

Health Insurance **in the American Recovery and Reinvestment Act**

The American Recovery and Reinvestment Act (ARRA) includes significant resources to address the *health insurance* needs of children and families, including:

- \$87 billion temporary increase in the federal government share of **Medicaid** over 27 months (October 1, 2008, through December 31, 2010). This ARRA provision will provide significant federal support for Rlte Care, Rhode Island's Medicaid managed care program for children, pregnant women and families. **Rhode Island's estimated share of the Medicaid increase is \$470 million** (\$150M in SFY09, \$200M in SFY10, and \$100M in SFY11).

To receive an increased FMAP, a state's Medicaid eligibility levels must not be more restrictive than they were on July 1, 2008. There is a provision in ARRA that exempts Rhode Island from being penalized due to the reduction in parent eligibility for Rlte Care, so Rhode Island does not have to restore that eligibility in order to qualify for the increased Medicaid funds. Rhode Island can not further restrict eligibility (including any changes that make it more difficult for recipients to meet procedural requirements for enrollment, like the implementation of a new asset or resource test for parents enrolled in Rlte Care) if it wants to benefit from the Medicaid increases through ARRA.

There are three ways that Medicaid funding will be increased:

1. The federal government will increase its share of the FMAP (Federal Matching Percentage) Rate for all states by 6.2 percentage points. Rhode Island FMAP will be increased from 52.35% to 58.55%. This means that the state also will have a reduction in its share of the cost by 6.2 percentage points. State officials have estimated that each FMAP percentage point represents \$17 million, so a 6.2 percentage point increase means \$105.4 million more in federal funding for Rhode Island's Medicaid program.
2. ARRA will suspend the reductions that some states would otherwise have had in their FMAP through fiscal year 2011. The FMAP is adjusted each year, but because the adjustment is based on economic data from previous years, there is a substantial lag. This "hold harmless" provision would prevent states like Rhode Island from losing federal funding simply because economic conditions in the states were much stronger several years ago.
3. States like Rhode Island that are experiencing poor economic conditions as indicated by a significant increase in unemployment rates, would receive additional assistance with its Medicaid costs on top of the first two provisions. Depending on the extent of the state's unemployment increases, a state could receive a 5.5%, 8.5%, or 11.5% reduction in the share of Medicaid costs the

state pays. This reduction would apply to the state's share of Medicaid costs after taking into account the "hold harmless" provision and half of the

6.2 percentage point base increase. A state's qualification for a higher level of assistance due to rising unemployment would be evaluated each quarter, and states would receive the additional assistance if their economic situation worsens. While a state's additional assistance could be increased, no state's additional assistance would be reduced due to falling unemployment before July 1, 2010.

Other Health Provisions in ARRA

- Two-thirds of Rhode Island children receive health coverage through their parent's employers, which means that for many families, losing a job can mean losing health insurance. COBRA allows certain laid-off workers to buy-in to their former employer's health insurance program, but historically this option has been prohibitively unaffordable. ARRA includes a 65% **subsidy for COBRA health insurance premiums** for up to nine months so that when a parent loses his or her job, they and their family do not lose their health insurance, too. This will be available for workers who were involuntarily terminated between September 1, 2008 and December 31, 2009. Families whose same year incomes will not exceed \$250,000 and individuals with \$125,000 in same year income will be able to apply. Rhode Island's share of this ARRA provision has not yet been determined.
- ARRA provides \$500 million for **community health centers** to serve the anticipated rising number of uninsured and traditionally underserved urban and rural communities. Also included is \$1.5 billion for community health center modernization. Rhode Island's share of this ARRA provision has not yet been determined.
- ARRA provides \$100 M in competitive grants for local governments and non-profits for **lead paint hazards abatement** in low-income housing. Rhode Island entities will be able to apply for funds through ARRA.
- In an effort to encourage doctors, hospitals and other health care providers to share patient health information via electronic exchange, an estimated \$19 billion has been allocated **for health information technology infrastructure**. In addition to lowering health care costs, modernization of health care systems will result in a reduction of medical errors and improved quality of care. Health care providers that serve high numbers of low-income patients will have increased assistance for both start-up costs and on-going IT costs through ARRA. Rhode Island's share of this ARRA provision has not yet been determined.