



ARKANSAS

Safety Net Benefit Program

STATUS

Original Waiver Application Submitted to CMS:	January 2003
Revised Waiver Application Submitted to CMS:	Fall 2004
Waiver Application Approved by CMS:	March 8, 2006

SUMMARY

Arkansas' Safety Net Benefit Program aims to expand health insurance to small and mid-sized businesses that do not currently offer employee health coverage. Under the program, the state will contract with one or more private health plans to provide a very limited benefit package to eligible individuals. The program will be implemented in two phases. In the first phase, which will cover the first two years of the program, enrollment will be limited to 15,000 individuals on a first-come, first-served basis. The state will then conduct a study of Phase I and make changes as needed. The second phase will begin in the third year, and it will target enrollment for up to an additional 65,000 individuals. The program is projected to provide health coverage for up to 80,000 currently uninsured individuals over the five years of the demonstration.

The state expects to begin signing contracts with private insurance carriers and initiating marketing activities to employers on October 1, 2006. The program will begin insuring individuals in early 2007.

ELIGIBILITY

The program will cover all employees ages 19-64 of participating businesses regardless of employee income, although premium amounts will differ based on employee income levels. Employee spouses who do not have health insurance are also eligible for the program. In addition, under the waiver, all employees of a business are required to participate in the program unless they receive health coverage from another source, such as through their spouse.

Employer participation in this program is voluntary. To qualify for the program, employers must be small or mid-sized businesses with 2-500 employees, and they must not have provided health insurance to their employees for 12 consecutive months.

BENEFITS

The Arkansas program has a very limited benefits package, which includes six physician visits per year, seven days of inpatient hospital care, two outpatient hospital procedures or emergency room visits, and two prescriptions a month (the program has a tiered formulary).¹ No other benefits will be covered under the program. Catastrophic coverage is not provided.

COST-SHARING

Employers must pay \$15/month for employees with incomes less than 200 percent of the federal poverty level² and \$100/month for employees with higher incomes. Employees in the program must meet a \$100 deductible and pay 15 percent coinsurance for each service (not including prescription drugs). Maximum annual out-of-pocket costs are \$1,000 per individual.

FINANCING

The program is financed through a variety of funding sources. State funding will probably come from tobacco settlement funds and an employer tax levied on participating businesses. Federal funding will come from a mix of SCHIP and Medicaid monies. The state will use its unspent SCHIP funds to assist in the cost of providing health coverage to those employees who are parents. (With the enactment of the Deficit Reduction Act of 2005, SCHIP funds may no longer be used to finance Medicaid expansions for childless adults.) Medicaid funds may be used for childless adults with incomes at or below 200 percent of poverty.

The waiver must be budget neutral. To ensure this, per-capita (per-beneficiary) caps will be imposed on the waiver program so that the federal government does not end up paying more than it would have before the waiver was implemented. This also means that, if per-beneficiary costs are higher than allowed under the waiver, the state will have to make up the difference or reduce costs by cutting benefits or raising cost-sharing amounts. In addition, the state's Medicaid primary care case management program, ConnectCare, will be brought under the terms of the waiver so that it is also subject to per-capita caps.³

Financing the new program or ConnectCare could potentially become an issue during the next legislative session, as the state has already said it will need an additional \$316 million in state funding for its Medicaid program for 2008-09. This represents a 20 percent increase over the last biennium.

NOTEWORTHY PROVISIONS

Health and Wellness Benefits Program: The waiver also brings previously state-funded programs (collectively known as the Health and Wellness Benefits Program) under the waiver so that they may receive federal matching funds. These programs include five smoking cessation programs, several minority health initiatives, and an indigent care program. This also allows the demonstration population to obtain the services offered by these programs as well, although the state has determined that it will not offer these services to Safety Net Benefit Program participants until Phase II at the earliest.

ENDNOTES

¹ The program is not subject to state health benefit mandates.

² In 2006, 200 percent of the federal poverty level is equivalent to \$26,400 for a family of two and \$40,000 for a family of four.

³ ConnectCare provides Medicaid benefits to most of Arkansas' Medicaid beneficiaries, including individuals on Aid to Families with Dependent Children, Temporary Assistance for Needy Families (TANF), and Arkansas Transitional Employment Assistance, as well as individuals receiving Supplemental Security Income (SSI) benefits.