medicaid services and programs. For example, Arkansas's base FMAP is currently 70.88 percent while administration services are matched at 50 percent.

A majority of the funding for Medicaid programs comes through federal obligations, matched by state funding from various sources including state general revenues, prescription drug rebates, tobacco settlement funds, tobacco tax revenues, quality assurance fees, Arkansas soft drink tax revenues, and transfers from other state agencies for services to specific Medicaid-eligible population groups.

Arkansas FMAP Averages



Services

Medicaid services are organized in four general program areas:

- Prescription drugs.
- Long-term care.
- Hospital and medical services.
- Tobacco settlement-funded Medicaid expansion.

Within the Medicaid program, there are both mandatory services required by the federal government and optional services that states may choose to provide. Mandated services vary by covered population, for example, children or the frail elderly. Some optional services include, for example, prescription drugs and services that enable recipients to receive care in home-based or community-based settings. The Arkansas Medicaid program includes more than 45 optional services federally funded at the same level as mandatory services.

Examples of Mandatory Services

- Child health services–e.g., Early and Periodic Screening, Diagnosis and Treatment (EPSDT).
- Family planning–e.g., reproductive health education, counseling, and medical services (including prescriptions).
- Nursing facility (age 21 and up) and home healthcare services–e.g., home health nurse/aid.
- Inpatient and outpatient hospital services.
- Physician, nurse practitioner, and midwife services–e.g., Federally Qualified Health Center (FQHC), visits to a doctor's office, patient home, hospital, nursing home, and some elective surgeries.
- Transportation to medical providers.
- Laboratory and X-ray services.

Examples of Optional Services in Arkansas

- Prescription drug coverage.
- Adult dental care.
- Targeted case management including referrals for services and treatment.
- Child Health Management Services for early intervention and prevention, including medical, psychological, speech and language pathology, occupational and physical therapy, behavioral and audiology services.
- Rehabilitation hospital services.
- Rehabilitative services for persons with mental illness and persons under age 21 with physical disabilities.
- Program of All-inclusive Care for the Elderly (PACE).
- ARHealthNetworks.

Medicaid Waivers

Medicaid services vary greatly from state to state with optional services implemented through state plan amendments or Medicaid waivers. Waivers must further the purpose of Medicaid, "to make more adequate provisions for aged persons, blind persons, dependent and disabled children, maternal and child welfare, (and) public health…."

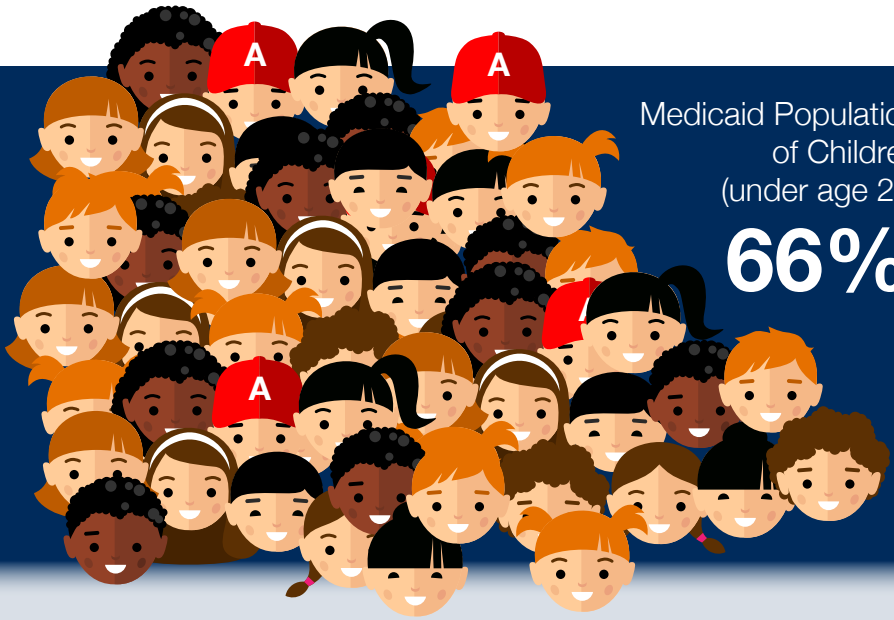
Sections 1115, 1915(b) and 1915(c) of the Social Security Act give the U.S. Secretary of Health and Human Services broad authority to waive provisions in Title XIX, the Medicaid statute. Generally, a waiver is approved for a two– to five-year period and may be renewed. For example, Arkansas obtained a three-year Section 1115 waiver to use premium assistance in the Health Care Independence program.

A central element of many waivers is the expansion of Medicaid eligibility to low-income persons not covered under federal rules. 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.

In addition to the waiver that allowed creation of ARKids First and the Health Care Independence Program, Arkansas has implemented a number of waivers including, for example:

- ElderChoices Waiver covering those seniors who would be eligible if they were in a nursing home facility, but choose to remain at home.
- LivingChoices Waiver providing assisted-living services in approved facilities for eligible seniors.
- Alternatives for Adults with Physical Disabilities Waiver covering individuals between the ages of 21 and 65, who are physically disabled and would be eligible for Medicaid if they were in a nursing home facility, but choose to remain at home.
- ARHealthNetworks offered through employers, providing low-income workers with a limited package of health benefits.

Medicaid Population/Budget Impact
(2013 prior to expansion of adult coverage)



Medicaid Population of Children (under age 21)

66%

The average child claim payment per beneficiary in 2013

14% $3,178M

ARKids First Implemented in 1997 with expansion to ARKids B in 2000

Medicaid Population of Adults (21-64 years of age)

26%

The average adult claim payment per beneficiary in 2013

$6,046M **28%**

Medicaid Population of Seniors (age 65+)

8%

The average senior claim payment per beneficiary in 2013

58% $12,627M

Enacted in 1965, Medicaid is a voluntary program for states. While not all states took it up initially, access to federal matching funds to provide health coverage for the uninsured was a strong incentive. By 1982, all 50 states and the District of Columbia had Medicaid programs in place.

Initially, Arkansas implemented a limited Medicaid program to support nursing home care for the frail and impoverished elderly. In 1970, Arkansas's Medicaid program was broadened significantly during the administration of Governor Winthrop Rockefeller.

TIMELINE
1980-1989

The Medicaid program of the 1980s was characterized by efforts to optimally meet the health care needs of participants, balanced by available revenue. By the mid-80s Arkansas Medicaid served nearly 200,000 recipients with expenditures of $358 million. During this time, at least 30 changes were made to improve the program's efficiency by establishing limits and adjusting reimbursement methods. Examples of these changes include:

- Implementation of a generic drug policy in the drug prescription program.
- Elimination of dental services for adults over 21 years of age.
- Establishment of a fee schedule for reimbursement of physician, laboratory, and X-ray services.
- Implementation of a prospective payment system using per diem rates for hospital services and fee schedule for vision care.
- A 5% reduction in reimbursement rates.
- Pre-certification for inpatient admissions and inpatient rehabilitative services limited to 35 days.

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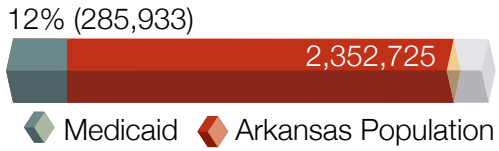
1990-1999

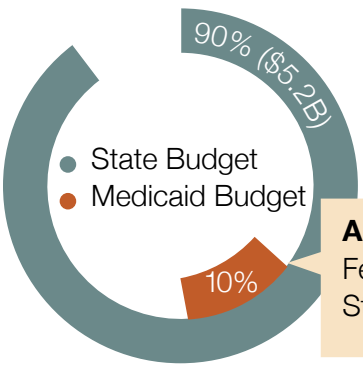
The 1990s represented an era of innovation along with increased federal oversight and adjustments to accommodate a changing health care landscape. Substantial changes were made to improve cost efficiency in concert with implementation of several waivers to improve the program's ability to meet the needs of Arkansans. Highlights include:

- Establishment of a scale for co-payments for a variety of services including prescriptions.
- A federal court decision subjected Medicaid provider reimbursement rates to federal court oversight to ensure "equal access."
- Federal waivers were secured to: improve obstetrical and newborn care services; allow for Arkansas's first entry into Medicaid managed care with Primary Care Case Management; and extend access to health care to children from low-income households through the ARKids First program.
- Other program changes and waivers included:
  - Non-Emergency Transportation (NET). Dispatching services were regionalized and capitated rates were instituted to reduce costs and control fraud & abuse.
  - AIDS Management.
  - ElderChoices and IndependentChoices.
  - ConnectCare Managed Care Program.
  - Income eligibility for pregnant women increased to 133% Federal Poverty Level (FPL) per the Omnibus Reconciliation Act of 1989.
  - Discontinuation of automatic eligibility for those receiving Aid For Dependent Children per the 1996 Welfare Reform Bill.

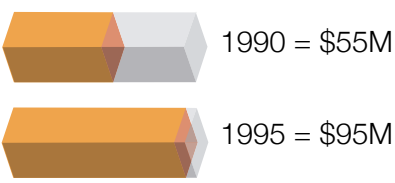
Arkansas Medicaid Population (1990)



Arkansas Medicaid Budget (1990)



Prescription Drug Program Cost



AR Medicaid Budget Split:
Federal = 74% ($443M)
State = 26% ($156M)

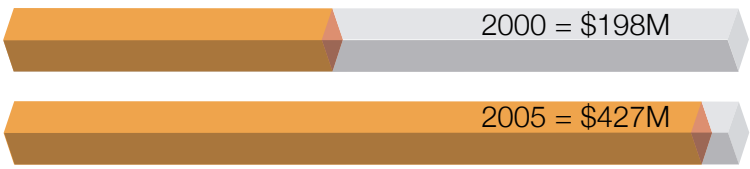
2000-2009

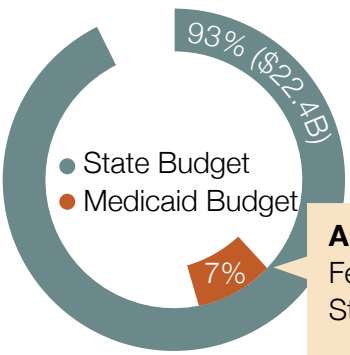
The first decade of the 21st Century was marked by one of the worst economic recessions in U.S. history. High rates of unemployment and a contracted economy put pressure on the Arkansas Medicaid program. The federal match rate was temporarily increased through the American Recovery and Reinvestment Act and through successful budget management, Arkansas was one of just a few states to successfully navigate through these trying times. Efforts to improve program efficiency continued, particularly through initiatives targeting the highest utilizers, the frail elderly and those with complex health conditions. Highlights include:

- Assisted Living Waiver, providing an alternative to remaining in private dwelling or going to a nursing home.
- Tax Equity and Fiscal Responsibility Act Waiver requiring parents with income above a certain level to pay a premium for Medicaid services for their children with developmental disability.
- Division of Developmental Disabilities Alternative Community Services Waiver.
- Arkansas Innovative Performance Program for nursing homes.
- ARKids First B extending coverage to children of families with income between 133% and 200% FPL with fewer benefits than ARKids A and a co-pay requirement.
- Inpatient Quality Incentive Program (first pay-for-performance program for hospitals in the nation) updated hospital per diem rate to reward high-quality care.

Arkansas Medicaid Population (2000)

Prescription Drug Program Cost





Arkansas Medicaid Budget (2000)

AR Medicaid Budget Split:
Federal = 73% ($1.29B)
State = 27% ($480M)

2010-2013

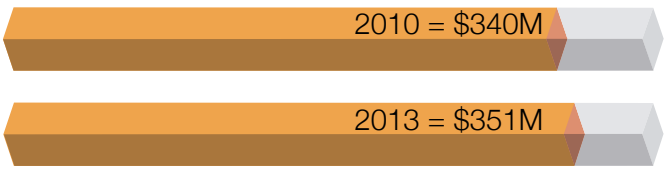
As the enhanced federal match terminated and health care costs continued to grow, a looming Medicaid budget shortfall escalated the State's efforts to "bend the Medicaid cost curve." Stakeholders were invited to submit their ideas for improving quality and controlling costs in the Medicaid program. The U.S. Secretary of Health and Human Services was asked for flexibility as Arkansas worked to shape a plan.

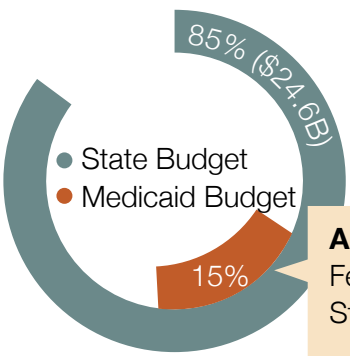
The resulting nationally lauded plan is an innovative, multi-payer, system-wide transformation from traditional fee-for-service to a value-based payment model. Highlights for these four years include:

- Planning and development for modernization of the Medicaid Management Information System (MMIS).
- Implementation of the Minimum Data Set 3.0, representing a redesign of information collected by long-term care facilities, with emphasis on identifying residents for whom home- and community-based services may be an alternative to facility placement.
- The Arkansas Payment Improvement Initiative was launched in 2012 following 18 months of planning and development—including the rollout of episodes of care and patient-centered medical homes.
- In 2013, Arkansas Medicaid was awarded the Centers for Medicare and Medicaid Services State Innovation Model (SIM) Grant to fund implementation of the Arkansas Payment Improvement Initiative.

Arkansas Medicaid Population (2010)

Prescription Drug program cost





Arkansas Medicaid Budget (2010)

AR Medicaid Budget Split:
Federal = 78% ($3.36B)
State = 22% ($949M)