STUDY OF THE IMPACT OF THE ACA IMPLEMENTATION IN KENTUCKY

ISSUE BRIEF

ACA Improves Health Insurance Coverage for Kentucky Children

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KENTUCKY LEADS NATION IN REDUCING UNINSURED RATE

The implementation of the Patient Protection and Affordable Care Act (ACA) provided coverage to an additional 8.6 million people in the U.S. from 2013 to 2014. During that time period, Kentucky experienced the nation’s largest decrease in uninsurance, dropping from 14.3% to 8.5% (see Figure 1). The increase in coverage has primarily affected adults because children were already more likely to be insured and because key ACA provisions were focused on adults. Yet, there is growing evidence suggesting the ACA also has had a significant impact on health insurance for children, nationally and in Kentucky.

AACA PROVISIONS AFFECTING KENTUCKY CHILDREN

The ACA and Kentucky’s implementation of the law include components to provide enhanced access to coverage through new programs, and they also are expected to increase enrollment of children in existing programs. A new emphasis on enrollment through public outreach, advertising, and awareness campaigns also helped reach some children who were already eligible for Medicaid or the Children’s Health Insurance Program (CHIP), named “K-CHIP” in Kentucky, prior to the ACA, but who were not enrolled. These children represent an estimated 3.7 million children nationwide, including 43,000 in Kentucky.

In this brief, we describe the main mechanisms that impact Kentucky children under the ACA:

1. Financial assistance to help families purchase private insurance
2. Increased enrollment in public coverage among children

Though there are other provisions in the ACA that also impact children such as elimination of CHIP wait periods and reforms preventing insurers from denying coverage or increasing premiums based on individuals’ health status — in this brief, we focus on the two main mechanisms likely to have the largest effects on children’s coverage. After a discussion of these reforms and their implications for children, we present some early findings about their impact on enrollment and coverage for Kentucky’s children.

1. kynect Financial Assistance for Families

One of the main provisions in the ACA for expanding health insurance coverage provides financial assistance to children and adults whose incomes are too high to qualify for public coverage programs i.e., Medicaid and CHIP, but who cannot afford the full cost of private health insurance. This financial assistance is available to people who obtain private health insurance through health insurance Marketplaces, such as Kentucky’s “kynect” Marketplace. Like Medicaid and K-CHIP, eligibility for kynect financial assistance is based on a household’s income as a percentage of Federal Poverty Guidelines (FPG). Children in Kentucky are eligible for this new financial assistance from 219% up to 400% of FPG.

Figure 2 shows the relationships among eligibility levels for Medicaid, K-CHIP and financial assistance for kynect coverage. Although the ACA set a new minimum eligibility threshold of 138% of FPG for children in Medicaid, Kentucky’s Medicaid program already met this new standard, so the Commonwealth did not have to increase its eligibility levels. The differences shown in Figure 2 between Medicaid and K-CHIP eligibility thresholds before and after the ACA are the result of a conversion to a new way of calculating eligibility.

2. Increased Enrollment of Eligible Children

Kentucky’s implementation of the ACA also had indirect effects that likely increased coverage for children. One example of this is the “welcome mat” effect, which refers to individuals, including children, who already were eligible for Medicaid or K-CHIP before the ACA but who finally enrolled as a result of increased awareness. Before the ACA, Kentucky already had a relatively high “participation rate” — the percentage of children eligible for Medicaid who were enrolled in the program — compared to the U.S. average (90% in Kentucky versus 87% for the U.S. average). This rate is likely to increase under the ACA because children are more likely to be covered by Medicaid if they have a parent who is enrolled, and Kentucky’s decision to expand its state Medicaid program to adults up to 138% of FPG will make more parents eligible to participate.

FIGURE 1. TOP FIVE STATE-LEVEL DECLINES IN UNINSURED FOR ALL AGES FROM 2013 TO 2014

<table>
<thead>
<tr>
<th></th>
<th>Number of Uninsured</th>
<th>Percent Uninsured</th>
<th>Year-over-Year Change</th>
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</thead>
<tbody>
<tr>
<td>2013</td>
<td>2014</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Kentucky</td>
<td>616,000</td>
<td>14.3</td>
<td>366,000</td>
</tr>
<tr>
<td>2. Nevada</td>
<td>570,000</td>
<td>20.7</td>
<td>427,000</td>
</tr>
<tr>
<td>3. West Virginia</td>
<td>255,000</td>
<td>14.0</td>
<td>156,000</td>
</tr>
<tr>
<td>4. Oregon</td>
<td>571,000</td>
<td>14.7</td>
<td>383,000</td>
</tr>
<tr>
<td>5. California</td>
<td>6,500,000</td>
<td>17.2</td>
<td>4,767,000</td>
</tr>
</tbody>
</table>


FIGURE 2. ELIGIBILITY FOR MEDICAID, K-CHIP, AND KYNECT FINANCIAL ASSISTANCE, PRE- AND POST-ACA

The welcome mat effect in Kentucky may have been further bolstered by the state’s extensive efforts at outreach and promotion for kynect. These efforts included training and extensive use of face-to-face navigators (called “kynectors”) and insurance agents, television advertisements and billboards, a smartphone application, a retail store in the state’s largest shopping mall, and various outreach booths staffed by kynect workers at festivals, fairs, and other public events across the state.

**IMPACT ON CHILDREN’S ENROLLMENT AND COVERAGE IN KENTUCKY**

Despite Kentucky children’s relatively high rates of health coverage before the ACA, and the fact that key provisions of the ACA did not focus primarily on kids, the law appears to have had an impact on coverage for children. Evidence shows gains in health insurance coverage for Kentucky’s children after the first year of ACA implementation, and more recent 2015 administrative data from kynect, Medicaid, and K-CHIP show increased enrollment among children in the second year of the law’s implementation, as well.

1. **Uninsurance Estimates**

   In 2014, the ACA’s first year of implementation, Kentucky experienced the largest overall decrease in the nation in uninsurance rates, dropping by 5.8 percentage points (from 14.3% in 2013 to 8.5% in 2014), more than double the decrease of 2.8 percentage points seen nationally (see Figure 3). Children younger than age 18 in Kentucky also experienced a statistically significant 1.6 percentage point decrease in uninsurance, dropping from 5.9% in 2013 to 4.3% in 2014 — covering approximately 16,000 children. Kentucky’s decrease among children was significantly larger than the national decline of 1.1 percentage points.

The implementation of the ACA in Kentucky has had a significant impact of increasing health insurance coverage for children under the ACA likely obtained private coverage through kynect. Of the 106,330 plan selections made through kynect during the ACA’s second open enrollment period (Nov. 2014 - Feb. 2015), 10.6% were for children under age 18, representing approximately 11,000 children. This proportion is higher than the average for states using the federal marketplace, where children represented 8% of plan selections, and the average for states operating their own state-based marketplaces, where children represented 5.7% of the enrollment population.

**CONCLUSION**

The implementation of the ACA in Kentucky has had a significant impact of increasing health insurance coverage for adults and children. Kentucky children experienced a decline in uninsurance rates in the first year of the ACA, from 5.9% in 2013 to 4.3% in 2014 — achieving significantly better child coverage than the 2014 U.S. average of 6%. As more Kentucky children obtain health coverage, it will be important to monitor whether and how those gains effect improvements in access to health care services and, ultimately, the overall health of Kentucky’s children.


4 This financial assistance provided in the form of “advanced premium tax credits,” which are paid directly to private health insurers to defray some of the cost of insurance premiums. This reduces the portion of premiums that individuals receiving financial assistance pay for health insurance (e.g., for a $400 monthly premium, if the Federal government paid $200 to the health insurer via tax credits, the individual would only have to pay the remaining $200).

5 Under the ACA, states converted eligibility thresholds for children in Medicaid and CHIP to use modified adjusted gross income (MAGI). Although this conversion resulted in an apparent increase in eligibility levels, it should not impact the number of children eligible for Medicaid or K-CHIP. For more information, see SHADAC’s blog post, “What is MAGI and Why Does It Matter?” Available at: http://www.shadac.org/news/what-magi-and-why-does-it-matter


8 SHADAC analysis of American Community Survey data, available through health insurance tables HI05, “Health Insurance Coverage Status and Type of Coverage by State and Age for All People”, available at: http://www.census.gov/hhes/www/hlthins/data/incpovhlth/2013/acs-tables.html and http://www.census.gov/hhes/www/hlthins/data/incpovhlth/2014/acs-tables.html Data were analyzed for statistical significance at the 95 percent confidence level.


