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**The Implications of Arkansas Works on Rural Hospitals
Statement by Drew Memorial Hospital CEO Scott Barrilleaux**

Governor Asa Hutchinson last week signed Arkansas Works into law after it passed in the House and Senate with large majorities. What remains to be seen from the legislature is how/whether the program will be funded, which will determine if it can be implemented. The hospital and the residents of our county could stand to lose a great deal if the legislature does not fund it.

As a brief refresher, Arkansas Works replaces the Arkansas Private Option, the state's hybrid Medicaid expansion plan that has been in effect since 2013. The Private Option resulted in more than 250,000 uninsured Arkansans gaining health care coverage. Those making less than 138 percent of the federal poverty level were able to qualify for Medicaid for the first time. The Arkansas Private Option uses federal funding to buy private policies for these newly eligible Medicaid recipients. It was considered an experiment because it was the first time Medicaid recipients would be enrolled in commercial plans comparable to those available to any other consumer. In Arkansas, the number of childless adults without insurance was cut almost in half between 2013 and 2014.

Now that we've been able to collect data for a few years, we know how the Private Option affects hospitals like Drew Memorial Hospital – it's doing exactly what it should. In its first year, the Private Option led our hospital's written off, uncollectible accounts to decrease by more than \$1.3 million. This huge reduction in uncompensated care should give you an idea of how many Southeast Arkansas residents benefited from the expansion of Medicaid. Last summer I was interviewed by Arkansas Business about the Private Option, and the story is no different now. By insuring more Arkansans, there is a significantly smaller bad debt burden on rural hospitals. Further, disproportionate share payments that are traditionally used to fund hospital uncompensated care are now being used to fund private insurance plans for the newly insured.

Last week I attended the conference "The Arkansas Delta: Why it Still Matters" in Pine Bluff. One of the most publicized parts of this conference was the health care panel, which anticipated the passage of this law. The resounding theme was "Arkansas Works would be good for Arkansas." Panelists from the Arkansas Hospital Association, JRMC, UAMS, and Community Health Centers of Arkansas discussed the unique challenges to health care providers in the Mississippi River Delta region. Our area has a significantly shorter life span than other parts of Arkansas. We see a lot of chronic disease in the area, which is part of the reason we are launching a chronic care management program this year. In a low-income part of the state (and the country), local patients sometimes choose to defer medical treatment due to financial constraints, especially if they lack insurance. When medical treatment is postponed, conditions often become compounded, or complicated, resulting in more serious health problems and thus more expensive medical treatment. That higher expense historically has fallen on the taxpayers through higher premiums for health insurance. (This phenomenon is often referred to as the "hidden tax.") By increasing access to medical care, Medicaid expansion gets patients ahead of potentially serious health issues, and ultimately saves taxpayer dollars.

The Arkansas Private Option made it possible for these chronic illnesses to be addressed sooner,

because for the first time, a quarter million Arkansans were able to see the doctor on a regular basis. Medicaid expansion, whatever we call it, is allowing residents of our area to increase their average length of life and it improves their quality of life, by increasing access to medical care. The Arkansas Works program, which would replace the Private Option, includes minimal changes to Medicaid expansion; the chief difference is that the program will now include incentives for Medicaid recipients to actively seek gainful employment.

What does this change in Medicaid expansion mean for our hospital? That depends on how and if Arkansas Works is funded by the state legislature. Short answer: if it is fully funded, the changes will be minimal. If it is not, it will have great repercussions beyond the health care industry. While a simple majority vote was needed to pass Arkansas Works in the Arkansas House and in the state Senate, a 3/4 vote is needed to pass its budget in the fiscal session in the coming days. In an often contentious political environment, a 3/4 vote can be hard to come by.

What happens if the Arkansas House and Senate do not fund Arkansas Works? The program could not be implemented. Any kind of Medicaid expansion is dead in the water because there are no alternatives proposed to Arkansas Works. More than 8 percent of Arkansans would lose health insurance coverage on January 1, 2017. Then, as I mentioned, our rural, non-profit hospital would see a huge increase in bad debt, which will have a negative economic impact on our immediate area. Since federal funds, which were once used to offset the cost of providing care to the uninsured, are now being used to pay for health insurance around the country, our hospital would lose on two fronts – increased uninsured patients and no money to cover the cost associated with providing that care. As a top employer in Drew County, our financial health helps our local economy. Moreover, people losing insurance may choose to avoid or postpone medical treatment, continuing our negative regional health statistics and continuing to drive the cost of care upward. But, we could see even wider implications if Arkansas Works is not funded.

An end to Medicaid expansion would result in a state budget shortfall of about \$100 million. Such a significant shortfall in the state budget means something's got to be cut. House Speaker Jeremy Gillam released an alternative budget for the state, if Arkansas Works is not funded. Higher education funding would be cut. Funding for K-12 education would certainly suffer. Education funding at all levels makes our county a regional hub and again, those are top-employing industries for our county. Highway funding would be cut, and according to Hutchinson, his new highway funding proposal will not even make it to the special session. Earlier this week, Benton County justices of the peace passed a resolution supporting Gov. Hutchinson and asking state legislators to support funding of the Arkansas Works program, citing the huge ramifications on their county budget if it did not pass. Most, if not all counties, would see huge budgetary shortfalls.

While the program itself received wide bipartisan support in passing both chambers, it is imperative that Arkansas Works' budget also receives bipartisan support. We are a small state- I bet you have friends and family in other counties and legislative districts. I am grateful that most state officials in our area are in support of Arkansas Works, but remember, both the House and Senate need a 3/4 vote to pass. That's 27 votes of 35 in the Senate and 75 of 100 in the House. If you are concerned, like me, that the end of Medicaid expansion will impact our state's greater economy and our serious health statistics, I hope you'll contact friends and family around the state to encourage them to reach out to their state

legislators. Just a handful of legislators against Arkansas Works' budget would mean serious implications for our entire state. All rural hospitals would struggle financially, and all state-funded entities stand to suffer. The bipartisan legislative task force last month recommended the implementation of Arkansas Works. The task force's independent consultant firm, The Stephen Group, recognized that continuing the hybrid Medicaid expansion approach would have a positive effect on the state budget to the tune of \$750 million from 2017 to 2021. It would be a shame to see our entire state's economy held captive by a few legislators who can't see the long-term repercussions of voting against Arkansas Works.

Please reach out to my office, Drew Memorial Hospital Administration, with any questions.

Sincerely,
Scott Barrilleaux
Chief Executive Officer
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Monticello, AR