# THE PROBLEMS WITH SB410 OR "AR HOMES"

1. **The legislative intent language is detached from reality.** *(page 2)*
   - Pregnant women already qualify for full Medicaid benefits up to 209 percent of the federal poverty level (FPL).[1]
   - Do we really believe government health care can "reduce infant mortality;" "encourage personal responsibility;" or "reduce long-term poverty?" When has that ever worked?
   - How does extending a welfare program for able-bodied adults "increase economic independence?" These concepts are at complete odds.

2. **Reducing retroactive eligibility is fine policy but will never be approved under a Biden administration.**[2] (*page 7, line 29*)

3. **It reauthorizes the failed private option model that has doubled costs, failed to deliver competition, and given able-bodied adults better coverage than the truly needy.**[3] *(page 8, lines 2-3)*

4. **It would actually *EXPAND* coverage to *MORE* able-bodied adults than current policy.** *(page 8, line 6)*
   - This plan proposes to extend Medicaid coverage, paid for by taxpayers, to Arkansans who are already working and *already insured* through their employers.[4]
   - This would further pervert the Medicaid program from a system originally intended for the truly needy.
   - This would certainly drive up dependency and costs for Arkansas taxpayers.

5. **It provides false assurances of cost controls.** *(page 8, line 21; page 10, lines 33-36)*
   - This provision is intended to look like a cost control, but it allows insurers to still charge the full amount allowed under the budget neutrality agreement.
   - This amount increases every year under the terms of Arkansas's current (and previous) waiver.[5]
   - Under the terms and conditions of previous waivers, the *state* was on the hook for any cost overruns. It is unclear if it will be legally permissible to shift these costs onto insurers instead.
   - If it were approved, it would ***drive up premiums even higher*** **in the individual market, as insurers would simply pass those costs back on to their policyholders—including taxpayers.**

6. **It suggests DHS will have the *option* limit on enrollment in QHPs (private plans) but does not set any actual limits and the bill language does not require this to happen.** *(page 8, line 28)*
   - This is an admission that putting more people into fee-for-service coverage is cheaper and would save money.
   - The bill does not detail, however, what the caps may be or how it will be decided who gets a QHP and who does not.
   - It is also presented as an option ("DHS *may*" rather than "DHS *shall*").


**7. The stated goal of having two insurers in every Arkansas county is A) Optional and B) Has already been achieved.**[6] *(page 9, line 7)*

**8. It does not provide for meaningful cost sharing or "skin in the game" for enrollees and President Biden will never allow the state to remove people who fail to pay these nominal costs.** *(page 10, lines 2-4)*

- Federal law, cited in the bill, allows for incredibly little cost sharing, capped at just five percent of household income.[7]
- More than half of Arkansas expansion enrollees do not work at all, so their cost sharing will be $0.[8]
- For those at 50 percent of the federal poverty level, total cost sharing would be capped at **$27 per month**.[9]
- In exchange, enrollees will receive monthly benefits of $607 per month, on average.[10]
- The Biden administration will never let the state actually remove anyone or enforce real sanctions on any enrollees who choose not to pay these nominal costs.[11]
- These are cost sharing *suggestions*, at best.

**9. It is unclear if the "trigger" would actually end expansion.** *(page 11, lines 1-10)*

- The "trigger" included on page 11 would require the state to opt out of the *waiver* if federal funding drops below 90 percent, but it does not appear to end expansion eligibility entirely.
- Page 11, line 16 actually seems to suggest that these enrollees would maintain their Medicaid eligibility even if the federal match rate drops.

**10. There are no clear definitions of who would be referred to the optional work program.**

- Page 13, line 18 does not give adequate definition of who would be referred to DHS' "independence initiative," but it does make it clear that participation would be optional.
- Page 14, line 33 builds on this unclear definition and gives DHS the ability to exempt this undefined population from the very limited optional cost sharing.

**11. All participation in the work initiative is optional and enrollees will not face real sanctions if they choose not to participate.**

- There are no teeth behind the work initiative. It is purely optional. Even the alleged levers are presented as optional in the bill:
  - Page 15, line 3: "*...may result in accrual of debt*" (which the state would never be allowed to actually enforce or collect);
  - Page 15, line 7: "*...may result in...*" losing their private plan (QHP); and
  - Page 15, line 11 explicitly says enrollees *will not lose* Medicaid coverage.

**12. It does not define that type of "incentives" enrollees will be given.**

- Pages 14 and 15 mention "incentives" enrollees can receive or lose by participating or not in the work initiative; these incentives do not appear to be defined but would likely increase costs for taxpayers.

## 13. It would *EXPAND* Medicaid expansion to individuals after they leave the program.

- Page 15, line 26 says taxpayers will pay for the employee's share of employer-sponsored insurance *after they leave Medicaid.*
- This is objectively an expansion and extension of Medicaid for people who have *already left the program; this would prolong dependency.*
- State taxpayers will also get the privilege of helping pay for a share of ObamaCare subsidies for people who have already left Medicaid. (*page 15, lines 29-32*)

## 14. It includes an "outreach plan" that will almost certainly increase dependency. *(page 17, lines 35-36; page 18, lines 1-8)*

- The bill would require insurers to conduct a "robust outreach and communications effort."
- This marketing campaign would include email, radio, social media, religious organizations, text message, and more.
- Many of these mediums catch a wide audience and would likely generate increased enrollment in Medicaid expansion.
- It is unclear who would be on the hook for these potential millions of dollars in marketing costs, but taxpayers would most certainly be on the hook for the cost of increased enrollment, at minimum.

## 15. It may create a new slush fund for hospitals. *(page 19, line 32)*

## 16. It creates yet another powerless task force to "offer advice."

- It is unclear whether there is any substantive purpose for this task force/advisory panel, beyond bringing on votes for the bill by promising slots on the board to a handful of legislators.

---

[1] AR Medicaid, "Who can get full Medicaid benefits?," Arkansas Department of Human Services (2021), https://medicaid.mmis.arkansas.gov/Beneficiary/Who.aspx.
[2] The White House, "Fact sheet: President Biden to sign executive order strengthening Americans' access to quality, affordable health care," The White House (2021), https://www.whitehouse.gov/briefing-room/statements-releases/2021/01/28/fact-sheet-president-biden-to-sign-executive-orders-strengthening-americans-access-to-quality-affordable-health-care/.
[3] Jonathan Bain and Hayden Dublois, "Arkansas' private option model is costing more than twice as much as conventional Medicaid expansion," Foundation for Government Accountability (2021), https://thefga.org/research/arkansas-private-option-cost/.
[4] Nicholas Horton and Jonathan Ingram, "How Medicaid expansion is crowding out private insurance," Foundation for Government Accountability (2019), https://thefga.org/research/medicaid-crowding-out-private-insurance/.
[5] See, e.g., Arkansas' current and previous Medicaid waivers at https://www.medicaid.gov/medicaid/section-1115-demo/demonstration-and-waiver-list/81021.
[6] Daniel McDermott and Cynthia Cox, "Insurer Participation on the ACA Marketplaces, 2014-2021," Kaiser Family Foundation (2020), https://www.kff.org/private-insurance/issue-brief/insurer-participation-on-the-aca-marketplaces-2014-2021/.
[7] Federal cost sharing limits are available at https://www.law.cornell.edu/cfr/text/42/447.56.
[8] 55 percent of expansion enrollees in Arkansas do not work at all, according to DHS. See, e.g., https://thefga.org/research/obamacares-not-working-how-medicaid-expansion-is-fostering-dependency/.
[9] 50 percent of the federal poverty level for a single individual is $6,440. Five percent of this amount is $322, or $26.83 per month.
[10] Average per member per month cost of all "Arkansas Works" enrollees, according to the Arkansas Department of Human Services.
[11] The White House, "Fact sheet: President Biden to sign executive order strengthening Americans' access to quality, affordable health care," The White House (2021), https://www.whitehouse.gov/briefing-room/statements-releases/2021/01/28/fact-sheet-president-biden-to-sign-executive-orders-strengthening-americans-access-to-quality-affordable-health-care/.