



# How scrapping the failed “private option” model can help truly needy Arkansans

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## Overview

Arkansas’s “private option” approach to Medicaid expansion under ObamaCare has been a failure, with unnecessarily high costs, insurers fleeing the market, and unsustainable premium increases.<sup>1-2</sup>

Recent estimates suggest that Arkansas could save nearly \$100 million per year by letting the private option model expire and transitioning to conventional Medicaid expansion.<sup>3</sup> These savings present Arkansas legislators with a unique and important opportunity: In addition to providing relief to taxpayers, the legislature could apply some of these savings towards improving the traditional Medicaid program for truly needy Arkansans.

## What could Arkansas do with \$90 million in savings?

With more than \$90 million in annual savings on the table after the private option is ditched, Arkansas legislators could advance meaningful investments in critical programs—including increasing Medicaid reimbursement rates and reducing Medicaid waiting list enrollment.

Recent policy changes in the state show what might be possible. In 2020, Arkansas implemented a 1.4 percent reimbursement rate increase via an amendment to the Medicaid State Plan for the Personal Care program.<sup>4,5</sup> This program is one of several Medicaid services offered to individuals in need of long-term support services, particularly for home-based care.

The cost of this Medicaid reimbursement rate increase was just \$550,338 in recurring state dollars.<sup>6</sup> **That represents just 0.60 percent of the annual savings Arkansas would realize from letting the private option expire.**<sup>7</sup>

Similarly, in 2019, Arkansas increased the Medicaid maximum hourly reimbursement rate for Private Duty Nursing Services.<sup>8</sup> Private Duty Nursing enhances treatment for Medicaid patients dependent on ventilators and patients with similar conditions. The total cost of this fee increase is just over \$300,000 annually or 0.34 percent of the savings that would be achieved by ditching the private option model.<sup>9-10</sup>

Furthermore, Arkansas has a Medicaid Home and Community-Based Services (HCBS) waiting list of 3,500 as of September 2020, with those waiting for care among the most vulnerable patients on Medicaid, including individuals with intellectual and developmental disabilities.<sup>11</sup> Thankfully, due to an investment by the Arkansas legislature, there will be an additional 700 slots coming available.<sup>12</sup> However, this still leaves roughly 2,800 truly needy Arkansans stuck waiting for care.

To remove the remaining individuals from the waiting list and provide them services they desperately need, the total cost would be roughly \$56 million annually.<sup>13</sup> That investment could be achieved through savings from transitioning to conventional Medicaid expansion—with millions in recurring savings left over.

**Ongoing and Future Investments for the Truly Needy  
Would Be Easily Paid for by Ditching the Private Option**

INVESTMENT	COST
Recent Medicaid Reimbursement Rate Increase for Personal Care	\$550,338
Recent Medicaid Reimbursement Rate Increase for Private Duty Nursing Services	\$305,220
Estimated Investment Needed to Move Medicaid HCBS Waiting List to Zero	\$56,000,000
<b>TOTAL COST</b>	<b>\$56,855,558</b>
SAVINGS REMAINING	\$33,444,442

**It is time to put truly needy Arkansans first**

Not only would transitioning from the private option to conventional Medicaid expansion save Arkansans money, provide premium relief, and abandon a failed program, but it could also provide the opportunity for critical investments in the state’s most vulnerable populations. It is long past time for Arkansas to ditch the private option and put the truly needy first.

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<sup>1</sup> Jonathan Ingram, "The Empty Promises of Arkansas' Medicaid Private Option," Foundation for Government Accountability (2014), <http://thefga.org/wp-content/uploads/2020/10/The-Empty-Promises-of-Arkansas-Medicaid-Private-Option.pdf>.

<sup>2</sup> Hayden Dublois and Nicholas Horton, "Why Premiums Will Not Skyrocket If Arkansas Ditches The Private Option Model," Foundation for Government Accountability (2021), <https://thefga.org/research/arkansas-private-option-premiums/>.

<sup>3</sup> Hayden Dublois and Jonathan Bain, "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/>.

<sup>4</sup> Centers for Medicare and Medicaid Services, "Arkansas SPN 20-0012," U.S. Department of Health and Human Services (2020), <https://www.medicare.gov/medicaid/spa/downloads/AR-20-0012.pdf>.

<sup>5</sup> Division of Medical Services, "Exhibit J," Arkansas Department of Human Services (2019), <https://www.arkleg.state.ar.us/Calendars/Attachment?committee=430&agenda=3345&file=Exhibit+J+DHS+Personal+Care+Rate+Rule.pdf>.

<sup>6</sup> Ibid.

<sup>7</sup> Author's calculations based on FY2021 state-share cost of the implemented Medicaid State Plan Amendment Change and projected savings from transitioning from the private option to conventional Medicaid Expansion.

<sup>8</sup> Centers for Medicare and Medicaid Services, "Arkansas SPN 18-0015," U.S. Department of Health and Human Services (2019), <https://www.medicare.gov/sites/default/files/State-resource-center/Medicaid-State-Plan-Amendments/Downloads/AR/AR-18-0015.pdf>.

<sup>9</sup> Ibid.

<sup>10</sup> Author's calculations based on FY2020 cost of the implemented Medicaid State Plan Amendment Change and projected savings from transitioning from the private option to conventional Medicaid Expansion.

<sup>11</sup> John Moritz, "Disability service slots added in state," Arkansas Democrat Gazette (2020), <https://www.arkansasonline.com/news/2020/aug/28/disability-services-slots-added/?latest>.

<sup>12</sup> Ibid.

<sup>13</sup> Author's calculations based on previous investments made by the Arkansas legislature to reduce the HCBS waiting list.