HRSA STATE PLANNING GRANTS Program

INTERIM REPORT TO THE SECRETARY: OVERVIEW OF ARKANSAS ACTIVITIES

Executive Summary

In the HRSA State Planning Grant, budget period October 1, 2003 through September 30, 2004, the Arkansas SPG team continues to make significant strides towards attainment of our objectives. Building upon successful efforts in previous years, the Arkansas SPG Team is creating a long-term-sustainable effort to promote the development of evidence based health insurance policy and programs. These efforts, designed to expand health insurance coverage and promote marketplace stability will result in improvement of the health and healthcare of Arkansans.

HRSA Supplemental funding to the Arkansas SPG Project (October 2003–September 2004) supported two goals:

(1) 2004 Arkansas Household Survey of Health Insurance Status. During the 2003-2004 grant period, the SPG team neared completion of the process of collection of quantitative data on health insurance status of Arkansans through fielding of the2004 Arkansas Household Survey. The Arkansas health insurance marketplace continues to experience rapid change. Comparing this new information with 2001 data (collected with support of the HRSA SPG Program) will allow the Arkansas team to assess the effects of state and national events that have occurred in the 2001–2004 period. Analyses of the 2004 quantitative data will occur during 2005 (within the 12 month no cost extension period). Key comparisons to the 2001 dataset will be generated. Importantly these results will provide key and targeted information to state policy makers in support of efforts to expand health insurance coverage to currently uninsured Arkansans.

As originally proposed and approved by HRSA, a contract was established between the Arkansas SPG Team and a survey vendor (the University of Massachusetts Center for Survey Research [UMASS CSR]). Approval for fielding the survey was obtained from the University of Arkansas and University of Massachusetts Investigational Review Boards (IRB). The components of the

survey were developed and finalized by the Arkansas SPG team. During the requested and approved grant extension period in 2005, data collection will be completed and analyses developed in conjunction with the UMASS CSR of the collected data will be conducted. These analyses will yield detailed information regarding health insurance status of Arkansans and the current Arkansas health insurance marketplace. This newly collected data will also be employed to generate comparisons to existing Arkansas survey datasets (including the HRSA SPG 2001 Arkansas Household Health Insurance Status Survey). Results of these analyses will be communicated to the Arkansas SPG Roundtable and disseminated to state and national stakeholders. Importantly these results will be essential in the continued refinement of health insurance marketplace monitoring and development of expansion options for the state.

(2) Report to the Secretary and HRSA on Arkansas SPG and MSID Activities. To promote health insurance expansion policy development and implementation, summaries of data collected through the 2004 Household Survey and results of analyses will be shared with the Secretary of DHHS and other states through a Report to the Secretary detailing Arkansas SPG activities. The Arkansas team and SPG Roundtable will then disseminate this report and its findings to Arkansas community leaders, government and agency officials, and health policy decision makers. The outline of this Report was developed by the Arkansas SPG staff during the 2004 grant period. Results from survey data collection analyses, reactions to results from policy makers and marketplace updates will then be used to inform the preparation of the draft and final Reports to the Secretary and HRSA on Arkansas SPG and MSID activities. The Final Report detailing Supplemental grant activities in Arkansas will be completed during the 2005 no cost extension period of the HRSA SPG Grant and subsequently delivered to the US Secretary of the Department of Health and Human Services and to officers of the HRSA SPG Program.

In 2004, Arkansas SPG Roundtable members and SPG staff served in sentinel capacity in the establishment and implementation of the Arkansas General Assembly Joint Interim Committee on Health Insurance and Prescription Drugs. This Committee is currently considering legislation to be introduced in January 2005 to expand health insurance coverage options and promote marketplace stability.

As a result of the Arkansas SPG Roundtable recommendation in 2001 and the approval of Arkansas State Legislation Act 925, Health Insurance Purchasing Group Act of 2001, the first Health Insurance Purchasing Group (HIPG) in the Nation will be formed with the North Little Rock Chamber of Commerce in North Little Rock, AR. in October 2004. The SPG Roundtable continued to provide technical assistance and support to business, insurance and the Arkansas Insurance Department to bring HIPG's to fruition where appropriate. The HIPG allows business with fewer than 100 employees to band together and negotiate coverage. The HIPG model is expected to raise the number of insured employees in Arkansas by allowing more affordable coverage.

In Spring 2004, the Arkansas State and Public School Life and Health Insurance Plan Board of Directors voted to implement two recommendations of the Arkansas SPG Roundtable; offering Scientifically supported preventive medicine services (with no cost sharing by the enrollee) and a health savings account (HSA) option with a mandatory high deductible group policy. Implementation of these recommendations is anticipated in October 2004 and January 2005 respectively.

Finally and importantly, the Arkansas SPG Roundtable, originally established with funding support from the HRSA SPG Program continues to serve as a platform for analysis of health insurance expansion options for the state. With participation and input from state and national leaders, the Roundtable serves as the base for the 5–10-year Arkansas Strategic Plan for Health Insurance and Health Policy. This statewide group of influential leaders and policy makers are monitoring the public and private health insurance marketplace, determining efficacy of insurance expansion interventions, and providing considered and thoughtful guidance in the face of a challenging economic time and changing societal expectations.

Arkansas Multi-state Integrated Database Activities

HRSA initially provided funding to Arkansas to develop the MSID as a tool to collect and process diverse datasets and inform the Arkansas SPG Roundtable in its consideration of health insurance expansion options for the state.

In 2003, HRSA Supplemental funding to the Arkansas MSID Project (September 2003–August 2004) supported three goals:

(1): Obtaining and incorporation of MSID software updates and updated datasets (Current Population Survey [CPS], County Business Pattern [CBP], and Behavioral Risk Factor Surveillance Survey [BRFSS]. During the grant period, the Arkansas MSID team obtained current data updates from three national datasets {Current Population Survey (CPS), Behavioral Risk Factor Surveillance System (BRFSS), and County Business Pattern (CBP)}. This acquisition allows the Arkansas MSID team the capability to make available a 4 year block of data to participating SPG states.

(2): Access to the MSID platform for new SPG grantee states. During the grant period, the MSID team developed a password-protected data library for designated users in new grantee states to allow secure and protected access to the database. Arkansas project staff also provided licenses and operating software, a technical and end-user support mechanism, and grantee state end-user training and training materials and manned Help Desk response capability. The MSID team coordinated the translation of grantees' state-specific data to facilitate incorporation into the primary MSID server.

The incorporation of state-specific data into the MSID from 4th round SPG states is currently in progress. Completion of this process for several 3rd round states is pending and will occur during the 12 month no cost extension grant period in 2005. Due to later than original planned completion of their respective state surveys, several of 3rd round states (Alabama, Georgia, South Carolina, Montana and Wyoming) did not complete data translation process prior as originally scheduled, however final integration of all 3rd round states information into the MSID is anticipated prior to the end of the grant extension period.

A 4th round grantee state (Missouri) and a continuation grantee state (Washington) have begun the data translation process with completion anticipated prior to the end of the current grant period. The MSID Team anticipates that remaining 4th round grantee will complete and submit their respective state-specific surveys to allow initiation of the data translation process prior to the end of the grant extension period. This timetable is contingent on the availability of the state-specific data and the interaction between grantee states and their respective survey vendors.

(3): Continued access to the MSID platform for existing SPG grantee states. The Arkansas MSID was funded in the 2003-2004 grant period to provide continued access and technical support to existing SPG states to allow ongoing access to the database and participation in the MSID project in their supplemental applications. This continued access has been ongoing and has included training as needed as well as support via e-mail and a manned telephone help desk line.

Arkansas has committed state level resources to expanding health insurance coverage to all her citizens. Significant success has been attained in expanding coverage to low income children and pregnant women. However, a long term unmet need has been demonstrated in the 19-64 year old age group. With support from the governor and legislature, our state has made application for two waivers to expand Medicaid coverage to this group; the first for very low income adult non-respective of employment status and the second that would provide a safety net benefits package targeting low income employees and families of small businesses in the state. Federal officials have indicated to the Arkansas SPG team that approval is not likely, related to technical considerations of the application. The second waiver seeks approval through HIFA to expand subsidy to employed, low income 19-64 year olds and their families. The Arkansas SPG team provided key technical assistance to Arkansas DHS in the development and submission of this waiver application to CMS for provision of a safety net benefits program to low income Arkansans. This waiver has also not been approved by CMS. Arkansas SPG team has in partnership with DHS conducted a series of conference calls and in-person meetings with CMS officials to determine impediments to successful approval. Employing results from these calls, the HIFA waiver has been modified and resubmitted to CMS. Approval is pending.

During 2003-2004, a series of such impediments was identified. Arkansas SPG team assisted DHS in creating modifications of programmatic design and financing mechanisms to comply with Federal guidelines. Importantly, our team has been able to create a proposal that will incorporate state revenue originally targeted for the first waiver to enhance potential for success of the second. Through this process, overall chances of a successful outcome during the coming year are significantly advanced. At the request of DHS, SPG team has and will continue to provide assistance in developing alternatives to the original application during the coming year.

Section 1. Uninsured Individuals and Families

During the 2003-2004 grant period, the Arkansas SPG neared completion of the process of collecting updated quantitative data on health insurance status of Arkansans through fielding of the 2004 Arkansas Household Survey of Health Insurance Status. As originally proposed and approved by HRSA, a contract was established between the Arkansas SPG Team and a survey vendor (the University of Massachusetts Center for Survey Research – UMASS CSR). Approval for fielding the survey was obtained from the University of Arkansas and University of Massachusetts Investigational Review Board (IRB). It is anticipated that this process of data collection will be completed early in the 12 month no cost extension period and that the UMASS CSR will deliver results to the Arkansas SPG team. Analyses of these results will then begin and will be completed during the 2005 no cost extension grant period. Analytic comparisons of this new information with 2001 data will allow the Arkansas team to assess the effects of state and national events that have occurred in the 2001–2004 period.

To promote health insurance expansion policy development and implementation, this information will be shared with the Secretary of DHHS and other states through a Report to the Secretary detailing results of Arkansas SPG activities. The Arkansas team and SPG Roundtable will then disseminate this report and its findings to Arkansas community leaders, government and agency officials, and health policy decision makers. The outline of this Report has been developed by the Arkansas SPG staff. Results from survey data collection analyses will then be used to inform the preparation of the draft and final Reports to the Secretary and HRSA on Arkansas SPG and MSID activities.

Section 2. Employer-based Coverage

During the 2004 Supplemental Grant Period, the Arkansas SPG Team created the outline of an updated profile of employer based health insurance coverage in our state. Key data elements that essential to completion of the profile were identified. Those elements include incorporation of analytic results from the 2004 Arkansas Household Survey of Health Insurance Status, securing current Arkansas specific Medical Expenditure Panel Survey (MEPS) data, and completion of the planned small employer focus groups and key informant interviews of large Arkansas employers. Integration of this information will allow the Arkansas SPG Team to create a detailed profile of employer-based health insurance coverage in our state. In addition to creation of the outline of the profile in 2004, the Arkansas SPG team completed the process of collecting updated quantitative data on health insurance status of Arkansans through fielding of the 2004 Arkansas Household Survey of Health Insurance Status. As originally proposed and approved by HRSA, a contract was established between the Arkansas SPG Team and a survey vendor (the University of Massachusetts Center for Survey Research – UMASS CSR). Approval for fielding the survey was obtained from the University of Arkansas and University of Massachusetts Investigational Review Board (IRB). It is anticipated that this process of data collection will be completed early in the 12 month no cost extension period and that the UMASS CSR will deliver results to the Arkansas SPG team. Analyses of these results will then begin and will be completed during the 2005 no cost extension grant period. Analytic comparisons of this new information with 2001 data will allow the Arkansas team to assess the effects of state and national events that have occurred in the 2001–2004 period.

During 2005, the Arkansas SPG will secure current Arkansas specific information from the MEPS dataset and complete planned analyses. With support from HRSA, the Arkansas team will also complete acquisition and analysis of qualitative data through a series of small employer focus groups and key informant interviews with large Arkansas based employers. SPG staff and principal investigators will integrate this quantitative and qualitative information together in order to provide a detailed “portrait” of the Arkansas health insurance landscape.

To promote health insurance expansion policy development and implementation, this information will be shared with the Secretary of DHHS and other states through a Final Report to the Secretary detailing results of Arkansas SPG activities. The Arkansas team and SPG Roundtable will then disseminate this report and its findings to Arkansas community leaders, government and agency officials, and health policy decision makers. The outline of this Report has been developed by the Arkansas SPG staff. Results from survey data collection analyses will then be used to inform the preparation of the draft and final Reports to the Secretary and HRSA on Arkansas SPG and MSID findings.

Section 3. Health Care Marketplace

In Spring 2004, the Arkansas State and Public School Life and Health Insurance Plan Board of Directors voted to implement two recommendations of the Arkansas SPG Roundtable; offering Scientifically supported preventive medicine services (with no cost sharing by the enrollee) and a health savings account (HSA) option with a mandatory high deductible group policy. Implementation of these recommendations is anticipated in October 2004 and January 2005 respectively.

Also in 2004, Arkansas SPG Roundtable members and SPG staff served in sentinel capacity in the establishment and implementation of the Arkansas General Assembly Joint Interim Committee on Health Insurance and Prescription Drugs. Drawing upon their expertise, Dr. Thompson and Mr. Ryan have provided and continue to provide testimony and technical assistance to this group. This Committee is currently considering legislation to be introduced in January 2005 to expand health insurance coverage options and promote marketplace stability.

As a result of the Arkansas SPG Roundtable recommendation in 2001 and the approval of Arkansas State Legislation Act 925, Health Insurance Purchasing Group Act of 2001, the first Health Insurance Purchasing Group (HIPG) in the Nation will be formed with the North Little Rock Chamber of Commerce in North Little Rock, AR. in October 2004. The SPG Roundtable continued to provide technical assistance and support to business, insurance and the Arkansas Insurance Department to bring HIPG's to fruition. The HIPG allows business with fewer than 100 employees to band together and negotiate coverage. The NLR Chamber of Commerce HIPG plan will offer both a traditional Point of Service and a Qualified High Deductible Health Plan. The HIPG model is expected to raise the number of insured employees in Arkansas by allowing more affordable coverage for member employers. Arkansas SPG staff will monitor the impact of the establishment of this HIPG as well as provide requisite technical assistance.

The Arkansas SPG Roundtable met periodically during the 2003-2004 grant period to review progress of the SPG team and to serve as a platform for the discussion of marketplace issues and the development and consideration of responsive policy options. The Arkansas SPG Roundtable will meet in October of 2004, to review two new proposals:

1. The regulation of closed block individual Health Insurance Pools in order to increase long term stability of individual markets.
2. The concept of Health Purchasing Cooperatives (HPC) specifically in the area of state run insurance purchasing plans.

The Roundtable, whom here to date has looked at reformation of the health insurance market as a project of small incremental steps will be asked to discuss and potentially endorse broader scope reforms.

Finally and importantly, the Arkansas SPG Roundtable, originally established with funding support from the HRSA SPG Program continues to serve as a platform for analysis of health insurance expansion options for the state. With participation and input from state and national leaders, the Roundtable serves as the base for the 5–10-year Arkansas Strategic Plan for Health Insurance and Health Policy. This statewide group of influential leaders and policy makers are monitoring the public and private health insurance marketplace, determining efficacy of insurance expansion interventions, and providing considered and thoughtful guidance in the face of a challenging economic time and changing societal expectations.

The SPG team is currently in the process of collecting updated quantitative data on health insurance status of Arkansans through a 2004 Arkansas Household Survey of Health Insurance Status. The components of the survey were developed and finalized during the 2003-2004 grant period. As originally proposed and approved by HRSA, a contract was established between the Arkansas SPG Team and a survey vendor (the University of Massachusetts Center for Survey Research – UMASS CSR). Approval for fielding the survey was obtained from the University of Arkansas and University of Massachusetts Investigational Review Board (IRB). The UMASS CSR reports that the survey is currently near completion. Comparing this new information with

2001 data will allow the Arkansas team to assess the effects of state and national events that have occurred in the 2001–2004 period.

To promote health insurance expansion policy development and implementation, this information will be shared with the Secretary of DHHS and other states through a Report to the Secretary detailing results of Arkansas SPG activities. The Arkansas team and SPG Roundtable will then disseminate this report and its findings to Arkansas community leaders, government and agency officials, and health policy decision makers. The outline of this Report has been developed by the Arkansas SPG staff. Results from survey data collection analyses will then be used to inform the preparation of the draft and final Reports to the Secretary and HRSA on Arkansas SPG and MSID activities.

Section 4. Options and Progress in Expanding Coverage

The SPG team has worked diligently with support from the HRSA State Planning Grant Program to study and implement policy options to expand health coverage for the State of Arkansas. The public and private sector area policy options that Arkansas continues to support are:

Public health insurance sector

1. **Increase Medicaid prenatal coverage eligibility** – The Arkansas SPG Roundtable endorsed and supported the Arkansas Department of Human Services (DHS) in its increase of income eligibility for pregnant women from 133% to 200% of the Federal Poverty Level (FPL). Monitoring of this program has demonstrated levels of Medicaid neonatal and peri-natal coverage in our state exceeding 50% of all Arkansas' pregnancies. DHS has also recently led in the development of ANGELS (Antenatal & Neonatal Guidelines, Education & Learning System), an evidence based program developed in conjunction with the University of Arkansas for Medical Sciences to reduce infant mortality and morbidity and effect cost savings in the delivery of Medicaid services. During 2004 members of the Arkansas SPG team met with ANGEL's program representatives to determine need for technical assistance and engage in strategic planning to enhance programmatic impact and potential for long term stability.

2. **Explore conversion of ARKids First to SCHIP** – During the 2003-2004 grant period Arkansas DHS officials continued to explore potential for maximizing Federal Medicaid match funding. Importantly, this exploration was integrated with the development and submission of the HIFA waiver proposal discussed below to determine the most effective utilization of limited State and Federal dollars**.**

3. **Expand senior drug coverage** –Arkansas DHS developed and submitted a Section 1115(a) waiver request to allow the establishment of the ARx Senior Program. This waiver was submitted to CMS but has to date not been approved. If approved, this program will

provide prescription drug coverage to low income, Qualified Medical Beneficiaries, however, recent indicators from CMS are not positive and approval is not anticipated.

During the 2003-2004 grant period, investigators at the University of Arkansas for Medical Sciences (UAMS) Reynolds Center on Aging were able to secure grant funding from CMS in support of the development of community-based coalitions to enhance awareness of the Medicare Drug Discount Card. The award to the University of Arkansas for Medical Sciences is for $49,427 to provide education and training through the rural Centers on Aging with a goal of educating, providing assistance in enrollment and enrolling 4,200 Arkansas Medicare recipients for a Medicare Drug Discount Card. Funds are available to provide education and training for trainers at each of the rural Centers on Aging and/or their satellites. Following attainment of this initial goal, funds will support programs to be held in every county in the state of Arkansas.

4. Expand Medicaid coverage for low income 19-64 y/o's – Arkansas has committed state level resources to expanding health insurance coverage to all her citizens. Significant success has been attained in expanding coverage to low income children and pregnant women. However, a long term unmet need has been demonstrated in the 19-64 year old age group. With support from the governor and legislature, our state has made application for two waivers to expand Medicaid coverage to this group; the first for very low income adult non-respective of employment status and the second that would provide a safety net benefits package targeting low income employees and families of small businesses in the state. Federal officials have indicated to Arkansas SPG team that approval is not likely, related to technical considerations of the application. The second waiver seeks approval through HIFA to expand subsidy to employed, low income 19-64 year olds and their families. The Arkansas SPG team provided key technical assistance to Arkansas DHS in the development and submission of this waiver application to CMS for provision of a safety net benefits program to low income Arkansans. This waiver has also not been approved by CMS. Arkansas SPG team have in partnership with DHS conducted a series of conference calls and in-person meetings with CMS officials to determine impediments to successful approval.

During 2003-2004, a series of such impediments was identified. Arkansas SPG team assisted DHS in creating modifications of programmatic design and financing mechanisms to comply with Federal guidelines. Importantly, our team has been able to create a proposal that will incorporate state revenue originally targeted for the first waiver to enhance potential for success of the second. Through this process, overall chances of a successful outcome during the coming year are significantly advanced. At the request of DHS, SPG team members have and will continue to provide assistance in developing alternatives to the original application during the coming year.

Private health insurance sector

1. Develop small employer Medicaid buy-in program – In January 2003, Arkansas Governor Mike Huckabee, DHS Director Kurt Knickerhem and Arkansas SPG Principal Investigator Dr. Joseph Thompson delivered to USDHHS Secretary Tommy Thompson the Arkansas Safety Net Benefits Program 1115 waiver application. Upon approval, this program will provide significant expansion of coverage to currently uninsured Arkansas families. Importantly, since the program is employer based, enhanced stabilization of the state's business and health insurance industry will all be effected.

Subsequent to submission of the application, Arkansas SPG team provided key consultation with members of the Arkansas General Assembly in drafting and passing Act 1044 which creates the Arkansas Safety Net Benefits Program Trust Fund and authorizes DHS to operate the program. The SPG team also facilitated a series of discussions between Arkansas DHS and CMS representatives to negotiate programmatic operational terms. At the time of this report, approval of the waiver is pending. SPG team will continue to assist DHS with negotiations and development of requested modifications to the waiver proposal.

2. Develop employer purchasing pools – A primary recommendation of the Arkansas SPG Roundtable to expand health insurance coverage in our state is the establishment of local employer based health insurance purchasing groups (HIPGs). During this past year, it was announced that the first HIPG in Arkansas (and the first of its type nationally) will be

initiated in October 2004. Administratively housed within the North Little Chamber of Commerce, this HIPG will represent a significant opportunity to expand coverage to local employer groups currently not offering health insurance to their employees and families. The HIPG allows business with fewer than 100 employees to band together and negotiate coverage. The NLR Chamber of Commerce HIPG plan will offer both a traditional Point of Service and a Qualified High Deductible Health Plan. The HIPG model is expected to raise the number of insured employees in Arkansas by allowing more affordable coverage options to employers offering health insurance as a benefit to their employees. Importantly, other communities in Arkansas and nationally are expressing active interest in establishment of similar programs. During the coming year, the Arkansas SPG Roundtable will continue to provide technical assistance to the North Little Rock HIPG as well as facilitate discussions and outreach to communities desiring to implement pooled purchasing arrangements. Information obtained from these discussions will inform the Roundtable's deliberations, and enhance discussion with the Arkansas Department of Insurance and Arkansas General Assembly.

Arkansas policy makers are currently exploring other proposals to create employer based purchasing pools. One such proposal would allow small business and individuals to "buy-in" to a plan administered by the state. Staff are presently exploring the legal and technical hurdles that would have to be overcome prior to implementation.

3. Expand health insurance consumer choice options – A recommendation of the Arkansas SPG Roundtable is to support provision of affordable health insurance options by employers in our state. In furtherance of this, Arkansas Act 924 was enacted into law. This statute allows carriers to offer employer based health plans featuring benefit schedules with fewer services than traditionally mandated by the state. Arkansas SPG team provided evidence based technical assistance to the Arkansas Department of Insurance in the original passage and subsequent modification of this legislation. The Arkansas SPG Team has in the past monitored for offerings resulting from availability of this option and reported minimal activity. During this past grant period, SPG team members interacted with health insurance

carriers, employers and the Arkansas Department of Insurance (DOI) to determine causal factors and reported these to the Arkansas SPG Roundtable.

Promotion of consumer choice options has also occurred through development of consumer wellness benefit incentives for enrollees in the Arkansas State Teachers / State Employees Health Plan (ASTSTEHP). Demonstrating the integration of activities made possible through support, Dr. Thompson, SPG PI, has begun serving as a key advisor to the Board of Directors of this health plan. During the 2003-2004 grant period, the ASTSTEHP created significant new modifications to their health benefit plan. By recommendation of the Arkansas SPG Roundtable, the ASTSTEHP will begin in January 2005 offering first dollar coverage of scientifically supported preventive medicine services. Additionally, the health plan has begun offering a health savings account plan with concurrent high deductible/catastrophic coverage.

4. Increase rural access and availability of health insurance – Legislation passed by the General Assembly in 2000 allowed communities in our state to organize and self insure. Monitoring of this process has revealed few such pools were formed. Staff members have conducted investigative studies to determine causal factors. These studies included interactions with key stakeholders and examinations of rural access and referral patterns to assist in the development of programmatic alternatives. Analyses of results are currently underway.

The Arkansas SPG Roundtable has begun consideration in the 2003-2004 grant period of a proposal to expand coverage targeting rural individuals and families. Building upon several years of model development by the Arkansas Farm Bureau to enhance long term stability of the individual insurance market through reformation of “closed block” insurance pools, this proposal may represent a unique opportunity to promote long term stability to the individual health insurance marketplace. During the coming year, the SPG Roundtable will consider support of this proposal.

Section 5. Consensus Building Strategies

Support from the SPG Program has been a critical factor to support efforts to expand health insurance coverage and promote marketplace stability. Established with support from HRSA's first round of SPG disbursement, the Arkansas SPG Roundtable is serving as a platform for advancement and consideration of elements of a long term strategic healthcare plan. The Roundtable and SPG team have proven to be a repository for knowledge and technical assistance and a key source of leadership for advancement of state and national SPG goals.

During this grant period, the merit of this process was exemplified by the initiation of the Arkansas General Assembly Joint Interim Committee on Health Insurance and Prescription Drugs. SPG Co-Principal Investigators Dr. Thompson and Mr. Ryan provided requested testimony and TA to this group. Notably, non-legislative membership was drawn overwhelmingly from the ranks of the SPG Roundtable. This Committee is serving in a sentinel capacity to consider issues related to health insurance and prescription drug coverage and will advance proposed legislation for the 2005 regular session of the legislature.

The state of Arkansas continues to struggle with issues surrounding lack of resources, high rates of uninsurance and poor outcomes. Several years ago, state leaders recognized that truly addressing these issues required establishment of a stable platform to facilitate discussion and allow creation of a long-term strategic healthcare plan. Funding from the HRSA SPG Grant Program has served as the nucleus of support for this platform and plan.

The SPG team has also provided targeted technical assistance to the Arkansas Department of Health and General Assembly to promote consumer choice through development of consumer wellness benefit incentives for enrollees in the Arkansas State Teachers / State Employees Health Plan (ASTSTEHP). Demonstrating the integration of activities made possible through HRSA SPG support, Dr. Thompson, SPG PI, has begun serving as a key advisor to the Board of Directors of this health plan. With supportive technical assistance and advice from Arkansas SPG team during the grant period, the ASTSTEHP created significant new modifications to their

health benefit plan. By recommendation of SPG and the Arkansas SPG Roundtable, the ASTSTEHP will begin in January 2005 offering first dollar coverage of scientifically supported preventive medicine services. Additionally, the health plan has begun offering a health savings account plan with concurrent high deductible/catastrophic coverage.

Section 6. Lessons Learned and Recommendations to States

During 2005, the Arkansas SPG Team will complete analyses of the 2004 Household Survey of Health Insurance Status. During this time, results will also be made available through completion of a new round of focus group interactions with families and small employers and key informant interviews of large Arkansas based employers. This new round of qualitative data collection was made possible with support of HRS SPG funding. The integration of this qualitative and quantitative data collection will allow the Arkansas SPG Team to create a detailed portrait of the current status of the Arkansas health insurance marketplace. The Arkansas SPG Health Insurance Roundtable will review these results and provide updates to their previously generated recommendations for State and Federal actions. At the conclusion of the 12 month no cost extension period the Arkansas SPG Team will report these results and Roundtable recommendation through a Final Report of grant activities. Current Arkansas Roundtable recommendations for State action are as described below.

Arkansas SPG Roundtable Recommendations for State Action

Establish Community-Based Purchasing Pools/Cooperatives

Although most adult Arkansans (>80%) who have health insurance obtain it through their employers, a large proportion of Arkansans work for small businesses (<50 employees) that cannot or do not offer insurance benefits. Aggregating small purchasers of health insurance into a large block of purchasers can theoretically enable employers to efficiently provide coverage to employees by creating better negotiating power for the group in the health insurance marketplace. Through Act 924 of the Arkansas General Assembly of 2001, small employers can now organize into purchasing pools to achieve advantages afforded to large employers. Through community-based purchasing cooperatives, small businesses in communities that organize, monitor, and support purchasing pools for health insurance benefits can secure more affordable insurance options for their employees.

Several community characteristics will support successful deployment of community-based purchasing pools. First, tight controls on enrollment at the community level can address the historical problems of adverse-risk selection in purchasing pools organized around "associations". Second, several communities faced with the economic demise and loss of their hospital currently have local taxes supporting the care of indigent patients that could be incorporated. Finally, aggregation of small employers into purchasing pools will increase the administrative ease and efficiency of procuring health insurance in addition to bargaining clout associated with large-group insurance. The Roundtable recommends that communities organize, develop, and deploy community-based purchasing pools and cooperatives with support from the Arkansas Department of Insurance and insurance companies operating in the state. In addition, federal tax credits under consideration to individuals for purchasing health insurance should include small-group purchasing pools as qualifying plans.

Increase ARKids Enrollment

While the ARKids First program has been largely successful in enrolling more than 70,000 of the original 90,000 targeted children, increasing insurance premiums have forced many families to drop health insurance coverage. According to data obtained from the 2001 Arkansas Household Insurance Survey, ~75,000 Arkansas children live in families earning less than 200% of the FPL and are uninsured—many of these represent newly uninsured children and adolescents.

The Roundtable recommends aggressive outreach and enrollment building upon the new school nurse enrollment strategies implemented in the fall of 2001. Continued surveillance and additional outreach efforts may be necessary to ensure all children who are eligible for services are enrolled. Through incorporation of these recommendations, state budgetary implications of these increased needs may be minimized.

Expand Safety-Net Medicaid Program

Arkansas's current Medicaid program does not offer basic benefit coverage unless an adult has a disability lasting longer than 6 months, and a household income below ~$5,000 per year, and total household assets worth less than $2,000 (income and assets for a family of 4). Arkansas's Medicaid program does provide insurance coverage for pregnancy and childbirth to women in

households with incomes of less than 200% of the FPL. Through ARKids (A and B), children are now eligible if they have not been insured in the previous 6 months and if they reside in households with incomes below 200% of the FPL.

Many adult Arkansans live in households with insufficient incomes to afford health insurance. They do not have enough income to participate in employer-based health insurance (if offered) or purchase health insurance in the individual market. The Arkansas Tobacco Settlement Proceeds Act of 2000 allocated approximately $17 million (with federal matching funds of $68 million) for Medicaid expansion including a limited benefit package for 19–64 year olds, pregnancy coverage from 133% to 200% of the FPL, increased reimbursement to rural hospitals, and prescription drugs for the elderly. In other states, Medicaid programs have funded programs for citizens who earn less than 250% of the FPL using federal matching funds through Medicaid waiver processes.

The Roundtable defined a "safety net" insurance package for low-income individuals consisting of 6 outpatient visits/year, 2 outpatient surgeries/year, 7 inpatient hospital days/year, and 2 prescription drugs per month as a minimum benefit package to ensure access to minimal care. Through use of the appropriated Tobacco Settlement funds and additional revenues such as a medical use fee, the Roundtable recommends the establishment of a "safety-net" insurance program to expand coverage with a minimal benefits package for currently uninsured adults (19–64 years of age) to households earning 100% of the FPL, the ceiling of which will be set by the availability of funds.

Create Employer–State Health Insurance Partnership

Most uninsured adults (19–64 years) in Arkansas earning below 200% of the FPL work full time (i.e., the "working poor") and lack health insurance. According to evidence from the Arkansas SPG, most employers want to offer health insurance and most households participate when offered health insurance. The cost of such care is the single largest barrier to achieving the shared goal of health insurance coverage. In addition, employers are required by insurance carriers to achieve ~80% participation of all employees to be eligible for group health insurance. Because many low-income workers frequently cannot afford the employee/family contributions,

both the low-income worker and their more affluent fellow employees are thus excluded from participation. Currently, no publicly subsidized coverage exists to help the employer or low-wage employee attain coverage.

To cover these workers and families, the Roundtable recommends extension of the "safety-net" benefits package described above through voluntary participation of employers unable to achieve health insurance in the private market. This innovative proposal would establish a voluntary partnership between interested employers and the state Medicaid program. After federal review and approval, the state could obtain a waiver to allow employers to voluntarily pay the state match for low-income, eligible employees. Arkansas's federal matching rate (73%–82%) would apply and offer needed fiscal support for workers earning <200% FPL. Employers would support the insurance costs of workers who earn above 200% of the FPL or the program ceiling. Employees/employers would have options to support family coverage and attain the federal matching level needed to support low-wage workers. Co-payments, deductibles, and established mechanisms for appropriate use of medical services could also be incorporated. In exchange for the significant subsidy for low-wage workers, maximum participation rates would be required of employees. Outreach and enrollment of employers could be achieved through the use of local independent insurance agents.

This innovative potential program requires significant state and federal development prior to implementation. Currently, under operating rules of the Center for Medicaid and Medicare Services (CMS) of the federal government, the "safety-net" benefits package will require approval. In addition, procedures to enable employers to "buy into" the Medicaid program for their low-wage workers will require state authorization and federal approval. This proposal is responsive to the current Bush Administration's request for innovative proposals to improve and expand health insurance coverage through Medicaid. In addition, it provides a mechanism to achieve the state matching funds (through employer participation) necessary to use the nearly $50-million annual State Children's Health Insurance Program (SCHIP) funds that are allocated to Arkansas but not currently accessed. If successfully implemented, this employer–state partnership would minimize the state budgetary requirements under the Medicaid expansion and

newly eligible ARKids First children by providing most Arkansans with a means to achieving employer-based health insurance.

Optimally Manage Insurance Products: Develop Small-Group Reinsurance Strategies

Because the private sector health insurance market for small groups is currently not sound, stabilization efforts will prevent increases in the number of uninsured individuals. Rapidly rising insurance costs (annual increases of 20%–35% have been reported) for small businesses in Arkansas threaten to exceed participating small employers' ability to pay for group insurance. Because insurance companies assume greater risk in small group markets due to potential adverse-risk selection, they must offer employer sponsored insurance to all employees (a requirement of guaranteed issue under the Health Insurance Portability and Accountability Act of 1996 [HIPAA] legislation). The insurer is also less able to spread the risk of individuals with specific conditions over a large enrollee base. Thus, small businesses incur a disproportionately higher price for health insurance.

The National Association of Insurance Commissioners recommends small-group reinsurance as a strategy whereby insurance plans can individually "reinsure" their high-risk enrollees, thus pooling the risk and minimizing the variance that negatively affects the cost of insuring all employees in a group. State legislation could be developed that would require insurance companies to reinsure individuals in the small group market. Through industry-determined selection criteria, "high-risk individuals" would be enrolled with a reinsurance company. Standard cost sharing would be established and companies would be charged per enrolled individual. The Arkansas Department of Insurance would retain oversight responsibility for monitoring participation. The Roundtable recommends establishment of the small-group reinsurance strategy with required participation of Arkansas insurance carriers.

Educate Employees: Wage/Benefit Compensation Summaries

Consumers of health care services frequently are not aware of the actual cost of providing health insurance coverage. The Roundtable recommends that employers consider providing a report of annual employee compensation to their employees. These reports could facilitate discussions between employers and employees, give credit to employers for participating in health care

benefits, and help employees make employment decisions based on knowledge of their full compensation package. In addition to increasing overall awareness of health care costs and benefits, reports could serve as recruitment and retention tools.

Include Scientifically Supported Preventive Services

The poor health status of Arkansans and high costs of providing care are directly related to lack of support for and low use of preventive clinical services. The Arkansas SPG Roundtable endorses the incorporation of evidence-based preventive medicine into proposed health insurance expansion activities. Financing strategies for all health insurance programs managed and/or regulated by the state should include these basic preventive clinical services. Through appropriate use of scientifically supported and cost-effective strategies preventable illness and disease can be avoided and health care resources more effectively managed. This effort would significantly reduce the long-term burden of poor health.

Optimize Federal Funds for Health Care Coverage

States' options for providing health insurance and health care to their citizens include new Medicaid benefits (e.g., individuals with tuberculosis), new Medicaid coverage options (e.g., Medicaid/SCHIP waivers), new safety-net support (e.g., HRSA-supported community health centers [CHCs]), new programs (e.g., Department of Justice programs for drug and alcohol abuse treatment), and programs funded exclusively by individual states. Arkansas should support the provision of health insurance and clinical services by actively surveying potential new coverage options through external funding, establishing funding mechanisms in an expeditious process, and optimizing the fiscal resources flowing into the states. The Roundtable recommends that options for new funding of clinical services be quickly identified and expeditiously implemented to serve the citizens of the state. Currently, no funding or identified responsibility exists to execute this policy development and implementation process. Establishment of a state policy development center should be considered.

Section 7. Recommendations to the Federal Government

During 2005, the Arkansas SPG Team will complete analyses of the 2004 Household Survey of Health Insurance Status. During this time, results will also be made available through completion of a new round of focus group interactions with families and small employers and key informant interviews of large Arkansas based employers. The Arkansas SPG Health Insurance Roundtable will review these results and provide updates to their previously generated recommendations for State and Federal actions. At the conclusion of the 12 month no cost extension period the Arkansas SPG Team will report these results and Roundtable recommendation through a Final Report of grant activities. Current Arkansas Roundtable recommendations for Federal action are as described below.

Arkansas SPG Roundtable Recommendations for Federal Action

Achieve Income Tax Neutrality for Health Insurance/Health Care Expenditures

A clear consensus emerged from the Roundtable that all parties purchasing health care insurance should be treated similarly with respect to state and federal tax policies. Currently, some parties purchasing health insurance have a significant advantage over others. With employer-sponsored health insurance, both employer and employee contributions are tax-exempt and self-employed workers also have tax deductions for health insurance available. However, for employees who lack employer-sponsored health insurance and/or cafeteria plans, no state or federal deductions are available for health care expenditures, and having to purchase individual health insurance with after-tax dollars places them at a financial disadvantage. Income tax neutrality with respect to health care insurance or use costs would be achieved if all health insurance or care expenditures were made taxable or tax-exempt. The Roundtable recommends that the federal government pursue legislation making all methods of purchasing health insurance tax deductible.

Support Inclusion of Prescription Drug Benefits for Medicare Recipients

The Roundtable assumed that a basic benefit package should include prescription drugs. Although the Roundtable's proposed plans focus primarily on uninsured adults, aged 19–64

years, it acknowledges that persons older than 65 years also require these “basic benefits” under Medicare. For this reason, the Roundtable put forth as one of its initial recommendation that the federal government take legislative action to develop an affordable prescription drug program for Medicare beneficiaries. During the coming year, the Arkansas SPG Roundtable will monitor the development and implementation of the Medicare Modernization Act of 2003 for its impact on the delivery of benefits to the elderly and consider modification of this initial recommendation for Federal action.

Expand Eligibility through Buy-In Options for “Near Elderly”/Disabled

If other strategies proposed by the Roundtable are successfully implemented, these options will provide coverage to currently uninsured Arkansans aged 55–64 years through the larger expansion efforts of a public–private partnership SCHIP. Many disabled will also be covered by the limited-benefits Medicaid programs proposed for individuals below 100% FPL Thus, the Roundtable did not develop separate strategies specifically for these two populations. However, the near-elderly (55–64 years) often have difficulty continuing to access employer-based health insurance coverage due to divorce from or death of a working spouse or retirement. Similarly, the disabled frequently are unable to afford health insurance even if it is available. Medicare is the major insurance mechanism for individuals over age 65 and for some citizens eligible for Social Security Disability Insurance (SSDI) assistance. Narrow eligibility requirements force disabled individuals to wait 24 months after initiation of SSDI disability payments before they become eligible for Medicare. Thus, the Roundtable encourages and supports efforts at the federal level to relax eligibility requirements for the disabled and expand eligibility for the near elderly, thereby increasing insurance options to those frequently excluded from private health insurance.

Tie Medical Savings Accounts to Group Catastrophic Policies

Medical savings accounts (Archer MSAs) allow individuals both greater control and increased responsibility for expected health care expenditures. Having individuals bear the initial cost of health care is expected to achieve more appropriate use of health care resources, leading to cost containment in the market. Under pilot federal MSA legislation, those who are self employed or work for a business with 50 employees can place pre-tax money in tax-deferred accounts.

Enrollees can use money from these accounts to pay for non-catastrophic, routine health care expenditures. To obtain an MSA, the enrollee must also have a high-deductible individual catastrophic health insurance policy that is portable and MSA compatible.

A drawback of this insurance option, however, is that individual catastrophic insurance policies have higher long-term risks to participants compared with group catastrophic policies. Some individuals will prosper by remaining healthy and utilizing their MSAs as savings vehicles, but others who develop chronic and/or costly conditions will face escalating individual premiums and/or limits on catastrophic coverage options. To avoid segmenting the catastrophic insurance component and isolating those who are less healthy, the Roundtable recommends tying MSAs to group rather than individual catastrophic policies. This change would spread the risk associated with adverse health-related events so premium increases or policy cancellations would occur less frequently while achieving the attractive cost-containment and personal savings attributes of MSAs.

During the 2004-2005 12 month no cost extension period, the Arkansas SPG Roundtable will monitor the impact of health savings accounts (HSAs) authorized by the Medicare Modernization Act of 2003 and consider modification of this initial recommendation.

Improve the US Health Care System through Additional Research

With double-digit premium increases facing most private health insurance consumers, questions arise regarding the influence of direct marketing by pharmaceutical companies, the cost-effectiveness of new versus existing medications and technologies, and alternative mechanisms to finance and manage health care expenditures. Each of these questions has both political and economic implications for the future of the US health care system. However, funding is lacking for research to better understand and empirically support policy development. Thus, the Roundtable recommends that the federal government increase research into the delivery, appropriate utilization, costs, and quality of health care delivery systems.