

The Health Law's New Insurance Options for Minorities in Arkansas



African Americans and Hispanics comprise less than 20% of the population, but 40% of the uninsured adults in Arkansas are minorities.ⁱ Expanding insurance coverage is only one piece of improving the health status of these populations, but consistent access to health care providers and preventive services is a critical foundation for improving health. Unfortunately, the latest report from the U.S. Census Bureau indicates that the number of uninsured individuals continues to rise, especially among minority populations.ⁱⁱ Approximately 30% of Hispanics were uninsured in 2008, and in 2009, the number had risen to 32%. For African Americans, the uninsured population rose from 19% to 21% during the same period.

Although the new Pre-Existing Condition Insurance Plan and the expanded eligibility for young adults will provide relief for many families, they are only intended to provide partial relief. Many of the 477,770 Arkansans who do not have insurance will not benefit from these changes,ⁱⁱⁱ and they will have to wait until 2014 when their insurance coverage is guaranteed.

Arkansas's New Pre-Existing Condition Insurance Plan

What is it?

High-risk pools are designed to provide health insurance for people who do not have access through their employer and have been rejected from private plans because of pre-existing conditions. Even before the new laws, 35 states were operating high-risk pools with some support from the federal government. Arkansas has been running its own pool, the Comprehensive Health Insurance Program (CHIP), since 1996,^{iv} and 3,079 participants were enrolled in 2008. Although they charged relatively high premiums, every pool across the country was operating at a loss and had to rely on subsidies from the state government.^v In Arkansas, only 54% of the program expenses were covered by premiums. Costs, regulations, eligibility guidelines, and utilization varied throughout the country. In 2008, the average household income for participants in the high-risk pools was \$41,000, and the average cost for monthly premiums was \$485. Only a few states offered subsidies to assist people who could not afford the monthly rates.

The new health reform laws require new pools in every state to provide an insurance option for individuals with pre-existing conditions until 2014. The guidelines include a cap on out-of-pocket expenditures and fixed premiums rates. Arkansas has received \$46 million from the federal government to subsidize the new high-risk pool until 2014.^{vi} The law requires that these new pools operate separately from the existing programs. Although the guidelines are different, the new pool is managed by the same group that has been running CHIP for the past 14 years.^{vii}

Who can join this plan?

Although the Government Accountability Office estimated that 61,110 Arkansans are eligible for the high-risk pool, only 2,500 applications will be accepted. Applications have been available since August 1, 2010, and they will be selected on a first-come, first-serve basis. Anyone who has been without

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insurance for at least six months because of a pre-existing condition (like hypertension, diabetes, or another disease) can apply. Monthly premiums range from \$156 to \$624 per month, depending on age and smoking status, and the annual deductible is \$1,000.^{viii}

How does this plan impact minorities in Arkansas?

Across the country, there has been significant debate over the effectiveness of the high-risk pools. Many states report that enrollment has been lower than expected.^{ix} Supporters claim that many people are still unaware of the pools and the available benefits, but critics argue that the public is skeptical of the new programs. Many experts believe that the pools are necessary to provide insurance for a segment of the population that desperately needs health care, but they acknowledge that maintaining sufficient funding for these programs may be difficult for the states.^x

Concerns about fiscal sustainability were likely the reason that the number of applicants in Arkansas was limited to 2,500. Even though less than 5% of the eligible population will be able to participate, the program has still not received the maximum number of applications, nearly two months after they began accepting them.

For some families, this program will provide welcome relief from high health costs and critical access to care for people living with pre-existing conditions. However, the new pool will do little to address the needs of the 477,700 Arkansans who do not have health insurance. Many of these people will have to wait until 2014 when Medicaid expands its eligibility and subsidies are provided for low-income families.

Call the Arkansas Department of Insurance (800-285-6477) or visit their website (<http://www.insurance.arkansas.gov/administration/HighRiskPool.html>) for more information.

Expanded Eligibility for Young Adults

What is it?

The new laws require insurance companies to allow young adults to stay on or join their parents' insurance plans. This provision was included because young adults are the largest uninsured population in the country – 29% of all uninsured people are between the ages of 20 and 29.^{xi} Previously, most companies only allowed high school graduates on their parents' plans if they provided proof that they were attending a university.

According to a government study, 30% of young adults do not have insurance, compared to 17% of the entire population.^{xii} Many of them do not have jobs with benefits and cannot afford to buy private insurance. Others believe that they are unlikely to face any serious health problems and prefer to spend their money on other things. This law officially goes into effect on September 23, 2010. However, some insurance companies have already begun to allow enrollment, and others are waiting until their renewal period early next year to implement the changes.

Who is eligible?

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Adults under 26 now have the option to stay on or join their parents' insurance plan, even if they are married, file taxes independently, and are not in school.^{xiii} However, this does not apply if their current employer offers insurance coverage, and spouses of adult children cannot be included.

How will this impact minorities in Arkansas?

42% of 19 to 26-year olds in Arkansas do not have insurance, and many of them could benefit from this provision. This law provides a welcome safety net for many young Arkansans, especially those who have recently graduated from college and have had a difficult time finding a job.

Obviously, this law will not affect those whose parents do not currently have insurance. The Kaiser Family Foundation reports that half of these uninsured young adults live in families with annual incomes of less than \$15,000 – who are unlikely to have employer-sponsored insurance. Even for those whose parents do have jobs, the benefits are not free; parents or their children will be required to pay for the additional coverage.

Fortunately, in 2014, most low-income families should be able to obtain health care. Medicaid will be expanded to 133% of the federal poverty level (\$14,404 for individuals or \$29,326 for a family of four), and the federal government will pay 100% of the Medicaid costs. Premium subsidies will be available for individuals and families with incomes between 133% and 400% of the poverty level (\$14,404 to \$43,320 for individuals and \$29,326 to \$88,200 for a family of four). For example, a family of four with an income of \$40,000 would receive a \$9,122 subsidy, which will cover 82% of their annual health insurance premiums.^{xiv} These tax credits will be given on a sliding scale, depending on income. Also, in 2014, those young adults who do feel they have many health risks will have the option of buying a "catastrophic" plan. These plans have low premiums and high deductibles and provide security for unexpected health crises, like a broken leg or a severe case of the flu.

Check out the Arkansas Center for Health Improvement's report for more information about young adult coverage in Arkansas

(<http://www.achi.net/HCR%20Docs/100824%20Health%20Insurance%20Coverage%20for%20Young%20AdultsFinal.pdf>).

The Minority Health Commission will continue to provide timely updates and policy briefs about the issues that impact our constituents. Please feel free to contact us with additional questions about the Patient Protection and Affordable Care Act and how it is being implemented in Arkansas.

ⁱ Kaiser Family Foundation (n.d.) "Arkansas." StateHealthFacts.org. Retrieved September 2, 2010 from <http://www.statehealthfacts.org/profileglance.jsp?rgn=5&rgn=1>.

ⁱⁱ DeNavas-Walt, C., Smith, J.C., & Proctor, B.D. (2010). "Income, poverty, and health insurance coverage in the United States: 2009." U.S. Census Bureau. Retrieved September 16, 2010 from <http://www.census.gov/prod/2010pubs/p60-238.pdf>.

ⁱⁱⁱ State Health Facts (2010). "Arkansas State Profile." Kaiser Family Foundation. Retrieved September 15, 2010 from <http://www.statehealthfacts.org/profileglance.jsp?rgn=5&rgn=1>

^{iv} Arkansas CHIP (n.d.) "About CHIP." Arkansas Insurance Department. Retrieved September 15, 2010 from <http://www.chiparkansas.org/about/>

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- ^{vi} U.S. Department of Health and Human Services (2010). "Fact Sheet – Temporary High Risk Pool Program." Retrieved September 15, 2010 from http://www.hhs.gov/ociio/initiative/hi_risk_pool_facts.html.
- ^{vii} Jones, A. (2010). "News Release: Application for Coverage in New Pre-Existing Condition Insurance Plan Begins August 1, 2010." Arkansas Insurance Department. Retrieved September 15, 2010 from http://www.insurance.arkansas.gov/administration/newsreleases/pr2010_7_20.pdf
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- ^{ix} Pecquet, J. (2010). "Healthcare reform faces low participation in high-risk pools." *The Hill*. Retrieved September 15, 2010 from <http://thehill.com/blogs/healthwatch/health-reform-implementation/118245-healthcare-reform-faces-low-participation-in-high-risk-pools>.
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- ^{xi} Schwartz, K. & Schwartz, T. (2008). "Young adults: A profile and overview of coverage options." *Kaiser Family Foundation*. Retrieved September 16, 2010 from <http://www.kff.org/uninsured/upload/7785.pdf>
- ^{xii} Allen, J. (2010). "A third of young adults insured in 2008: U.S. report." Reuters. Retrieved September 16, 2010 from http://www.reuters.com/article/idUSTRE61N4GI20100224?loomia_ow=t0:s0:a49:g43:r1:c1.000000:b30358354:z0.
- ^{xiii} U.S. Department of Health and Human Services (n.d.) "Young Adults and the Affordable Care Act: Protecting Young Adults and Eliminating Burdens on Families and Businesses." Retrieved September 2, 2010 from http://www.hhs.gov/ociio/regulations/adult_child_fact_sheet.html.
- ^{xiv} Kaiser Family Foundation (2010). "Health Reform Subsidy Calculator." Retrieved September 17, 2010 from <http://healthreform.kff.org/SubsidyCalculator.aspx>.