Kentucky’s Health: 
A Report on the Impact of the ACA in Kentucky and Implications of the Proposed 1115 Waiver 

Malea Hoepf Young, PhD(c), MPH and Susan Buchino, PhD, OTR/L

BACKGROUND

The importance of healthcare coverage in the United States (U.S.) cannot be overstated. It influences health decision making, facilitates access to treatment, protects financial health, and reduces risk of premature death.¹ The Patient Protection and Affordable Care Act (ACA), passed in 2010, dramatically changed the healthcare landscape in the U.S., particularly around insurance coverage. With the implementation of key components of the new law in 2014, individuals were able to purchase subsidized insurance plans though health benefit exchanges at the state or national level. States could also choose to expand Medicaid eligibility to individuals at or below 138 percent of the federal poverty level, in addition to the traditional Medicaid-eligible groups of low income children, parents of dependent children, pregnant women, and people with disabilities. This report examines the impacts of the ACA in Kentucky, whose unique experience has drawn national attention. Initially, this was due to its role as the only Southern state to expand Medicaid and implement a state-facilitated health benefit exchange called kynect, which integrated enrollment of both private insurance and Medicaid. However, the state has also gained attention for the subsequent elimination of kynect and ongoing attempts to alter Medicaid expansion through an 1115 waiver. Therefore, this report also explores the potential health and economic implications for Kentuckians, should ACA programs and protections be altered or dismantled.

IMPACT OF THE ACA

Insurance Coverage
The increase in insurance coverage under the ACA was the most immediate and well-documented result of implementation. The evidence consistently supports that Kentucky saw the largest decline in the uninsured rate in the country; Gallup polling estimates Kentucky uninsured rate fell from 20.4 percent in 2013 to 7.8 percent in 2016.² However, since the end of 2014, Medicaid enrollment has remained relatively consistent. As of February 2019, Kentucky’s Medicaid program served nearly 1.4 million individuals,³ over 500,000 more than were enrolled in December 2013.⁴

Access to Care
Multiple components of ACA expanded access to care, and as data emerge about the impacts of the law, the body of evidence generally supports that there has been an increase in use of primary care, mental health services, and decreased lengths of hospital stays. Following national trends, 89.7 percent of Kentuckians reported a usual source of care in 2015, rising from 82.3 percent in 2011, and there was a notable increase in those reporting they had seen a health care provider in the past year.⁵ After Medicaid expansion, Kentucky saw a sizable uptake in preventive services among Medicaid members, including:
- 111 percent increase in cholesterol screening;
- 116 percent increase in preventive dental services;
- 88 percent increase in cervical cancer screenings;
- 43 percent increase in flu vaccinations; and
- 69 percent increase in enrollment in smoking cessation programs.⁶

Health Outcomes
Initial improvements in health insurance coverage and access to healthcare can be measured relatively soon after ACA implementation. However, the complex determinants of overall health status result in a longer timeline for measures of change in health outcomes attributable to ACA policies. Still, a systematic review of the peer-reviewed literature on ACA outcomes found evidence supporting Medicaid expansion’s association with improved overall health, including self-report of psychological distress, poor mental health days, and general health self-assessment.⁷ Although Kentucky’s
pre-ACA poor health indicators mean that the state remains low in national rankings, Kentucky rose eight places between 2013 and 2017 in the Commonwealth Fund’s ranking of health system performance, largely due to increases in insurance coverage.\(^8\)

**Economic Impact**

While expansion states such as Kentucky experienced an increase in their Medicaid budgets, this increase is largely offset by other benefits. In the first two years that Kentucky has contributed a share of expansion costs, the increase in Medicaid costs has been outweighed by savings in general state funds related to care for vulnerable groups who were ineligible for Medicaid prior to expansion.\(^9\) Furthermore, in the first two years, Medicaid expansion channeled $2.9 billion into the state’s healthcare system, which has reduced costs related to charity care, as well as collections for medical debts.\(^9\) Investment in the healthcare system has also contributed to job growth in the health and social services sectors. Despite the beginning of the recession in December 2007, these jobs increased by 15.8 percent in the past decade, and began outpacing other private sector growth only after Medicaid expansion.\(^10\)

States that expanded Medicaid have shown decreases in individual-level out-of-pocket medical spending in low-income populations, and decreases in medical debt and bills sent to collection.\(^11\) Prior to ACA implementation, nearly half of all Kentuckians reported trouble paying medical bills, which dropped to 37.6 percent by 2015. Additionally, other research has shown a drop in past-due medical debt, which declined 27 percent from 2012 to 2015 in Kentucky.\(^12\) Another study found that by the end of 2015, low-income individuals in Kentucky reported a 16 percent drop in unmet need for care due to cost, compared to 2013.\(^13\)

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**KENTUCKY’S 1115 WAIVER: KENTUCKY HEALTH**

The election of Governor Matt Bevin in 2015 led to major changes in ACA implementation for the state. One of the administration’s first actions was ending the extensive advertising campaign associated with kynect, which research has indicated was a significant driver of visitors to the kynect website.\(^14\) Soon after, the administration dismantled kynect, shifting Medicaid applications to the state-facilitated benefit system, and private insurance applications to the federal healthcare.gov system.\(^15\)

The administration also moved to change the administration of the Medicaid expansion program through an 1115 waiver, titled Kentucky Helping to Engage and Achieve Long Term Health (HEALTH). The Bevin administration submitted the Kentucky HEALTH plan for federal approval in June 2016, stating that the goals of the waiver were to curb the costs of Medicaid expansion and to redesign the Medicaid program “to provide dignity to individuals as they move towards self-reliability, accountability, and ultimately independence from public assistance.”\(^16\) Conditions proposed in the waiver include:

- The introduction of monthly premiums;
- Multiple six-month lockout periods, discontinuing coverage if premiums are not paid;
- The introduction of incentive accounts for participants to manage and earn credits to pay for previously covered benefits such as dental and vision services;
- The introduction of “Partnering to Advance Training and Health” (PATH) Community Engagement requirements, with failure to comply resulting in loss of benefits;
- A requirement to transition to an employer plan if it is available; and
- The elimination of retroactive coverage and non-emergency medical transportation.\(^17\)

Shortly after Kentucky HEALTH was approved in January 2018, a group of Medicaid beneficiaries filed a lawsuit against the U.S. Secretary of Health and Human Services (HHS), challenging the approval. Just before the implementation of Kentucky HEALTH on July 1, 2018, Judge James Boasberg of the U.S. District Court for the District of Columbia issued his opinion on the court case, ultimately vacating the approval of Kentucky’s 1115 waiver. He cited inadequate consideration of whether the waiver program would meet the central objective of the Medicaid program, which is “furnishing medical assistance” to vulnerable populations.\(^18\) HHS issued its reapproval of the waiver on November 20, 2018, with few technical changes. The Kentucky Cabinet for Health and Family Services announced intentions to roll out implementation of waiver provisions beginning in April 2019; however, other legal challenges are now in progress.\(^23, 24, 25\)

**Anticipated Impact of Kentucky HEALTH**

The implementation of Kentucky HEALTH’s administrative and work requirements has caused concern for Medicaid beneficiaries, consumer...
advocates, and health care providers. In a financial analysis included in the waiver proposal, the state anticipated $2.2 billion in savings over the five-year course of the program, largely due to Medicaid members not complying with new requirements, and therefore losing coverage, or shifting to private insurance.\textsuperscript{17} Evidence points to the likelihood that the requirements will impose barriers to coverage, and savings will, in fact, be due to lower program enrollment rates because members are unable to meet these requirements. For example, although four in 10 Medicaid members report that they never use the internet,\textsuperscript{19} Kentucky HEALTH requires that beneficiaries manage multiple online benefit accounts. Additionally, the implementation of similar requirements in other states has resulted in substantial coverage loss. An evaluation of Indiana’s waiver found that 55 percent of Medicaid members subjected to premiums failed to meet these requirements, resulting in loss of benefits.\textsuperscript{20,21} In Arkansas, over 18,000 of Medicaid beneficiaries became ineligible for coverage due to failure to comply with work and reporting requirements within the first six months of implementing its 1115 waiver.

\textbf{CONCLUSION}

ACA implementation— and in particular, Medicaid expansion— in Kentucky has resulted in substantial improvements in insurance coverage and access to care, as well as a major influx of federal dollars into the state’s healthcare system. Evidence points to increased use of preventive services that have resulted in positive gains in health outcomes. Despite these positive outcomes, efforts to make substantive changes to the Kentucky Medicaid system, not only requiring conditional access to coverage but adding administrative complexity, persists. Other states’ similar experiments have produced negative results for consumers—residents who already have limited resources and have been deemed vulnerable enough to require medical assistance. As healthcare reform continues, new policies should aim to preserve the population health improvements generated by the ACA, while promoting systemic changes that continue the upward trajectory of health gains.\textsuperscript{22}
REFERENCES


