

**ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM
FEDERAL FMAP RELIEF ANALYSIS**

Current FMAP:

FFY	FMAP	SMAP
2008	66.20%	33.80%
2009	65.77%	34.23%
2010	65.75%	34.25%

FMAP Recession Adjustment Period - October 1, 2008 to December 31, 2010
Covers 9 Quarters (3 in SFY09; 4 in SFY10; 2 in SFY11)

Section (a) Permitting Maintenance of FMAP (Hold Harmless):

Results in AZ maintaining FFY08 FMAP of 66.20% as starting point for entire adjustment period

Section (b) General 6.2% Increase:

FFY	FMAP	+6.2%	Adj FMAP	Adj SMAP
2008	66.20%	6.20%	72.40%	27.60%
2009	66.20%	6.20%	72.40%	27.60%
2010	66.20%	6.20%	72.40%	27.60%

Section (c) Increased Unemployment Adjustment:

Allows for an additional adjustment if the state meets criteria as a "High Unemployment State". The adjustment is calculated as the SMAP less 3.1 percentage points times the State unemployment reduction factor, which is determined based on the unemployment percentage increase between the most recent 3 consecutive month period (which for the first 2 quarters of the recession adjustment period is defined as Oct-08 to Dec-08) and the lowest average monthly unemployment for any 3 consecutive month period beginning 1/1/06.

The adjustment is as follows:

Less than 1.5% = 0% unemployment increase (State does not qualify as "High Unemployment")
 1.5% - 2.5% = 5.5% times SMAP (for Arizona it would be 33.8% less 3.1% times 5.5% = 1.69%)
 2.5% - 3.5% = 8.5% times SMAP (for Arizona it would be 33.8% less 3.1% times 8.5% = 2.61%)
 More than 3.5% = 11.5% times SMAP (for Arizona it would be 33.8% less 3.1% times 11.5% = 3.53%)

Based on a Bureau of Labor Statistics Report, for Arizona the lowest three consecutive months were April-June 2007 which averaged 3.63%. The most recent three consecutive month period is 6.1% for Oct-08; 6.3% for Nov-08; and 6.9% for December (preliminary). This would result in an average of 6.43 which is 2.8% higher than the lowest three months and would qualify Arizona for an additional 3.14% FMAP increase. If Arizona unemployment goes above 7.13% for three consecutive months we would move into the third tier.

FFY	FMAP	+6.2%	Adj FMAP	Unempl. (Tier 2)	Unempl. (Tier 3)	Adj FMAP (Tier 2)	Adj FMAP (Tier 3)
2008	66.20%	6.20%	72.40%	2.61%	3.53%	75.01%	75.93%
2009	66.20%	6.20%	72.40%	2.61%	3.53%	75.01%	75.93%
2010	66.20%	6.20%	72.40%	2.61%	3.53%	75.01%	75.93%

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The Projected FMAP increases for Arizona would be:

<u>FFY</u>	<u>Current FMAP</u>	<u>Adj FMAP (Tier 2)</u>	<u>Adj FMAP (Tier 3)</u>	<u>Increase (Tier 2)</u>	<u>Increase (Tier 3)</u>
2009	65.77%	75.01%	75.93%	9.24%	10.16%
2010	65.75%	75.01%	75.93%	9.26%	10.18%
2011 (1Q)	65.75%	75.01%	75.93%	9.26%	10.18%

The Estimated Savings using the AHCCCS December-08 Zero Inflation Rebase are shown on the following page.

Section (e) Scope of Application

This does not apply to Title XXI enhanced FMAP or Title XIX programs based on enhanced FMAP (Breast and Cervical) or to DSH payments.

Section (f) Ineligibility and Limitation:

States are ineligible for increased FMAP if eligibility standards, methodologies, or procedures are more restrictive than what was in effect 7/1/08.

States must comply with prompt payment requirements (quarterly reporting requirement)

Prompt payment requirements also apply to Hospitals and NF effective 6/1/09

States cannot deposit or credit any reserve or rainy day funds with revenue from increased FMAP

States can still adjust benefit packages and be eligible

Section (g) Political Subdivisions/Requirements

State is ineligible for FMAP increase if it requires political subdivisions (ie Counties) to pay a greater percentage of the non-federal share for quarters during the recession adjustment period than the percentage that would have been required by the State under such plan on September 2008 prior to the application of this section.

States are required to submit quarterly reports regarding how the additional federal funds were spent

**ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM
FEDERAL FMAP INCREASE PROPOSAL BY COMPONENT**

	Unemployment Tier 2 - State Match by SFY				Total
	SFY09	SFY10	SFY11	SFY12+	
Hold Harmless	24,800,900	37,003,300	20,248,200	809,200	82,861,600
General 6.2%	357,596,100	515,432,500	278,980,800	11,146,000	1,163,155,400
Unemployment	150,536,400	216,979,500	117,441,500	4,692,000	489,649,400
Total State Match	532,933,400	769,415,300	416,670,500	16,647,200	1,735,666,400
GF Savings	484,745,700	702,411,700	379,609,200	14,647,600	1,581,414,200
County Savings	48,187,700	67,003,600	37,061,300	1,999,600	154,252,200

	Unemployment Tier 2 for First 2 Quarters then Tier 3 - State Match by SFY				Total
	SFY09	SFY10	SFY11	SFY12+	
Hold Harmless	24,800,900	37,003,300	20,248,200	809,200	82,861,600
General 6.2%	357,596,100	515,432,500	278,980,800	11,146,000	1,163,155,400
Unemployment	168,847,400	293,463,400	158,839,000	6,345,600	627,495,400
Total State Match	551,244,400	845,899,200	458,068,000	18,300,800	1,873,512,400
GF Savings	501,448,900	772,234,900	417,324,900	16,102,800	1,707,111,500
County Savings	49,795,500	73,664,300	40,743,100	2,198,000	166,400,900

Notes:

- 1) Estimated savings are based primarily on AHCCCS December Rebase budget (adjusted for zero inflation) and include AHCCCS, ADHS (BHS and CRS), and DES DD expenditure savings.
- 2) Savings extend into SFY2012 due to the tail on reinsurance payments which is claimed based on the date of service FMAP. Some may actually extend into SFY13, however, the majority would be in by SFY12.

**ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM
FEDERAL FMAP INCREASE PROPOSAL BY AGENCY**

	Unemployment Tier 2 - State Match by SFY				Total
	SFY09	SFY10	SFY11	SFY12+	
AHCCCS - GF	342,642,700	489,736,400	261,202,300	14,647,600	1,108,229,000
AHCCCS - County	48,187,700	67,003,600	37,061,300	1,999,600	154,252,200
ADHS	79,626,200	121,130,800	68,531,900	-	269,288,900
ADES	62,476,800	91,544,500	49,875,000	-	203,896,300
Total State Match	532,933,400	769,415,300	416,670,500	16,647,200	1,735,666,400
GF Savings	484,745,700	702,411,700	379,609,200	14,647,600	1,581,414,200
County Savings	48,187,700	67,003,600	37,061,300	1,999,600	154,252,200

	Unemployment Tier 2 for First 2 Quarters then Tier 3 - State Match by SFY				Total
	SFY09	SFY10	SFY11	SFY12+	
AHCCCS - GF	354,562,200	538,418,700	287,154,000	16,102,800	1,196,237,700
AHCCCS - County	49,795,500	73,664,300	40,743,100	2,198,000	166,400,900
ADHS	82,307,800	133,171,600	75,340,700	-	290,820,100
ADES	64,578,900	100,644,600	54,830,200	-	220,053,700
Total State Match	551,244,400	845,899,200	458,068,000	18,300,800	1,873,512,400
GF Savings	501,448,900	772,234,900	417,324,900	16,102,800	1,707,111,500
County Savings	49,795,500	73,664,300	40,743,100	2,198,000	166,400,900

Notes:

- 1) Estimated savings are based primarily on AHCCCS December Rebase budget (adjusted for zero inflation)
- 2) Savings extend into SFY2012 due to the tail on reinsurance payments which is claimed based on the date of service FMAP. Some may actually extend into SFY13, however, the majority would be in by SFY12.
- 3) ALTCS county share percentage used:
 - SFY09 - 61.4% (based on revised ALTCS appropriation)
 - SFY10+ - 59.3% (based on JLBC Baseline recommendation)
- 4) County savings is applicable to the AHCCCS portion only.