

# STUDY OF THE IMPACT OF THE ACA IMPLEMENTATION IN KENTUCKY

## ISSUE BRIEF

*ACA Improves Health Insurance Coverage for Kentucky Children*

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# CHILDREN'S HEALTH INSURANCE COVERAGE

## KENTUCKY LEADS NATION IN REDUCING UNINSURED RATE

The implementation of the Patient Protection and Affordable Care Act (ACA) provided coverage to an additional 8.8 million people in the U.S. from 2013 to 2014.<sup>1</sup> During that time period, Kentucky experienced the nation's largest decrease in uninsurance, dropping from 14.3% to 8.5% (see Figure 1).<sup>2</sup> 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 health insurance for children, nationally and in Kentucky.

**FIGURE 1.**  
TOP FIVE STATE-LEVEL DECLINES IN UNINSURED FOR ALL AGES FROM 2013 TO 2014<sup>2</sup>

	TOP STATE - LEVEL DECLINES IN UNINSURED, 2013-2014, ALL AGES					
	2013		2014		Year-over-Year Change	
	Number of Uninsured	Percent Uninsured	Number of Uninsured	Percent Uninsured	Number of Uninsured	Percent Uninsured
1. Kentucky	616,000	14.3	366,000	8.5	-250,000	-5.8
2. Nevada	570,000	20.7	427,000	15.2	-143,000	-5.5
3. West Virginia	255,000	14.0	156,000	8.6	-99,000	-5.4
4. Oregon	571,000	14.7	383,000	9.7	-188,000	-4.9
5. California	6,500,000	17.2	4,767,000	12.4	-1,733,000	-4.7
5. Washington	960,000	14.0	643,000	9.2	-317,000	-4.7

Source: SHADAC. "Now Available: 2014 Coverage Estimates From the ACS & CPS." Accessible at: <http://www.shadac.org/blog/now-available-2014-coverage-estimates-acs-cps>.

## ACA 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.<sup>3</sup>

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 waiting 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.

Before the ACA, 43,000 Kentucky children were eligible for Medicaid or K-CHIP but were not enrolled.

## 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.<sup>4</sup> 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.<sup>5</sup>



**FIGURE 2.**  
ELIGIBILITY FOR MEDICAID, K-CHIP, AND KYNECT FINANCIAL ASSISTANCE, PRE- AND POST-ACA<sup>4,5</sup>

Sources: National Conference of State Legislatures. "Medicaid and CHIP Eligibility Table by State." Available at: <http://www.ncsl.org/research/health/medicaid-eligibility-table-by-state-state-activit.aspx>; and Medicaid and CHIP Payment and Access Commission. "Table 9: Medicaid and CHIP Income Eligibility Levels as a Percentage of the Federal Poverty Level for Children and Pregnant Women by State, January 2014." Report to the Congress on Medicaid and CHIP: March 2014. Available at: <https://www.macpac.gov/wp-content/uploads/2015/01/Table-9.-Medicaid-and-CHIP-Income-Eligibility.pdf>

## 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.<sup>6</sup> 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).<sup>3</sup> 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.<sup>7</sup>

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.

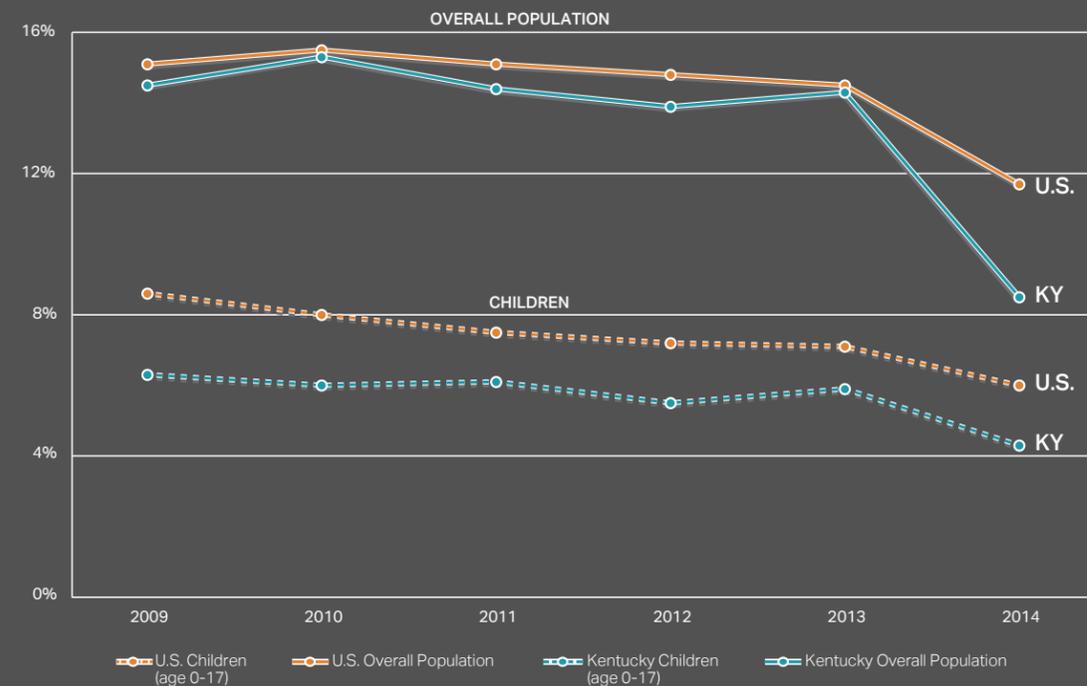
### IMPACT ON CHILDREN'S ENROLLMENT AND COVERAGE IN KENTUCKY

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

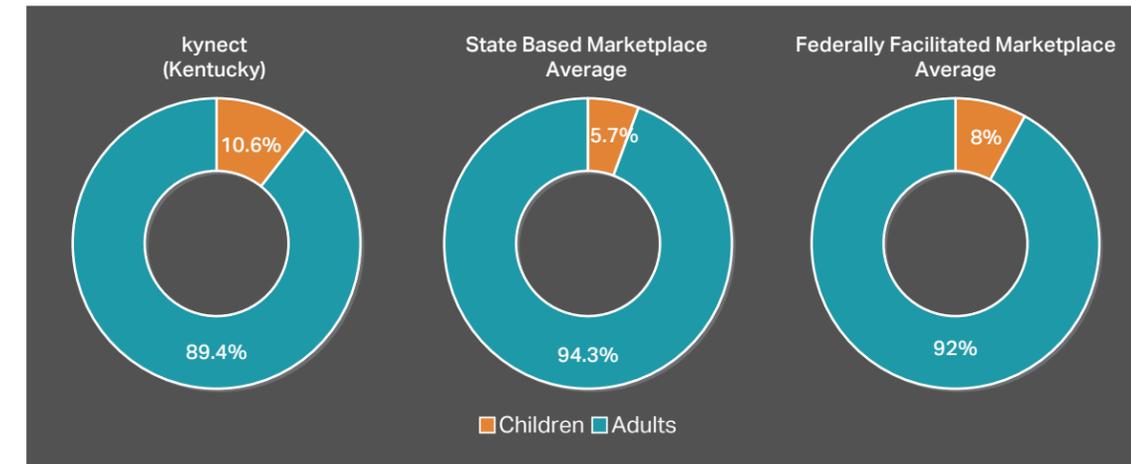
In 2014, the ACA's first year of implementation, Kentucky experienced the largest overall decrease in the nation in uninsurance rates, dropping by 5.8 percentage points (from 14.3% in 2013 to 8.5% in 2014), more than double the decrease of 2.8 percentage points seen nationally (see Figure 3).<sup>8</sup> 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.<sup>8</sup> Kentucky's decrease among children was significantly larger than the national decline of 1.1 percentage points.

**FIGURE 3.**  
OVERALL AND CHILD UNINSURANCE RATES, KENTUCKY AND U.S.<sup>8</sup>



### 2. Private Coverage Expansion through kynect

A portion of Kentucky children who gained new health insurance coverage 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.<sup>9</sup> 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.



**FIGURE 4.**  
MARKETPLACE PLAN SELECTIONS BY AGE<sup>9</sup>

### 3. Medicaid and K-CHIP Coverage

Survey data also show significant increases in public program enrollment for Kentucky's children. From 2013 to 2014, there was a statistically significant 2.8 percentage point increase in children covered by Medicaid and K-CHIP, from 40.7% to 43.5%.<sup>8</sup> This nearly 3 percentage point increase was significantly larger than the 0.8 percentage point increase nationally.<sup>8</sup>

Although there are few publicly available administrative data reports with pre-ACA enrollment counts for children at the state level, those that exist are consistent with the survey estimates that show increases in public coverage. For example, a report from Georgetown University that used administrative data from Kentucky's Medicaid and K-CHIP programs reported that, in December 2013, child enrollment was 447,838.<sup>10</sup> The Centers for Medicare & Medicaid Services later reported that Kentucky's child enrollment was 523,448 in May 2015,<sup>11</sup> a nearly 17% increase from the December 2013 report.

Much of the increase in enrollment of children in Kentucky's public insurance programs has been among kids who already were eligible before the ACA. A 2014 study of Kentucky's Medicaid expansion estimated that 39,702 of new Medicaid enrollees were already eligible before the ACA, and that approximately 60% — more than 20,000 — of these individuals were children.<sup>12</sup>

### 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.

Of plan selections through kynect, **10.6%** were for children under age 18, representing over **11,000** kids.

- <sup>1</sup> Smith, J., and Medalia, C. "Health Insurance Coverage in the United States: 2014." U.S. Census Bureau. Sept. 2015. Accessible at: <http://www.census.gov/content/dam/Census/library/publications/2015/demo/p60-253.pdf>
- <sup>2</sup> SHADAC. "Now Available: 2014 Coverage Estimates From the ACS & CPS." Accessible at: <http://www.shadac.org/news/now-available-2014-coverage-estimates-acs-cps>
- <sup>3</sup> Kenny, G., Haley, J., Anderson, N., and Lynch, V. "Children Eligible for Medicaid or CHIP: Who Remains Uninsured, and Why?" *Academic Pediatrics*. 2015; 15(3S): S36-S43.
- <sup>4</sup> 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).
- <sup>5</sup> 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>
- <sup>6</sup> Sonier, J., Boudreaux, M., Blewett, L. "Medicaid 'Welcome-Mat Effect of Affordable Care Act Implementation Could Be Substantial.'" *Health Affairs*. 2013; 32(7): 1,319-1,325.
- <sup>7</sup> Rosenbaum, S., and Perez Trevino Whittington, R. "Parental Health Insurance Coverage as Child Health Policy: Evidence from the Literature." George Washington University. 2007. Accessible at: [http://publichealth.gwu.edu/departments/healthpolicy/CHPR/downloads/Parental\\_Health\\_Insurance\\_Report.pdf](http://publichealth.gwu.edu/departments/healthpolicy/CHPR/downloads/Parental_Health_Insurance_Report.pdf)
- <sup>8</sup> 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.
- <sup>9</sup> Office of the Assistant Secretary for Planning and Evaluation, Department of Health and Human Services. "Health Insurance Marketplaces 2015 Open Enrollment Period: March Enrollment Report." Available at: [http://aspe.hhs.gov/sites/default/files/pdf/83656/ib\\_2015mar\\_enrollment.pdf](http://aspe.hhs.gov/sites/default/files/pdf/83656/ib_2015mar_enrollment.pdf)
- <sup>10</sup> Center for Children and Families, Georgetown University Health Policy Institute. "Monthly Child Enrollment in Medicaid and CHIP, December 2013." Available at: <http://ccf.georgetown.edu/wp-content/uploads/2012/04/Monthly-Child-Enrollment-Dec-20131.pdf>
- <sup>11</sup> Centers for Medicare & Medicaid Services. "Medicaid and CHIP: Monthly Applications, Eligibility Determinations and Enrollment Report." Available at: <http://www.medicaid.gov/medicaid-chip-program-information/program-information/downloads/may-2015-enrollment-report.pdf>
- <sup>12</sup> Deloitte. "The Commonwealth of Kentucky Report on Medicaid Expansion in 2014." 2015. Available at: [http://governor.ky.gov/healthierky/Documents/medicaid/Kentucky\\_Medicaid\\_Expansion\\_One-Year\\_Study\\_FINAL.pdf](http://governor.ky.gov/healthierky/Documents/medicaid/Kentucky_Medicaid_Expansion_One-Year_Study_FINAL.pdf)