ACHI
INSPIRING HEALTHY ACTS

ARKANSAS MEDICAID PRIMER

Introduction

Medicaid is the nation's public health insurance program, providing coverage to 1 in 3 Arkansans, many of whom have complex and costly needs for care. The Medicaid program has continued to evolve and expand since its establishment in 1965, resulting in historic reductions in the number of Americans without health insurance coverage.

State and federal policymakers frequently explore changes to the Medicaid program, including efforts to rein in costs while also ensuring sufficient access to quality care. To better understand the impacts of proposed policy changes, a thorough understanding of Medicaid and its history is critical. This explainer provides an overview of Medicaid in Arkansas, including its history, its financing structure, covered populations and benefits, and key policy considerations.

History and Administration

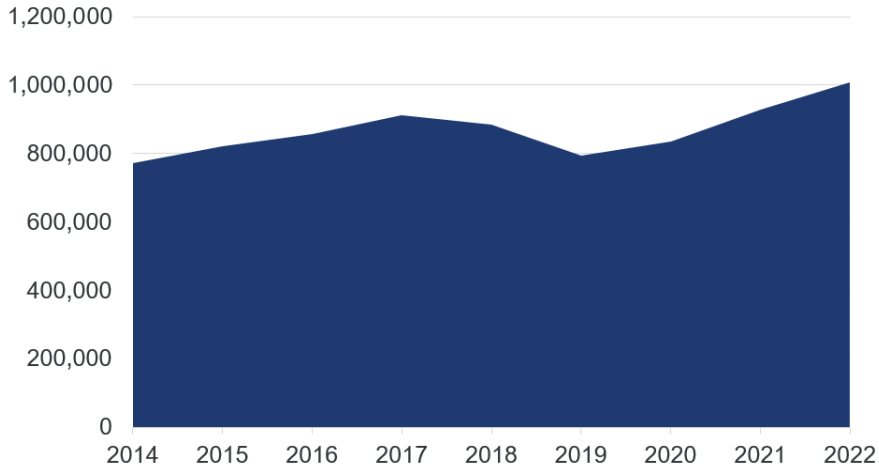
Medicaid is a jointly financed federal and state program which has historically provided healthcare coverage to the country's low-income children and their parents, pregnant women, individuals with disabilities, and low-income seniors. In 1965, President Lyndon B. Johnson signed legislation establishing Medicaid and another program, Medicare, which privides coverage to Americans ages 65 and over and some medically vulnerable populations.[1] Established as Title XIX of the Social Security Act, the federal Medicaid law offered states the opportunity to match state dollars with federal funding to establish medical assistance programs.[2]

Prior to the passage of Title XIX, Arkansas had a limited program to provide medical care to indigent populations through Act 280 of 1939.[3] In 1970, Arkansas chose to participate in the federal option of Medicaid under the administration of Governor Winthrop Rockefeller, expanding the state's role in providing coverage to other low-income populations.

The Arkansas Department of Human Services is the agency that oversees the state's Medicaid program.[3] 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 also authorizes federal funding levels and approves each state's State Plan, ensuring compliance with federal regulations.[3] Since the late 1970's, Arkansas Medicaid has undergone many revisions to its State Plan in order to meet the needs of changing populations and capitalize on opportunities for state innovation.

Eligibility and Enrollment

FIGURE 1: ARKANSAS MEDICAID AND CHIP ENROLLMENT TRENDS, 2014-2022 [3]



Arkansas has historically maintained some of the strictest income eligibility requirements for program enrollment. Eligibility is based on many factors, including income, state residency, and disability status. Unlike other states, Arkansas Medicaid did not cover low-income, non-caretaker adults unless a special condition was present (such as pregnancy) until Medicaid expansion in 2014. Figure 1 shows trends in Arkansas Medicaid enrollment since 2014 for

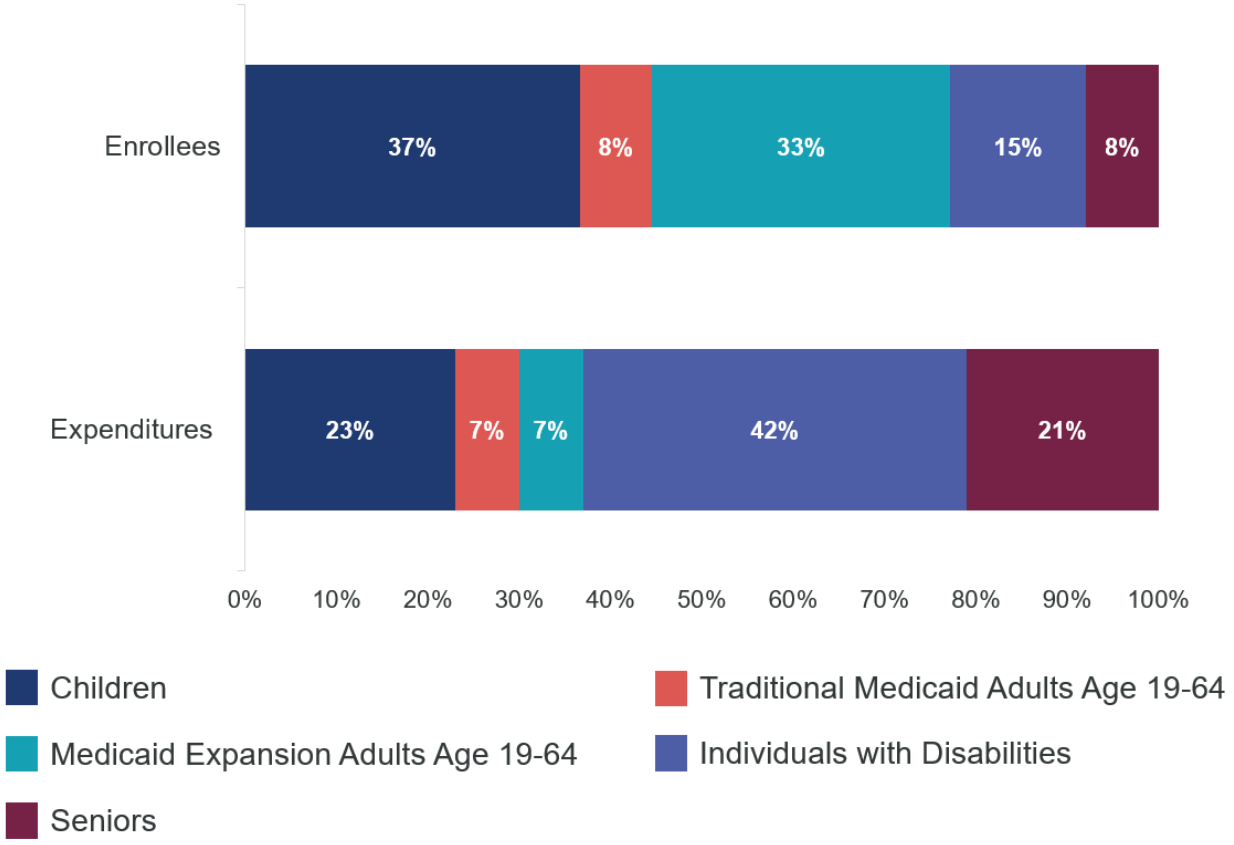
individuals enrolled in full-benefit plans.[3] The program functions as a safety net for the state's poorest residents and other diverse groups of enrollees with special needs, including children from low-income families (receiving coverage through the ARKids First program; see below), individuals who have developmental disabilities and/or serious mental illnesses, the frail elderly with limited financial resources, and those who qualify as disabled and receive benefits through the federal Supplemental Security Income program.

In May 1997, Arkansas submitted its proposal for ARKids First, a program to expand coverage to children in low-income families with earnings up to 200% of the federal poverty level who were not eligible for traditional Medicaid coverage. On a parallel track in the same year, Congress established the State Children's Health Insurance Program (CHIP) to extend healthcare coverage to children of low-income families. The differences in the two programs were reconciled in 2000 under the ARKids First umbrella as ARKids A and B.[4] Whether a child participates in ARKids A or B is based on the family's income. There is no charge when a child participates in ARKids A; for ARKids B, co-payments are required for some services.

Spending

Medicaid spending varies considerably by enrollee age group. For example, although seniors represent a small percentage of overall enrollment in Medicaid (see Figure 2), expenditures per senior enrollee far exceed those of children. In 2019, the average cost of covering a senior enrollee was $17,110, compared to $4,104 for the average child, even though almost all senior Medicaid enrollees are also eligible for Medicare.[5] The difference in average expenditures is largely due to long-term nursing home care. Medicare covers only time-limited nursing home stays for rehabilitative purposes, whereas Medicaid covers long-term services and supports, including institutional care in a nursing home and home- and community-based services that are designed to enable people to stay in their homes rather than moving to a facility for care.

FIGURE 2: EXPENDITURES BY ENROLLMENT GROUP, FISCAL YEAR 2019 [5, 6]



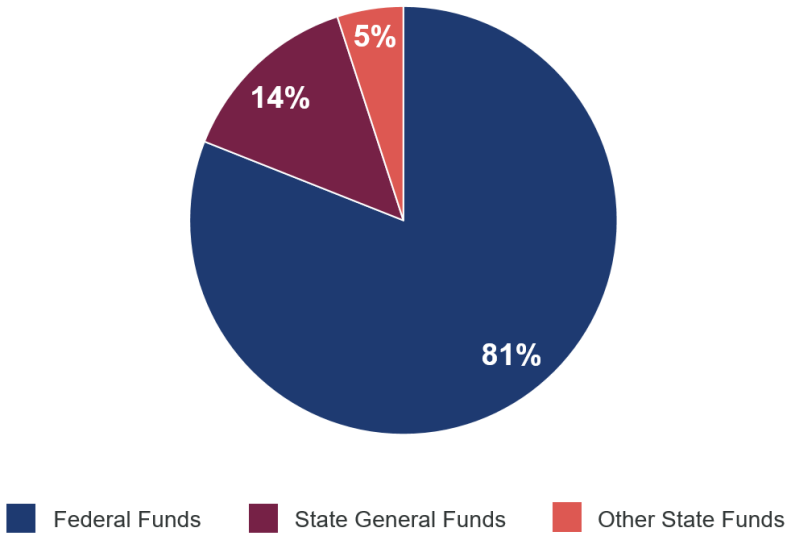
Note: Enrollee percentages do not add up to 100 due to rounding.

Financing

Medicaid financing traditionally has been a shared responsibility between states and the federal government, with the federal share based on a match rate — the federal Medical assistance percentage (FMAP). The standard FMAP varies based on a state's average per capita income (ranging from 50% to 83%),[7] with lower-income states receiving greater federal assistance when compared to the national average.[3,8]

Arkansas's average federal medical assistance percentage (FMAP) for medical services between fiscal years 2013 and 2023 was 71.1%. The national average FMAP for the same period was 60.6%. The highest national average in that period was during fiscal year 2021, when an enhanced FMAP of 68.5% was in effect throughout the entire year due to the COVID-19 public health emergency.

FIGURE 3: ARKANSAS MEDICAID EXPENDITURES, FISCAL YEAR 2021



Arkansas funded nearly 20% of Medicaid program-related costs during the 2021 fiscal year, with the federal government providing the remaining funds (see Figure 3).[9] A majority of the state's share of funding comes from general revenue, which includes sales and income taxes. Other revenue sources include provider fees, which generate supplemental Medicaid provider payments and funds from the state's Medicaid Trust Fund.

Services

State Medicaid programs must cover the following mandatory services to receive federal matching funds.[8]

- Inpatient hospital services.
- Outpatient hospital services.
- Early and periodic screening, diagnostic, and treatment (EPSDT) services.
- Nursing facility services.
- Tobacco cessation counseling for pregnant women.
- Physician services.
- Rural health clinic services.
- Home health services.
- Laboratory and X-ray services.

- Freestanding birth center services (when licensed or otherwise recognized by the state).
- Family planning services.
- Nurse midwife services.
- Transportation to medical care.
- Certified pediatric and family nurse practitioner services.
- Federally qualified health center services.

Along with mandated federal services, states can also provide optional services to their Medicaid populations. Optional services in Arkansas include prescription drug coverage and services that allow beneficiaries to receive care in home- or community-based settings.[10]

Medicaid Expansion

The Patient Protection and Affordable Care Act gave states the option to expand Medicaid coverage to individuals earning up to 138% of the federal poverty level. For states that chose to expand coverage, the federal government would cover 100% of expansion costs for the first three years of implementation, with a decreasing match in subsequent years. In 2014, Arkansas implemented a unique version of Medicaid expansion through the Arkansas Health Care Independence Program, currently known as Arkansas Health and Opportunity for Me (ARHOME).[11] Under the program, the state covered newly eligible individuals by using premium assistance to purchase qualified health plans offered through the Health Insurance Marketplace. This approach required a Section 1115 Medicaid demonstration waiver, a type of waiver that allows states to test care delivery and financing models that promote the goals of Medicaid.[12] The current five-year program waiver has been approved through 2026.

Care Delivery Alternatives

States have used a variety of delivery models to provide care to Medicaid populations since the program's inception over 50 years ago. Today, capitated managed care is the dominant service delivery mechanism among state Medicaid programs. As of July 2022, 41 states, including Arkansas, contract with comprehensive, risk-based managed care plans to provide care to at least some of their Medicaid beneficiaries.[13] Under Medicaid managed care, required Medicaid

health benefits and sometimes additional services are provided through contracted arrangements between state Medicaid agencies and managed care organizations (MCOs) that accept a set per member per month (capitation) payment for these services. In Arkansas in 2021, MCO spending accounted for 15.2% of total Medicaid spending.[14]

Arkansas Medicaid implemented its first managed care programs, Healthy Smiles Dental and Provider-Led Arkansas Shared Savings Entity (PASSE) in 2018 and 2019, respectively.[13] Most children and adults who are eligible for Medicaid dental coverage have common dental services such as cleanings, x-rays, and crowns managed by plans from either Delta Dental of Arkansas or Managed Care of North America.[15]

The PASSE program serves Medicaid clients with complex behavioral health, developmental, or intellectual disabilities. Arkansas Medicaid pays the PASSEs a set per member per month payment to coordinate care and pay medical expenses for enrolled Medicaid beneficiaries.[16] PASSEs assign each enrollee a care coordinator who serves as a liaison between the enrollee and the PASSE and works with the enrollee's family and providers to develop a person-centered service plan that identifies preferences, goals, and choices. Although much research has been conducted on whether managed care delivery systems result in better outcomes than traditional fee-for-service systems, studies are not definitive. Managed care models may provide states with increased budget predictability and reduced administrative costs, but they can also result in reduced quality of care and restricted access without sufficient state oversight and patient and provider protections, counteracting the objectives of the program.[17]

Medicaid Financing Alternatives

Recent proposals have suggested funding Medicaid programs with a fixed federal contribution through block grants. There are benefits to this approach for states because it enables stable budget forecasting, but there are also risks during periods of economic downturn. The current FMAP approach is countercyclical — i.e., designed to counteract the effects of the economic cycle — providing increased financial protection for states during periods of economic recession when Medicaid enrollment may increase. Under a block grant, federal funding would be capped and additional program expenses during an economic downturn, a pandemic, or a natural disaster would be the state's responsibility. Because a fixed federal allotment does not

anticipate state and national economic cycles in such circumstances, states would be forced to decide whether to increase state funding or make program cuts, which may include changes to eligibility, benefits, and provider payment.[18] Per capita caps, which would set a limit on federal spending per enrollee type, may protect against unexpected enrollment increases due to changes in the economic environment, pandemics, or natural disasters, maintaining the countercyclical protections of state budgets.

Conclusion

Medicaid is a crucial healthcare safety net for some of Arkansas's most vulnerable populations. Medicaid serves the elderly, disabled, children, pregnant women, and individuals for whom healthcare coverage is financially out of reach. Much of the recent healthcare policy debate at the federal level has focused on Medicaid cost containment. Not unlike private insurance, Medicaid costs are both sensitive to inflationary pressures and reflective of the health status of the populations served. Unless underlying medical costs across both the public and private sectors are adequately addressed, the proportion of Arkansans for whom private insurance coverage is financially out of reach, along with continued dependence upon publicly financed coverage, will continue to grow.

[1] Centers for Medicare and Medicaid Services. History: CMS' program history. Retrieved April 25, 2023, from cms.gov/About-CMS/Agency-Information/History/index.html
[2] Arkansas Center for Health Improvement. History of Arkansas's traditional Medicaid program (1970-2013). Retrieved April 24, 2023, from achi.net/wp-content/uploads/2018/01/History-of-Arkansass-Traditional-Medicaid-Program-1970-2013.pdf
[3] Centers for Medicare and Medicaid Services. Medicaid enrollment data collected through MBES. Medicaid.gov. Retrieved April 25, 2023, from medicaid.gov/medicaid/national-medicaid-chip-program-information/medicaid-chip-enrollment-data/medicaid-enrollment-data-collected-through-mbes/index.html
[4] Centers for Medicare Medicaid Services. Arkansas AR Kids B Section 1115 demonstration fact sheet. Retrieved April 25, 2023, from medicaid.gov/Medicaid-CHIP-Program-Information/By-Topics/Waivers/1115/downloads/ar/ar-arkidsb-fs.pdf
[5] Kaiser Family Foundation. Medicaid spending by enrollment group. Retrieved May 4, 2023, from kff.org/medicaid/state-indicator/medicaid-spending-by-enrollment-group/?dataView=1%C2%A4tTimeframe%3D0&currentTimeframe=0&sortModel=%7B%22colId%22:%22Location%22,%22sort%22:%22asc%22%7D
[6] Kaiser Family Foundation. Medicaid enrollees by enrollment group. Retrieved May 4, 2023, from kff.org/medicaid/state-indicator/distribution-of-medicaid-enrollees-by-enrollment-group/?dataView=1%C2%A4tTimeframe%3D0&currentTimeframe=0&sortModel=%7B%22colId%22:%22Location%22,%22sort%22:%22asc%22%7D
[7] Arkansas Center for Health Improvement. Federal medical assistance percentages and Arkansas Medicaid. Retrieved May 10, 2023, from achi.net/wp-content/uploads/2023/05/230504A_FMAP-Update-1.pdf
[8] Office of the Assistant Secretary for Planning and Evaluation, U.S. Department of Health and Human Services. (2015, Dec. 28). FY2017 federal medical assistance percentages. hhs.gov/basic-report/fy2017-federal-medical-assistance-percentages
[9] National Association of State Budget Officers. State expenditure report. Retrieved April 25, 2023, from nasbo.org/reports-data/state-expenditure-report
[10] Centers for Medicare and Medicaid Services. Mandatory & optional Medicaid benefits. Medicaid.gov. Retrieved April 25, 2023, from medicaid.gov/medicaid/benefits/mandatory-optional-medicaid-benefits/index.html
[11] Arkansas Center for Health Improvement. (2023, April). Coverage expansion timeline for adults in Arkansas. achi.net/wp-content/uploads/2023/04/230417A_Arkansas-Medicaid-Expansion-History.pdf
[12] Centers for Medicare and Medicaid Services. About section 115 demonstrations. Retrieved May 11, 2023, from medicaid.gov/medicaid/section-1115-demonstrations/about-section-1115-demonstrations/index.html
[13] Hinton, E., & Raphael, J. (2023, March 1). 10 things to know about Medicaid managed care. KFF. kff.org/medicaid/issue-brief/10-things-to-know-about-medicaid-managed-care/
[14] Kaiser Family Foundation. Total Medicaid MCO spending. Retrieved May 4, 2023, from kff.org/other/state-indicator/total-medicaid-mco-spending/?currentTimeframe=0&sortModel=%7B%22colId%22%3A%22Location%22%2C%22sort%22%3A%22asc%22%7D
[13] Centers for Medicare and Medicaid Services. Medicaid & CHIP in Arkansas. Medicaid.gov. Retrieved May 3, 2023, from medicaid.gov/state-overviews/stateprofile.html?state=arkansas
[15] Arkansas Department of Human Services. Dental services. Retrieved May 3, 2023, from humanservices.arkansas.gov/divisions-shared-services/medical-services/healthcare-programs/dental/
[16] Arkansas Department of Human Services. PASSE — Provider-Led Arkansas Shared Savings Entity. Retrieved May 3, 2023, from humanservices.arkansas.gov/divisions-shared-services/medical-services/healthcare-programs/passe/
[17] Medicaid and CHIP Payment and Access Commission. Managed care's effect on outcomes. Retrieved May 3, 2023, from macpac.gov/subtopic/managed-cares-effect-on-outcomes/
[18] Arkansas Center for Health Improvement. (2020, January). Medicaid financing alternatives. achi.net/wp-content/uploads/2020/01/200129-Medicaid-Financing-Updated.pdf