



STATE OF ARIZONA

JANICE K. BREWER  
GOVERNOR

EXECUTIVE OFFICE

January 25, 2011

The Honorable Kathleen Sebelius  
Secretary, U.S. Department of Health and Human Services  
200 Independence Avenue, S.W., Room 120-F  
Washington, D.C. 20201

Dear Secretary Sebelius:

It was a pleasure speaking with you over the phone earlier this month. I greatly appreciate the time you took to discuss with me Arizona's fiscal crisis and the role that the Medicaid program plays in Arizona's budget. As a former Governor of the great State of Kansas, I know you can appreciate first-hand the difficult choices involved with the responsibility of balancing a budget. However, these are unprecedented times for governors across our nation. We are in a crisis unlike any we have seen. As a state that has been disproportionately affected, we are in a struggle for our State's survival.

It is under these circumstances that I have had to make some of the most difficult decisions of my almost 30 years in public service. Despite these decisions, which included my two-year effort to increase state revenues through a voter-approved temporary sales tax, Arizona still finds itself with a deficit of \$763 million in FY 2011 and \$1.2 billion in FY 2012. As I will explain, I believe I have no choice but to ask for your assistance in providing Arizona with a waiver from the maintenance of effort requirements of the Patient Protection and Affordable Care Act (ACA). I am respectfully requesting that Arizona be allowed to reduce its Medicaid eligibility for certain non-disabled adults in order to preserve its underlying Medicaid program.

These challenging times require innovation and flexibility, difficult decisions and new ideas. But we cannot attain any of these if we do not work in partnership. One of the most important steps in fostering these critical partnerships is for states and the federal government to work together. I know you have the same goal, and for that I am grateful. These partnerships will be critical to achieving the type of Medicaid reform for which I have long advocated – reform that responsibly controls excessive cost increases while preserving coverage for society's most vulnerable. However, given the current federal restrictions on the program, this type of true reform is not yet achievable. The Affordable Care Act maintenance of effort requirements, which even further restrict the manner in which states can control the costs of their programs, limit state reform opportunities to an even greater extent.

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Setting aside my concerns about the Medicaid program's lack of sustainability for a moment, I should note that the Arizona Health Care Cost Containment System (AHCCCS), Arizona's single state Medicaid agency, is a model of federal and state partnership. AHCCCS was created and continues to thrive and innovate under Section 1115 Demonstration Waiver authority. This flexibility has allowed AHCCCS to operate the most effective Medicaid managed care program in the country.

Flexibility, partnership and innovation are the reasons that the Kaiser Family Foundation continually ranks Arizona as having one of the lowest per-member per-year costs among Medicaid programs nationally, while AHCCCS health plans consistently meet the highest level of quality care to our members. The AHCCCS program allows its members to receive care in an integrated model, so AHCCCS members sit side-by-side with those who are commercially insured. Our partnership with your agency has also allowed the AHCCCS program to serve 70 percent of our elderly and physically disabled and 98 percent of our members with developmental disabilities in the home or community rather than in costlier nursing facilities. The AHCCCS program also ranks among those with the highest utilization of generic drugs and the lowest error rates, according to the Payment Error Rate Measurement (PERM) program. We do not let these successes breed complacency, however. AHCCCS continues to push the envelope, seeking to further streamline patient care and improve health outcomes through payment reform initiatives and care integration, as was expressed in the waiver renewal letter that I sent to you on September 30, 2010.

In other words, the AHCCCS program is a working example of health care reform that has achieved great successes and strives toward continued improvement through its partnership with private health plans, hospitals, physicians, community health centers, nursing facilities, other providers and stakeholders. Indeed, I believe many of the reforms you seek to drive through your reform initiatives are based on models like AHCCCS. However, I would reiterate my concern that without additional flexibility, the new reforms will face the same cost pressures Arizona has faced.

As I mentioned to you in our discussion, without your help, the AHCCCS program is at great risk of being unraveled. We need the cooperation of our longstanding federal partners to achieve the flexibility Arizona so desperately needs to keep its Medicaid program viable. This letter and the accompanying documents make the case for Arizona's need for flexibility in the form of Section 1115 Waiver authority. Specifically, beginning October 1, 2011, Arizona is requesting to reduce eligibility for approximately 280,000 individuals in the expansion group known as Proposition 204. This would include:

- (1) Elimination of coverage for childless adults and the Medical Expense Deduction (or spend down) populations (250,000); and
- (2) Reduction of coverage to TANF families from 100 percent FPL to approximately 50 percent FPL (which may impact approximately 30,000 parents).

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Please know that I understand fully the impacts of this rollback and it is with a heavy heart that I make this request. However, I am left with no other viable alternative. Nearly \$1 billion of our \$1.2 billion FY 2012 deficit is attributable to the AHCCCS program alone due to the expiration of the enhanced federal match included in the stimulus and the maintenance of effort requirements of the ACA. We have already taken strong measures to address the State's crisis, including \$2.2 billion in reductions to a \$10 billion General Fund budget. As I mentioned above, I also spent two years leading the fight for a voter initiative that raised taxes by \$1 billion on a state that has lost over 300,000 jobs (10 percent of our workforce). I simply cannot ask struggling Arizonans to shoulder any more of the burden.

Despite the already painful reductions in AHCCCS benefits, provider rates, and administration, our Medicaid program is still growing at an astounding rate. In 2007, the Medicaid program represented 17 percent of the State's General Fund spending; today that figure is nearly 30 percent. Overall Medicaid spending has increased by 65 percent over the same time period.

The reason for these stunning increases is primarily due to Arizona's generous eligibility. As you know, Arizona is one of only six states that covers childless adults in its Medicaid program. It is also one of a few states that covers parents up to 100 percent of the federal poverty level. The national median of coverage for parents is 63 percent. In comparison, Kansas does not cover childless adults and provides coverage to parents up to only 41 percent of the federal poverty level. Our generous coverage and recent job losses means that 20 percent of Arizonans were covered by Medicaid in 2009, greater than the national average of 15.8 percent and more than twice the 9.8 percent rate in Kansas. This expanded coverage means that the ACA mandates have had a greater impact on Arizona than most states – at a staggering annual cost of almost \$1 billion. And unlike the similar mandates in the stimulus package, Congress did not provide funding for the continued maintenance of effort requirements.

This explosive Medicaid growth threatens to consume the core functions of state government. We cannot maintain a Medicaid program at the expense of public safety and our children's education.

You may have heard some discussion that some children and individuals with serious mental illness (SMI) are included in the number of individuals that may lose Medicaid coverage. I pledge to you and all Arizonans that we will do everything possible, with your support, to ensure no TANF child or individual with SMI loses coverage.

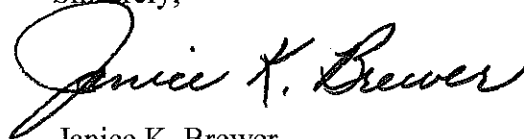
I understand that these reductions in coverage have a significant impact in both human and economic terms. However, I cannot sacrifice those basic government services of public safety and education to preserve a Medicaid program that is far more generous than most other states. Arizonans want to protect our most vulnerable, but they also expect their elected officials to find an appropriate balance. I believe this waiver request strikes that balance by preserving the AHCCCS model that has served as a national example and, even with the proposed reductions, will still serve over one million Arizonans who represent the core of Medicaid's mission – the aged, blind, disabled, pregnant women and children.

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I have attached a proposal containing additional information on how we can work together to preserve Arizona's Medicaid program and continue to promote Medicaid's mission in serving over one million of the State's most vulnerable citizens. I have no doubt that you will give this request its due consideration as you have given to so many other employers, unions and insurers for whom you have waived other key mandates in the ACA.

Thank you again for your consideration and I look forward to working with you on this important effort.

Sincerely,

A handwritten signature in black ink that reads "Janice K. Brewer". The signature is written in a cursive style with a large initial "J".

Janice K. Brewer  
Governor

Attachment

## **Arizona Waiver and Expenditure Authority Request Maintenance of Effort**

### **I. Summary**

Arizona is requesting a waiver from the provisions of Section 1902(gg) (Maintenance of Eligibility or MOE) as added by the Patient Protection and Affordable Care Act (ACA) and the provisions of Section 1902(a)(52) and (e)(1) (Transitional Medical Assistance or TMA) of the Social Security Act.

The request is intended to allow the State to:

- Reduce the eligibility levels for an optional Title XIX coverage group that was added in 2001 consisting of parents and other care givers whose income is greater than approximately 50% of the Federal Poverty Level (FPL) (TANF Parents). The effect of the eligibility reduction will be to eliminate Title XIX eligibility for approximately 30,000 and maintain coverage for approximately 90,000 adults.
- Eliminate coverage for two Title XIX expansion groups that were also added in 2001 consisting of:
  - Individuals with adjusted net countable income at or below 100% of the FPL who are not otherwise eligible for Medicaid (Childless Adults). The effect of the elimination of this expansion group will be the removal of approximately 244,000 individuals from the Arizona Title XIX program.
  - Individuals, couples, or families whose income exceeds the Medicaid limits and who are eligible after deducting their medical expenses from their income (Medical Expense Deduction (MED)). The effect of the elimination of this expansion group will be the removal of approximately 6,000 individuals from the Arizona Title XIX program.

The State's current levels of coverage can be characterized as generous when compared to other states; with the approval of the waiver request, the State's coverage levels would be comparable to those of other states.

The request is being presented because, despite the best efforts of the Governor and the Legislature, the State's current economy and fiscal situation will not allow the continuation of coverage for these groups.

If the request is not approved, alternative budgetary actions would have to be taken that have been judged by the State to have greater deleterious effects on either the Medicaid program or the greater public weal. The primary options that would be considered by the State if this request is not granted are:

- Additional provider rate reductions or the elimination of one or more of the remaining optional benefits provided to Medicaid recipients;
- Additional funding reductions to the State's K-12 and/or higher education system.

The Secretary has authority under Section 1115 of the Act to waive the provisions of Section 1902 if the waiver request "is likely to assist in promoting the objectives of Title XIX." The request does promote the objectives of Title XIX by:

- Preserving access to care and the health and well being of Arizona's Medicaid recipients, as well as

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- Recognizing the long standing premise of Medicaid that the level of coverage extended under the program to the residents of a State should be made by the State.

The Congress did not prohibit the Secretary from waiving the MOE provision in the ACA as it did with a similar provision contained in the American Recovery and Reinvestment Act (ARRA).

### **II. Overview**

#### Waiver Authority

The Patient Protection and Affordable Care Act (ACA) amended Section 1902 of the Social Security Act (“the Act”) [42 U.S.C. § 1396(gg)] by adding a new paragraph (gg). This new paragraph requires states to maintain eligibility for Title XIX Medicaid and Title XXI Children’s Health Insurance Program (CHIP). Specifically, the maintenance of eligibility (MOE) provisions, effective for adults until January 1, 2014, and through September 30, 2019 for children, states:

“shall not have in effect eligibility standards, methodologies, or procedures under the State plan under this title or under any waiver of such plan that is in effect during that period, that are more restrictive than the eligibility standards, methodologies, or procedures, respectively, under the plan or waiver that are in effect on the date of enactment of the Patient Protection and Affordable Care Act [enacted March 23, 2010].”

Because the MOE provisions were incorporated as part of Section 1902 of the Act, it is a waivable matter under Section 1115 [42 U.S.C. § 1315]; there is no language within paragraph (gg) indicating anything to the contrary. Section 1115 provides the Secretary with broad authority to waive any of the requirements of Section 1902 of the Act if the waiver request “is likely to assist in promoting the objectives of title XIX.”

Additionally, when Congress passed the ACA, it could have specifically included language similar to the provision in the American Recovery and Reinvestment Act (ARRA) at §5001(f), that prohibits the Secretary from waiving MOE requirements. Its failure to include such a provision in the ACA’s MOE requirements further supports the Secretary’s broad authority to waive the MOE requirements of the ACA.

#### Arizona’s Environment

Arizona has been one of the hardest hit states during this economic downturn. The State has lost 300,000 jobs, revenues are down 34% and the State has made \$2.2 billion in reductions out of a \$10 billion General Fund budget. In addition, the State has raised taxes by \$1 billion per year on a population facing a near 10% unemployment rate. Cuts across all of state government have been severe – from reductions in K-12 education and universities to child protective services and other public health and safety programs that impact all Arizonans. Meanwhile, the

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Medicaid program has gone from 18% of the State's budget in 2007 to nearly 30% of the General Fund in 2011.

The AHCCCS program alone has sustained reductions of \$875 million, representing reductions to provider rates and health plans, as well as benefit changes, administrative cuts, increased member cost sharing and program integrity efforts. AHCCCS is preparing for new provider reductions beginning April 1, representing an additional \$300 million. At the same time, the AHCCCS Administration is down by over 30%, representing the loss of over 400 employees.

Cuts to a series of significant optional benefits have already been made, including the elimination of podiatrists as a provider type as well as certain types of transplants. The two largest optional benefits remaining are pharmacy and home and community based services. Eliminating either would simply devastate the AHCCCS program.

Additionally, the KidsCare parents program was eliminated and an enrollment freeze for children in the KidsCare program was implemented.

All of these reductions have been made to what is one of the most effective and efficient Medicaid programs in the country. AHCCCS has routinely been cited as having among the lowest per member per year costs among Medicaid programs nationally while maintaining high quality care to members.

With the termination of the federal stimulus program, the State of Arizona will need nearly \$1 billion in new funding to support the Medicaid program beginning Fiscal Year 2012. Although the program has sustained massive reductions during this Great Recession, those reductions would have been truly draconian but for the aid Congress provided to state Medicaid programs. However, this federal funding will expire on July 1, 2011 and the General Fund will need to make up for the loss of these dollars. A provider assessment is one of the only new areas of revenue the State could use to support the AHCCCS program. Although most states have devised a successful hospital assessment, Arizona hospitals have not yet reached consensus on that issue despite the Governor's and legislature's requests for alternatives.

These factors – Arizona's budget crisis; a recent tax increase; the loss of stimulus dollars; the continuing tough measures already employed to sustain the State's Medicaid program; and the MOE requirements – all work together to create the perfect storm that threatens the State's ability to continue to finance the AHCCCS program. We firmly believe that reducing the population to ensure Medicaid's survival in Arizona promotes the objectives of Title XIX, particularly given the dire alternatives. Additional provider rate cuts will lead to costly litigation and providers leaving the program, which will make it even more difficult for AHCCCS to satisfy the Ninth Circuit Court of Appeals' standards for compliance with 42 U.S.C. 1396a(a)(30)(A) and maintain an adequate network and access to care for its members. Furthermore, additional reductions will unravel a program that has served as a model in Medicaid managed care.

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It is in the State's best interest to have a Title XIX program rather than not have a Title XIX program. In fact, AHCCCS would still be serving over one million Arizonans through the Medicaid program after the contemplated reductions to eligibility are taken. And, because Arizona is an expansion state, those remaining on the program would represent the core of Medicaid's mission in serving our nation's most vulnerable – the aged, blind, disabled, pregnant women and children.

For these reasons, Arizona seeks to be waived from the MOE provisions found at 42 U.S.C. § 1936(gg) so that it can make the reductions to eligibility necessary for the State to preserve its Title XIX program.

### **III. Public Process**

SB 1001 included provisions that require AHCCCS to seek a waiver allowing it to “reduce eligibility requirements for select title XIX populations that were previously optional” and correspondingly eliminate coverage for those populations under “the transitional medical assistance program covered under the state plan.” SB 1001 went through the legislative process that included Appropriations Committee hearings in both chambers where public testimony was heard.

Tribal consultation was held on January 21, 2011.

### **IV. Data Analysis- “With Waiver” vs. “Without Waiver”**

See attached.

### **V. Allotment Neutrality**

N/A. The amendment does not impact the XXI HIFA population.

### **VI. Details**

The timeframe requested for these reductions is from October 1, 2011 to January 1, 2014. Even with the loss of about 280,000 individuals from Arizona's expansion categories, the AHCCCS program would have the ability to continue serving over 1 million members without jeopardizing the quality or increasing the cost of their care.

#### Background on Prop 204 Expansion

Arizona is one of six states that extended coverage to populations not traditionally covered under Medicaid. In 2000, Arizonans approved Proposition 204 to provide health care coverage for all residents up to 100% of the Federal Poverty Level (FPL), including parents and childless adults. Additional Prop 204 expansion populations that most states currently do not cover include individuals with income above 100% FPL but who have incurred medical debt that has lowered their income to 40% FPL (known as the Medical Expense Deduction/MED program), and individuals who are

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aged, blind or disabled with income at or below 100% of the Federal Benefit Rate (FBR) (known as SSI).

While the Prop 204 expansion resulted in a modest reduction in the state's uninsured rate, adequate funding was not earmarked to sustain such an expansion. Prior to the enactment of the ACA, Arizona had planned to reduce previously optional populations to parallel that of most other states in an effort to contain the uncontrolled costs of the Medicaid program. However, the ability to do so was limited with the MOE requirements of the ACA that effectively prohibit states from reducing their Medicaid eligibility.

The proposal to be waived from the MOE requirements includes reductions for the following Prop 204 eligibility groups:

- (1) Elimination of coverage for childless adults and the Medical Expense Deduction (or spend down) populations (250,000); and
- (2) Reduction of coverage to TANF families from 100% FPL to approximately 50% FPL (which may impact approximately 30,000 parents).

### Transitional Medical Assistance Population

Additionally, AHCCCS is requesting to waive the Medicaid requirements for extended eligibility under the Transitional Medical Assistance (TMA) program, as found in Sections 1902(a)(52) and (e)(1) of the Act. The waiver request applies to the TMA program, which extends eligibility for persons who would otherwise lose eligibility due to earned income to the extent such requirements of the Act would apply to any optional populations reduced under this waiver request.

## **VII. Evaluation Design**

The State is requesting this waiver authority in addition to the waiver application submitted September 30, 2010 and the same evaluation criteria would be applied. The evaluation would show that since the Demonstration preserves the core of the Medicaid program, the components of the evaluation criteria provided are still valid.

## **Budget Neutrality Federal Fiscal Years 2012-2016**

This chapter presents information related to budget neutrality. As a condition of waiver approval, the State must demonstrate that federal expenditures under the waiver will not be in excess of federal expenditures without the waiver. The discussion and data that follow is the State's demonstration that the proposed waiver extension will not cause such an expenditure increase and that the State will meet the budget neutrality requirements of the existing waiver.

Through the first five and one-half year waiver, the State demonstrated a \$145 million Federal Fund positive variance. Through the current five year waiver (total ten and one-half years) the State projects a positive \$1.1 billion Federal Fund variance. For the submitted waiver (total fifteen and one-half years), the State projects a positive \$30.8 billion Total Fund (projections going forward are made in Total Funds whereas actuals are presented in Federal Funds since the future Federal Matching Assistance Percentages are unknown) variance.

### **Background**

Arizona was first required to demonstrate budget neutrality beginning in April 2001 due to the addition of a large expansion population. Because the expansion population only received acute care services the budget neutrality requirement was only applied to the acute care program. This waiver ran from April 1, 2001 to September 30, 2006.

During the last waiver renewal, CMS required Arizona to also include the Arizona Long Term Care System (ALTCS or LTC) portion of the AHCCCS program under the budget neutrality requirement. This was the first instance in the 18 year history of the ALTCS program that it had been subject to such a requirement. With the addition of ALTCS, Arizona has over 99% of the total Title XIX program (excluding administration) subject to budget neutrality. The current waiver runs from October 1, 2006 to September 30, 2011.

### **Current Waiver Budget Neutrality Summary**

As previously indicated, the acute care portion of the AHCCCS program was subjected to budget neutrality requirements for the first time under the April 1, 2001 through September 30, 2006 waiver. The agreement for that waiver established: 1) a per capita method of measuring compliance (as opposed to an aggregate method); 2) FFY 1999 as the base year; 3) included the State's DSH allotment as a component of the limit calculation; and 4) provided for trend rates on the base year PMPMs of 9.495% for the TANF/SOBRA eligibility group and 6.88% for the SSI eligibility group. The current waiver (2007-2011) continued the use of the per capita method and DSH treatment, however, the trend rates were adjusted to 7.20% for both the TANF/SOBRA and SSI eligibility groups.

The current waiver added the ALTCS EPD and ALTCS DD eligibility groups to the expenditure limit. The Without Waiver expenditure limit PMPMs for these two

eligibility groups were established with FFY 2005 (adjusted for growth and Medicare Part D) as the base year and provided trend rates on the base PMPMs of 7.20% for both populations.

A summary of the Without Waiver expenditure limit PMPMs and trends is provided in Table 1.

|               | TANF/SOBRA |        | SSI    |        | ALTCS EPD |       | ALTCS DD |       |
|---------------|------------|--------|--------|--------|-----------|-------|----------|-------|
|               | PMPM       | Trend  | PMPM   | Trend  | PMPM      | Trend | PMPM     | Trend |
| FFY01 (6mo)   | 250.23     | -      | 473.25 | -      | -         | -     | -        | -     |
| FFY02         | 273.98     | 9.495% | 505.81 | 6.88%  | -         | -     | -        | -     |
| FFY03         | 300.00     | 9.495% | 540.60 | 6.88%  | -         | -     | -        | -     |
| FFY04         | 328.48     | 9.495% | 577.80 | 6.88%  | -         | -     | -        | -     |
| FFY05         | 359.67     | 9.495% | 617.55 | 6.88%  | -         | -     | -        | -     |
| FFY06 Oct-Dec | 393.82     | 9.495% | 660.04 | 6.88%  | -         | -     | -        | -     |
| FFY06 Jan-Sep | 392.97     | Note 1 | 590.02 | Note 1 | -         | -     | -        | -     |
| FFY07         | 421.27     | 7.20%  | 632.50 | 7.20%  | 3,409.91  | -     | 3,516.33 | -     |
| FFY08         | 451.60     | 7.20%  | 678.04 | 7.20%  | 3,655.42  | 7.20% | 3,769.51 | 7.20% |
| FFY09         | 484.12     | 7.20%  | 726.86 | 7.20%  | 3,918.61  | 7.20% | 4,040.91 | 7.20% |
| FFY10         | 518.98     | 7.20%  | 779.19 | 7.20%  | 4,200.75  | 7.20% | 4,331.86 | 7.20% |
| FFY11         | 556.35     | 7.20%  | 835.29 | 7.20%  | 4,503.20  | 7.20% | 4,643.75 | 7.20% |

Note 1: Adjustments to the without waiver PMPMs were made on January 1, 2006 to account for the implementation of Medicare Part D.  
Sources: FFY2001 to FFY2006 from 1115 Waiver Attachment C; FFY2007 to FFY2011 from 1115 Waiver Special Term and Condition #66.

The State has now entered into the tenth year of tracking and reporting budget neutrality pursuant to the waiver’s Standard Terms and Conditions. The latest report on budget neutrality (as of the date of this submission) is for the quarter ending September 30, 2010. Table 2 depicts the “to date” status of these filings in terms of federal funds, as claimed on the CMS-64. This table includes the annual Federal Share of Budget Neutrality Limit, the annual Federal Share of Waiver Costs on the CMS-64 and the Annual Variance and Grand Total Variance against the limit. As of this filing, the State has a positive *cumulative* variance of 2.53% (or \$934 million) against the limit.

Budget Neutrality Demonstration Years (BNY) #8 and #9 are not yet complete. In order to have a better estimate of the ultimate result of the current waiver’s budget neutrality situation, the State forecasted the remaining expenditures under the waiver. The result is an estimated final federal fund variance to the budget neutrality limit of 2.54% (or \$1.1 billion). This is depicted in Table 3.

Table 2  
 Budget Neutrality Tracking Summary  
 For the Period Ended September 30, 2010  
 Federal Funds

|             | Federal Share of<br>Budget Neutrality<br>Limit | Federal Share of<br>Waiver Costs on CMS-<br>64 | Annual<br>Variance    | As % of<br>Budget<br>Neutrality<br>Limit |
|-------------|--|--|-----------------------|--|
| DY 01       | \$ 2,319,463,207                               | \$ 2,409,409,188                               | \$ (89,945,981)       | -3.88%                                   |
| DY 02       | 2,192,157,747                                  | 2,107,943,997                                  | 84,213,750            | 3.84%                                    |
| DY 03       | 2,586,542,373                                  | 2,480,605,261                                  | 105,937,112           | 4.10%                                    |
| DY 04       | 2,938,104,082                                  | 2,854,467,813                                  | 83,636,269            | 2.85%                                    |
| DY 05       | 3,097,456,715                                  | 3,135,621,607                                  | (38,164,892)          | -1.23%                                   |
| Subtotal    | <u>13,133,724,124</u>                          | <u>12,988,047,866</u>                          | <u>145,676,258</u>    | <u>1.11%</u>                             |
| DY 06       | 4,488,538,656                                  | 4,516,457,343                                  | (27,918,687)          | -0.62%                                   |
| DY 07       | 5,029,080,213                                  | 5,095,207,582                                  | (66,127,369)          | -1.31%                                   |
| DY08        | 6,612,677,002                                  | 6,581,174,269                                  | 31,502,733            | 0.48%                                    |
| DY09        | 7,685,084,578                                  | 6,832,794,634                                  | 852,289,944           | 11.09%                                   |
| DY10        | -  | 1,321,934                                      | (1,321,934)           |  |
| Subtotal    | <u>23,815,380,449</u>                          | <u>23,026,955,762</u>                          | <u>788,424,687</u>    | <u>3.31%</u>                             |
| Grand Total | <u>\$ 36,949,104,573</u>                       | <u>\$ 36,015,003,628</u>                       | <u>\$ 934,100,945</u> | <u>2.53%</u>                             |

Table 3  
 Budget Neutrality Tracking Summary  
 Projected Final FFY 2001-2011  
 Federal Funds

|             | Federal Share of<br>Budget Neutrality<br>Limit | Federal Share of<br>Waiver Costs | Annual<br>Variance      | As % of<br>Budget<br>Neutrality<br>Limit |
|-------------|--|----------------------------------|-------------------------|--|
| DY 01       | \$ 2,319,463,207                               | \$ 2,409,409,188                 | \$ (89,945,981)         | -3.88%                                   |
| DY 02       | 2,192,157,747                                  | 2,107,943,997                    | 84,213,750              | 3.84%                                    |
| DY 03       | 2,586,542,373                                  | 2,480,605,261                    | 105,937,112             | 4.10%                                    |
| DY 04       | 2,938,104,082                                  | 2,854,467,813                    | 83,636,269              | 2.85%                                    |
| DY 05       | 3,097,456,715                                  | 3,135,621,607                    | (38,164,892)            | -1.23%                                   |
| Subtotal    | <u>13,133,724,124</u>                          | <u>12,988,047,866</u>            | <u>145,676,258</u>      | <u>1.11%</u>                             |
| DY 06       | 4,488,538,656                                  | 4,516,457,343                    | (27,918,687)            | -0.62%                                   |
| DY 07       | 5,029,080,213                                  | 5,095,207,582                    | (66,127,369)            | -1.31%                                   |
| DY08        | 6,612,677,002                                  | 6,557,004,169                    | 55,672,833              | 0.84%                                    |
| DY09        | 7,685,084,578                                  | 7,175,726,634                    | 509,357,944             | 6.63%                                    |
| DY10        | 7,777,628,900                                  | 7,259,824,234                    | 517,804,666             | 6.66%                                    |
| Subtotal    | <u>31,593,009,349</u>                          | <u>30,604,219,962</u>            | <u>988,789,387</u>      | <u>3.13%</u>                             |
| Grand Total | <u>\$ 44,726,733,473</u>                       | <u>\$ 43,592,267,828</u>         | <u>\$ 1,134,465,645</u> | <u>2.54%</u>                             |

### Current Waiver Economic Anomalies

The conditions of the Arizona and National economies and the Arizona state budget during most of the current waiver period resulted in some irregular population growth and PMPM cost trends. These irregularities driven by the economic circumstances make using trends from the current waiver in the waiver renewal budget neutrality analysis unreasonable as explained below.

### Population/Member Month Growth

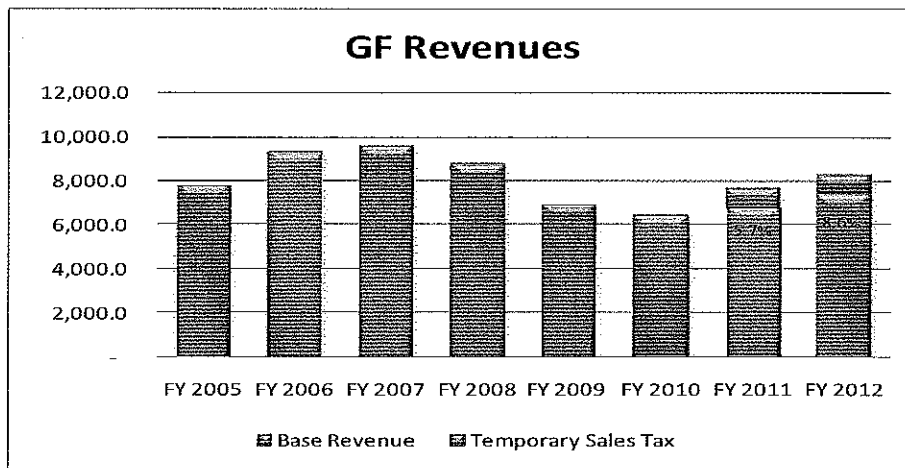
The Arizona unemployment rate bottomed out in April-June 2007 with a rate of 3.7%. Shortly thereafter, the recession took hold and the unemployment rate gradually grew through the rest of 2007, all of 2008, and most of 2009 where it has peaked at a rate of approximately 9.5%. As expected, this increase in unemployment resulted in increased Medicaid enrollment during this same period. Title XIX full benefit enrollment (excluding emergency services only) increased almost 400,000 members (over 45%) from February 2007 to December 2010. Over the last few months, the enrollment growth seems to have stabilized and the AHCCCS forecast for the waiver extension assumes a return to more normal growth levels. Actual Budget Neutrality Member Months and Growth Rates for FFY 2002 to FFY 2010 are shown below in Table 4.

|          | TANF/<br>SOBRA | SSI       | AC/MED    | EPD     | DD      | TOTAL      |
|----------|----------------|-----------|-----------|---------|---------|------------|
| FFY 2002 | 6,241,010      | 1,178,552 | 607,659   | 256,677 | 159,533 | 8,443,431  |
| FFY 2003 | 7,586,523      | 1,288,226 | 869,473   | 276,122 | 174,150 | 10,194,494 |
| FFY 2004 | 8,167,584      | 1,407,497 | 923,012   | 286,650 | 188,598 | 10,973,341 |
| FFY 2005 | 8,796,238      | 1,515,440 | 1,368,708 | 295,827 | 201,675 | 12,177,888 |
| FFY 2006 | 8,692,374      | 1,537,744 | 1,443,780 | 300,405 | 213,935 | 12,188,238 |
| FFY 2007 | 8,678,327      | 1,545,391 | 1,372,369 | 299,447 | 227,264 | 12,122,798 |
| FFY 2008 | 9,159,965      | 1,583,168 | 1,583,168 | 311,973 | 242,343 | 12,880,617 |
| FFY 2009 | 10,296,147     | 1,619,489 | 1,788,017 | 328,207 | 258,665 | 14,290,525 |
| FFY 2010 | 11,453,120     | 1,674,184 | 2,660,853 | 335,917 | 271,381 | 16,395,455 |
| FFY 2003 | 21.6%          | 9.3%      | 43.1%     | 7.6%    | 9.2%    | 20.7%      |
| FFY 2004 | 7.7%           | 9.3%      | 6.2%      | 3.8%    | 8.3%    | 7.6%       |
| FFY 2005 | 7.7%           | 7.7%      | 48.3%     | 3.2%    | 6.9%    | 11.0%      |
| FFY 2006 | -1.2%          | 1.5%      | 5.5%      | 1.5%    | 6.1%    | 0.1%       |
| FFY 2007 | -0.2%          | 0.5%      | -4.9%     | -0.3%   | 6.2%    | -0.5%      |
| FFY 2008 | 5.5%           | 2.4%      | 15.4%     | 4.2%    | 6.6%    | 6.3%       |
| FFY 2009 | 12.4%          | 2.3%      | 12.9%     | 5.2%    | 6.7%    | 10.9%      |
| FFY 2010 | 11.2%          | 3.4%      | 48.8%     | 2.3%    | 4.9%    | 14.7%      |

Note: AC/MED populations are adjusted for HIFA Waiver periods where Title XXI allotment was utilized as match.

### With Waiver Expenditure PMPM Growth

During the same time frame, Arizona General Fund revenues have plummeted by 33%. After peaking at \$9.6 billion in FY 2007, revenues plunged and the state closed FY 2010 with collections of \$6.3 billion. The revenue declines have created a huge structural deficit in the Arizona budget that the state has been dealing with over the past four years and will continue to struggle with in the future.



Office of Governor Janice K. Brewer

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In an effort to balance the state budget, Arizona enacted several measures which impacted the With Waiver expenditure PMPMs. The AHCCCS Program in SFY 2011 is \$874 million less as a result of the following policy changes:

- \$413 million in provider reductions;
- \$241 million in institutional rate freezes;
- \$121 million in eligibility reductions;
- \$39 million in benefit changes;
- \$29.5 million in administrative reductions; and
- \$28 million in increased member cost sharing.

Additionally, provider rates will be reduced 5% on April 1, 2011 resulting in an additional \$300 million in reductions. These measures have reduced the medical trend beginning in SFY 2009 and continued throughout the remainder of the current waiver period. Table 5 demonstrates the compound growth rates by waiver group for the first two waiver periods and clearly shows the decline in growth after FFY 2008 at well below historical averages.

Table 5  
Budget Neutrality  
Compound PMPM Growth Trends

|                 | FFY02    | FFY03        | FFY04        | FFY05        | FFY06        | FFY07        | FFY08        | FFY09        | FFY10        | FFY11        |
|-----------------|----------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| TANF            | 224.41   | 217.70       | 232.42       | 248.26       | 271.63       | 293.09       | 315.28       | 318.65       | 319.14       | 323.56       |
| SSI             | 504.30   | 512.06       | 590.07       | 638.77       | 651.84       | 682.24       | 734.99       | 772.74       | 797.64       | 811.46       |
| AC/MED          | 684.20   | 625.02       | 674.30       | 609.56       | 734.44       | 799.58       | 848.41       | 912.56       | 835.56       | 813.90       |
| EPD             | 2,556.71 | 2,660.01     | 2,855.19     | 2,937.90     | 3,358.02     | 3,414.77     | 3,553.23     | 3,735.53     | 3,734.35     | 3,778.86     |
| DD              | 2,544.76 | 2,670.84     | 2,847.28     | 3,081.71     | 3,310.37     | 3,463.49     | 3,606.95     | 3,603.06     | 3,517.48     | 3,510.25     |
| <b>TANF</b>     |          | <b>FFY03</b> | <b>FFY04</b> | <b>FFY05</b> | <b>FFY06</b> | <b>FFY07</b> | <b>FFY08</b> | <b>FFY09</b> | <b>FFY10</b> | <b>FFY11</b> |
| FFY02 base year |          | -2.99%       | 1.77%        | 3.42%        | 4.89%        | 5.49%        | 5.83%        | 5.14%        | 4.50%        | 4.15%        |
| FFY03 base year |          |              | 6.76%        | 6.79%        | 7.66%        | 7.72%        | 7.69%        | 6.56%        | 5.62%        | 5.08%        |
| FFY04 base year |          |              |              | 6.82%        | 8.11%        | 8.04%        | 7.92%        | 6.51%        | 5.43%        | 4.84%        |
| FFY05 base year |          |              |              |              | 9.41%        | 8.65%        | 8.29%        | 6.44%        | 5.15%        | 4.51%        |
| FFY06 base year |          |              |              |              |              | 7.90%        | 7.74%        | 5.47%        | 4.11%        | 3.56%        |
| FFY07 base year |          |              |              |              |              |              | 7.57%        | 4.27%        | 2.88%        | 2.50%        |
| FFY08 base year |          |              |              |              |              |              |              | 1.07%        | 0.61%        | 0.87%        |
| FFY09 base year |          |              |              |              |              |              |              |              | 0.15%        | 0.77%        |
| FFY10 base year |          |              |              |              |              |              |              |              |              | 1.38%        |
| <b>SSI</b>      |          | <b>FFY03</b> | <b>FFY04</b> | <b>FFY05</b> | <b>FFY06</b> | <b>FFY07</b> | <b>FFY08</b> | <b>FFY09</b> | <b>FFY10</b> | <b>FFY11</b> |
| FFY02 base year |          | 1.54%        | 8.17%        | 8.20%        | 6.63%        | 6.23%        | 6.48%        | 6.29%        | 5.90%        | 5.43%        |
| FFY03 base year |          |              | 15.23%       | 11.69%       | 8.38%        | 7.44%        | 7.50%        | 7.10%        | 6.54%        | 5.92%        |
| FFY04 base year |          |              |              | 8.25%        | 5.10%        | 4.96%        | 5.64%        | 5.54%        | 5.15%        | 4.66%        |
| FFY05 base year |          |              |              |              | 2.05%        | 3.35%        | 4.79%        | 4.88%        | 4.54%        | 4.07%        |
| FFY06 base year |          |              |              |              |              | 4.66%        | 6.19%        | 5.84%        | 5.18%        | 4.48%        |
| FFY07 base year |          |              |              |              |              |              | 7.73%        | 6.43%        | 5.35%        | 4.43%        |
| FFY08 base year |          |              |              |              |              |              |              | 5.14%        | 4.17%        | 3.35%        |
| FFY09 base year |          |              |              |              |              |              |              |              | 3.22%        | 2.47%        |
| FFY10 base year |          |              |              |              |              |              |              |              |              | 1.73%        |
| <b>AC/MED</b>   |          | <b>FFY03</b> | <b>FFY04</b> | <b>FFY05</b> | <b>FFY06</b> | <b>FFY07</b> | <b>FFY08</b> | <b>FFY09</b> | <b>FFY10</b> | <b>FFY11</b> |
| FFY02 base year |          | -8.65%       | -0.73%       | -3.78%       | 1.79%        | 3.17%        | 3.65%        | 4.20%        | 2.53%        | 1.95%        |
| FFY03 base year |          |              | 7.88%        | -1.24%       | 5.53%        | 6.35%        | 6.30%        | 6.51%        | 4.23%        | 3.36%        |
| FFY04 base year |          |              |              | -9.60%       | 4.36%        | 5.85%        | 5.91%        | 6.24%        | 3.64%        | 2.72%        |
| FFY05 base year |          |              |              |              | 20.49%       | 14.53%       | 11.65%       | 10.61%       | 6.51%        | 4.94%        |
| FFY06 base year |          |              |              |              |              | 8.87%        | 7.48%        | 7.51%        | 3.28%        | 2.08%        |
| FFY07 base year |          |              |              |              |              |              | 6.11%        | 6.83%        | 1.48%        | 0.44%        |
| FFY08 base year |          |              |              |              |              |              |              | 7.56%        | -0.76%       | -1.37%       |
| FFY09 base year |          |              |              |              |              |              |              |              | -8.44%       | -5.56%       |
| FFY10 base year |          |              |              |              |              |              |              |              |              | -2.59%       |
| <b>EPD</b>      |          | <b>FFY03</b> | <b>FFY04</b> | <b>FFY05</b> | <b>FFY06</b> | <b>FFY07</b> | <b>FFY08</b> | <b>FFY09</b> | <b>FFY10</b> | <b>FFY11</b> |
| FFY02 base year |          | 4.04%        | 5.68%        | 4.74%        | 7.05%        | 5.96%        | 5.64%        | 5.57%        | 4.85%        | 4.44%        |
| FFY03 base year |          |              | 7.34%        | 5.09%        | 8.08%        | 6.44%        | 5.96%        | 5.82%        | 4.97%        | 4.49%        |
| FFY04 base year |          |              |              | 2.90%        | 8.45%        | 6.15%        | 5.62%        | 5.52%        | 4.58%        | 4.09%        |
| FFY05 base year |          |              |              |              | 14.30%       | 7.81%        | 6.54%        | 6.19%        | 4.91%        | 4.28%        |
| FFY06 base year |          |              |              |              |              | 1.69%        | 2.87%        | 3.62%        | 2.69%        | 2.39%        |
| FFY07 base year |          |              |              |              |              |              | 4.05%        | 4.59%        | 3.03%        | 2.57%        |
| FFY08 base year |          |              |              |              |              |              |              | 5.13%        | 2.52%        | 2.07%        |
| FFY09 base year |          |              |              |              |              |              |              |              | -0.03%       | 0.58%        |
| FFY10 base year |          |              |              |              |              |              |              |              |              | 1.19%        |
| <b>DD</b>       |          | <b>FFY03</b> | <b>FFY04</b> | <b>FFY05</b> | <b>FFY06</b> | <b>FFY07</b> | <b>FFY08</b> | <b>FFY09</b> | <b>FFY10</b> | <b>FFY11</b> |
| FFY02 base year |          | 4.95%        | 5.78%        | 6.59%        | 6.80%        | 6.36%        | 5.99%        | 5.09%        | 4.13%        | 3.64%        |
| FFY03 base year |          |              | 6.61%        | 7.42%        | 7.42%        | 6.71%        | 6.19%        | 5.12%        | 4.01%        | 3.48%        |
| FFY04 base year |          |              |              | 8.23%        | 7.83%        | 6.75%        | 6.09%        | 4.82%        | 3.59%        | 3.04%        |
| FFY05 base year |          |              |              |              | 7.42%        | 6.01%        | 5.39%        | 3.98%        | 2.68%        | 2.19%        |
| FFY06 base year |          |              |              |              |              | 4.63%        | 4.38%        | 2.86%        | 1.53%        | 1.18%        |
| FFY07 base year |          |              |              |              |              |              | 4.14%        | 1.99%        | 0.52%        | 0.34%        |
| FFY08 base year |          |              |              |              |              |              |              | -0.11%       | -1.25%       | -0.90%       |
| FFY09 base year |          |              |              |              |              |              |              |              | -2.38%       | -1.30%       |
| FFY10 base year |          |              |              |              |              |              |              |              |              | -0.21%       |

### **Waiver Extension Assumptions**

This waiver submittal impacts the budget neutrality model by introducing two significant and inter-related components. First, this model which covers FFY 2012 – FFY 2016 (DY11-DY15), incorporates the impact of the Federal Healthcare Reform effective January 1, 2014. Second, this submittal includes a request to be waived from the Maintenance of Eligibility (MOE) provisions of the healthcare reform bill effective October 1, 2011. Those populations impacted by the MOE waiver would be eligible to rejoin on January 1, 2014.

### Impact of Federal Healthcare Reform

The Medicaid provisions of the Patient Protection and Affordable Care Act of 2010 (ACA) change the eligibility requirements for mandatory Medicaid populations and severely hinder Arizona's ability to manage expenditures. As stated above, prior to 2001 Arizona was not subject to budget neutrality and only became subject as a result of a waiver which expanded Medicaid eligibility to 100% FPL. Starting with the passage of the American Recovery and Reinvestment Act of 2009 (ARRA), and continuing under ACA, the state has lost its ability to manage enrollment for the expansion populations. While this package includes a request to be waived from the ACA Maintenance of Eligibility provisions, it is envisioned that this is a time limited waiver and that the population will be restored on January 1, 2014.

Further, given the fact that this waiver population will become a mandatory Medicaid population effective January 1, 2014, Arizona questions why CMS continues to insist that Arizona be subject to budget neutrality. Under the new federal law, Arizona will be unable to meaningfully manage enrollment and therefore would have no recourse in the event that it does not maintain budget neutrality.

### Maintenance of Effort Waiver

The State is requesting to be waived from the MOE provisions of ACA. The proposal to be waived from the MOE requirements includes reductions for the following eligibility groups effective October 1, 2011:

- 1) Elimination of the AC/MED population
- 2) The scaling back of TANF coverage from 100% FPL to approximately 50% FPL.

In the budget neutrality projections, the AC/MED population has been completely eliminated and the Expansion TANF population has been reduced by 30% (the 30% is consistent with the Executive Budget Fiscal Year 2012 budget recommendation based on the number of TANF enrollees that will fall off given the funding available).

A Fee-for-Service and Reinsurance expenditure tail of approximately \$130.6 million has been added for FFY 2012, FFY 2013, and FFY 2014 for expenditures with dates of service prior to October 1, 2011 for the populations that would be eliminated.

Beginning January 1, 2014, the State projects that 70% of the eliminated populations will return to the program (see ACA population impacts below).

### Waiver Extension Budget Neutrality Summary

Using the assumptions outlined above and below, the State is projecting a positive Total Fund cumulative budget neutrality variance of \$30.8 billion by the end of DY15 (FFY 2016) on total expenditures of \$118.6 billion. The fifteen and one-half year totals are shown in Table 6.

|                                     | DY1-DY15 Total  |
|-------------------------------------|-----------------|
| Without Waiver Member Months        | 201,454,537     |
| Without Waiver Expenditure Limit    | 147,125,691,500 |
| Disproportionate Share Allotment    | 2,318,691,000   |
| Total Without Waiver Limit          | 149,444,382,500 |
| With Waiver Expenditures            | 116,347,499,000 |
| Disproportionate Share Expenditures | 2,290,389,200   |
| Total With Waiver Expenditures      | 118,637,888,200 |
| Total Budget Neutrality Variance    | 30,806,494,300  |

#### *AC/MED Expenditure Limit PMPM*

The State proposes that beginning January 1, 2014, the State will receive Without Waiver allowance for the AC/MED population since this will now be a mandatory population. Accordingly, beginning in January 2014 the budget neutrality projections include an expenditure limit PMPM of \$893.61 that is then grown by the existing trend of 7.2%. The \$893.61 is based on the estimated expenditure PMPM for FFY 2013 of \$833.59 times the trend of 7.2%. This change provides the state with an additional \$7.2 billion in expenditure limit over the final two and three quarter years of the waiver period.

#### *Member Months*

As previously described (see Table 4), shortly after the state implemented the current waiver, the AHCCCS program experienced tremendous population growth as the nation entered a period of economic slowdown and recession. As in previous periods of economic slowing, safety net programs like AHCCCS experienced significant caseload growth.

Table 7 provides a summary of the population growth assumptions utilized in the waiver extension budget neutrality model. Note that the AC/MED population is not shown in this table since approval of the MOE waiver would eliminate this population at the end of FFY 2011.

|                           | FFY12     | FFY13 | FFY14 | FFY15 | FFY16 |
|---------------------------|-----------|-------|-------|-------|-------|
| TANF                      | 5.0%      | 5.0%  | 5.0%  | 5.0%  | 5.0%  |
| SSI                       | 4.2%      | 5.0%  | 5.0%  | 5.0%  | 5.0%  |
| EPD                       | 4.0%      | 4.0%  | 4.0%  | 4.0%  | 4.0%  |
| DD                        | 5.3%      | 4.0%  | 4.0%  | 4.0%  | 4.0%  |
| FES (Includes TANF & SSI) | 0% or Neg | 0.0%  | 3.0%  | 3.0%  | 3.0%  |

The growth assumptions above apply to the existing Medicaid State Plan populations. The ACA is expected to result in additional populations beginning in January 2014 as Medicaid eligibility is expanded to 133% FPL. Table 8 on the following page provides the estimates for expansion populations (those between 100-133% FPL), currently eligible but not enrolled populations (those between 0-100% FPL), and the return of populations impacted by the MOE waiver.

Table 8  
Estimated Additional Caseloads (Member Months) from ACA

|          | Expansion Populations (100-133% FPL)               |                    |           | Total     |
|----------|--|--------------------|-----------|-----------|
|          | Categorical  | Non-Categorical    |           |           |
|          | Children   | Categorical Adults | Adults    |           |
| FFY14 MM | 284,130  | 282,240            | 120,960   | 687,330   |
| FFY15 MM | 387,240  | 385,140            | 165,060   | 937,440   |
| FFY16 MM | 396,480  | 393,372            | 168,588   | 958,440   |
|          | Eligible but not Enrolled Populations (0-100% FPL) |                    |           | Total     |
|          | Categorical  | Non-Categorical    |           |           |
|          | Children   | Categorical Adults | Adults    |           |
| FFY14 MM | 373,050  | 513,450            | 220,050   | 1,106,550 |
| FFY15 MM | 509,400  | 700,140            | 300,060   | 1,509,600 |
| FFY16 MM | 520,200  | 716,100            | 306,900   | 1,543,200 |
|          | MOE Waiver Returning Populations                   |                    |           | Total     |
|          | Categorical  | Non-Categorical    |           |           |
|          | Children   | Categorical Adults | Adults    |           |
| FFY14 MM | -  | 260,398            | 1,655,079 | 1,915,477 |
| FFY15 MM | -  | 355,244            | 2,257,928 | 2,613,173 |
| FFY16 MM | -  | 363,149            | 2,308,186 | 2,671,334 |
|          | Total ACA Populations                              |                    |           | Total     |
|          | Categorical  | Non-Categorical    |           |           |
|          | Children   | Categorical Adults | Adults    |           |
| FFY14 MM | 657,180  | 1,056,088          | 1,996,089 | 3,709,357 |
| FFY15 MM | 896,640  | 1,440,524          | 2,723,048 | 5,060,213 |
| FFY16 MM | 916,680  | 1,472,621          | 2,783,674 | 5,172,974 |
|          | ACA Populations by Waiver Group                    |                    |           | TOTAL     |
|          | TANF   | SSI                | AC/MED    |           |
|          |  |                    |           |           |
| FFY14 MM | 1,415,147  | 298,121            | 1,996,089 | 3,709,357 |
| FFY15 MM | 1,930,481  | 406,684            | 2,723,048 | 5,060,213 |
| FFY16 MM | 1,973,545  | 415,756            | 2,783,674 | 5,172,974 |

*PMPMs*

The State has assumed that the Without Waiver PMPM for the TANF/SOBRA, SSI, ALTCS EPD, and ALTCS DD populations for the extension will be the current Without Waiver PMPM amounts trended forward.

The existing With Waiver PMPMs for all populations are below the Without Waiver PMPM in FFY 2011. The State believes that this is due, in part, to the cost containment features of the demonstration and primarily to the enactment of budget balancing efforts required by the unprecedented state budget deficit due to the recession.

*Trend*

The current waiver budget neutrality agreement includes a Without Waiver trend rate of 7.2% for all populations. The State requests that this trend rate be retained. While the With Waiver PMPM trends have been lower over the past three years (see Table 5), that trend is due to the budget balancing actions required by the recession. Prior to FFY 2009, the State experienced several years of normal growth in expenditure PMPMs.

The State believes that as the economy improves the actual expenditure trends will increase. Failure to recognize future provider rate growth could limit the State’s provider network and potentially reduce the competition that has kept Arizona’s costs lower than the national levels. Additionally, with the anticipated influx of members in 2014, a strong provider network will be critical.

For the waiver extension, the State is assuming that the expenditure PMPM trends will gradually return to normal as providers seek inflationary increases. The State will have fewer options to reduce trends given the changes already enacted in both provider reimbursement and benefits. The With Waiver PMPM trends for the extension are shown in the Table 9 below:

|                           | FFY12 | FFY13 | FFY14 | FFY15 | FFY16 |
|---------------------------|-------|-------|-------|-------|-------|
| TANF/SOBRA (Cap, FFS, RI) | 0.0%  | 4.5%  | 5.5%  | 6.5%  | 7.5%  |
| SSI (Cap, FFS, RI)        | 0.0%  | 4.5%  | 5.5%  | 6.5%  | 7.5%  |
| AC/MED (Cap, FFS, RI)     | 0.0%  | 4.5%  | 5.5%  | 6.5%  | 7.5%  |
| EPD (Cap, FFS, RI)        | 0.0%  | 4.5%  | 5.5%  | 6.5%  | 7.5%  |
| DD (Cap, FFS, RI)         | 0.0%  | 4.5%  | 5.5%  | 6.5%  | 7.5%  |
| Medicare Premiums         | 9.0%  | 9.0%  | 9.0%  | 9.0%  | 9.0%  |
| IHS OMB Rates             | 7.0%  | 7.0%  | 7.0%  | 7.0%  | 7.0%  |
| BHS-CRS                   | 0.0%  | 4.5%  | 5.5%  | 6.5%  | 7.5%  |
| FQHC                      | 16.9% | 8.1%  | 8.1%  | 8.1%  | 8.1%  |

*Disproportionate Share Hospital Allotments*

For the purpose of establishing the Without Waiver budget neutrality limit, the State uses the current Disproportionate Share Hospital (DSH) allotment levels as established in federal law. With respect to With Waiver DSH expenditures, the State has assumed that the full DSH allotment will be expended.

**Arizona Health Care Cost Containment System  
Budget Neutrality Status by Federal Fiscal Year  
For the Period April 1, 2007 - September 30, 2016  
Existing (Pre-ACA) Populations**

| Without Waiver<br>Expenditure Limit Calculation<br>Member Months | Actual<br>2001-2006<br>DY 01-06 | Actual<br>2007<br>DY 06 | Actual<br>2008<br>DY 07 | Estimate<br>2009<br>DY 08 | Estimate<br>2010<br>DY 09 | Estimate<br>2011<br>DY 10 | Estimate<br>2012<br>DY 11 | Estimate<br>2013<br>DY 12 | Estimate<br>2014<br>DY 13 | Estimate<br>2015<br>DY 14 | Estimate<br>2016<br>DY 15 | Total            |
|--|---------------------------------|-------------------------|-------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|------------------|
|  |                                 |                         |                         |                           |                           |                           |                           |                           |                           |                           |                           |                  |
| TANF/SOBRA   | 41,986,543                      | 8,678,327               | 9,159,985               | 10,296,147                | 11,453,120                | 11,512,935                | 11,408,666                | 11,894,637                | 12,476,655                | 13,092,848                | 13,739,621                | 155,675,655      |
| SSI  | 7,469,137                       | 1,545,391               | 1,651,158               | 1,619,489                 | 1,674,184                 | 1,715,683                 | 1,775,683                 | 1,851,819                 | 1,944,457                 | 2,041,644                 | 2,143,890                 | 25,363,808       |
| ACMED  | -                               | 299,447                 | 311,973                 | 328,207                   | 335,917                   | 340,865                   | 354,847                   | 369,992                   | 384,792                   | 400,183                   | 416,191                   | 3,542,314        |
| ALTCOS-EPD   | -                               | 227,264                 | 242,343                 | 258,655                   | 271,351                   | 287,000                   | 301,694                   | 315,057                   | 327,659                   | 340,766                   | 354,395                   | 2,925,215        |
| ALTCOS-DD  | 48,435,660                      | 10,750,429              | 11,237,448              | 12,302,508                | 13,734,802                | 13,855,946                | 13,840,872                | 14,431,605                | 15,133,552                | 15,875,441                | 16,653,899                | 187,511,933      |
| Combined   |                                 |                         |                         |                           |                           |                           |                           |                           |                           |                           |                           |                  |
| Without Waiver PMPM  |                                 |                         |                         |                           |                           |                           |                           |                           |                           |                           |                           |                  |
| TANF/SOBRA   | 330.54                          | 421.27                  | 451.60                  | 484.12                    | 518.98                    | 556.35                    | 586.41                    | 639.35                    | 685.38                    | 734.73                    | 787.63                    | 529.23           |
| SSI  | 566.64                          | 632.50                  | 678.10                  | 726.86                    | 779.19                    | 835.29                    | 895.43                    | 959.90                    | 1,029.01                  | 1,103.10                  | 1,182.52                  | 802.44           |
| ACMED  | -                               | 3,409.91                | 3,655.42                | 3,918.61                  | 4,204.75                  | 4,503.20                  | 4,827.43                  | 5,175.00                  | 5,547.60                  | 5,947.03                  | 6,375.22                  | 4,852.41         |
| ALTCOS-EPD   | -                               | 3,516.33                | 3,789.81                | 4,040.91                  | 4,331.86                  | 4,643.75                  | 4,978.10                  | 5,336.92                  | 5,720.25                  | 6,132.64                  | 6,574.19                  | 5,038.41         |
| ALTCOS-DD  | 366.21                          | 600.31                  | 642.98                  | 679.91                    | 719.08                    | 772.66                    | 835.69                    | 899.31                    | 962.18                    | 1,029.38                  | 1,101.24                  | 718.27           |
| Weighted   |                                 |                         |                         |                           |                           |                           |                           |                           |                           |                           |                           |                  |
| Without Waiver Expenditure Limit                                 |                                 |                         |                         |                           |                           |                           |                           |                           |                           |                           |                           |                  |
| TANF/SOBRA   | 13,975,619,700                  | 3,655,916,800           | 4,136,640,200           | 4,694,570,600             | 5,245,940,200             | 5,405,221,100             | 5,604,357,200             | 5,851,249,600             | 6,151,249,600             | 6,495,170,000             | 6,891,737,800             | 82,399,795,500   |
| SSI  | 4,232,307,200                   | 977,469,800             | 1,073,451,300           | 1,177,141,600             | 1,304,507,400             | 1,432,560,900             | 1,569,999,600             | 1,777,655,900             | 2,000,865,300             | 2,252,137,800             | 2,534,956,800             | 20,353,044,700   |
| ACMED  | -                               | 1,021,087,900           | 1,140,382,300           | 1,296,115,300             | 1,411,103,400             | 1,535,495,300             | 1,712,031,300             | 1,914,709,600             | 2,134,670,600             | 2,379,902,600             | 2,653,307,400             | 17,188,754,300   |
| ALTCOS-EPD   | -                               | 789,135,100             | 913,514,400             | 1,045,241,900             | 1,178,584,400             | 1,332,756,600             | 1,501,815,000             | 1,681,307,800             | 1,874,455,500             | 2,089,792,900             | 2,329,868,200             | 14,743,472,900   |
| ALTCOS-DD  | 18,103,926,800                  | 6,453,601,000           | 7,263,996,200           | 8,493,069,600             | 9,835,135,400             | 11,608,203,100            | 12,978,509,800            | 14,361,242,100            | 15,341,541,300            | 16,341,541,300            | 18,339,870,200            | 134,885,071,400  |
| Total  |                                 |                         |                         |                           |                           |                           |                           |                           |                           |                           |                           |                  |
| DSH Allotment  | 785,685,700                     | 143,477,400             | 143,477,400             | 155,169,200               | 159,096,900               | 153,633,900               | 153,633,900               | 153,633,900               | 153,633,900               | 153,633,900               | 153,633,900               | 2,318,661,000    |
| Total Without Waiver Expenditure Limit                           | 18,869,593,600                  | 6,597,078,400           | 7,407,473,600           | 8,648,338,800             | 9,894,232,300             | 10,869,807,700            | 11,761,837,000            | 13,132,143,700            | 14,714,878,000            | 16,495,175,200            | 18,483,504,100            | 137,003,762,400  |
| With Waiver Expenditures   |                                 |                         |                         |                           |                           |                           |                           |                           |                           |                           |                           |                  |
| TANF/SOBRA   | 10,095,096,800                  | 2,543,670,700           | 2,887,948,200           | 3,280,984,000             | 3,655,183,000             | 3,725,145,700             | 3,695,994,800             | 4,052,668,800             | 4,477,438,600             | 4,899,340,200             | 5,604,463,600             | 48,947,720,500   |
| SSI  | 4,314,478,800                   | 1,094,327,500           | 1,163,619,900           | 1,231,448,000             | 1,335,396,900             | 1,391,688,600             | 1,440,579,900             | 1,579,075,200             | 1,753,156,500             | 1,961,497,600             | 2,210,426,600             | 19,435,685,600   |
| ACMED  | 3,986,333,800                   | 1,087,316,900           | 1,308,696,900           | 1,631,680,000             | 2,223,296,900             | 2,431,849,200             | 2,549,000,000             | 3,368,500,000             | 4,281,100,000             | 5,169,500,000             | 6,047,000,000             | 12,439,661,900   |
| ALTCOS-EPD   | -                               | 1,022,541,700           | 1,108,911,900           | 1,226,026,200             | 1,264,432,800             | 1,268,491,200             | 1,461,813,100             | 1,603,893,400             | 1,780,299,500             | 1,991,475,500             | 2,210,426,600             | 14,070,239,500   |
| ALTCOS-DD  | -                               | 787,126,500             | 874,118,100             | 931,985,800               | 954,577,900               | 1,007,442,900             | 1,089,545,800             | 1,169,005,400             | 1,285,840,800             | 1,427,753,400             | 1,596,227,300             | 11,102,624,000   |
| Expenditure Subtotal   | 17,935,909,600                  | 6,504,883,100           | 7,372,796,700           | 8,332,021,600             | 9,422,889,500             | 9,844,585,600             | 9,844,585,600             | 10,926,969,000            | 12,326,138,300            | 13,684,137,100            | 15,402,592,500            | 106,015,930,500  |
| DSH  | 789,015,700                     | 143,477,300             | 143,477,300             | 155,452,600               | 159,096,900               | 153,633,900               | 153,633,900               | 153,633,900               | 153,633,900               | 153,633,900               | 153,633,900               | 2,290,389,200    |
| Total With Waiver Expenditures                                   | 18,724,925,300                  | 6,648,360,400           | 7,516,273,900           | 8,487,474,200             | 9,581,986,400             | 9,998,219,700             | 9,998,219,700             | 11,060,603,600            | 12,478,512,200            | 13,840,811,000            | 15,556,226,400            | 108,306,319,700  |
| With Waiver Expenditure PMPMs                                    |                                 |                         |                         |                           |                           |                           |                           |                           |                           |                           |                           |                  |
| TANF/SOBRA   | 236.12                          | 293.09                  | 315.28                  | 318.65                    | 319.14                    | 323.55                    | 323.95                    | 340.72                    | 358.87                    | 381.07                    | 407.91                    | 4,079.91         |
| SSI  | 682.24                          | 734.99                  | 797.64                  | 772.74                    | 797.64                    | 811.48                    | 811.28                    | 852.67                    | 901.92                    | 960.74                    | 1,031.13                  | 8,101.13         |
| ACMED  | 672.28                          | 789.58                  | 848.41                  | 835.56                    | 835.56                    | 813.90                    | 813.90                    | 852.67                    | 891.92                    | 940.74                    | 1,011.13                  | 7,891.13         |
| ALTCOS-EPD   | -                               | 3,414.77                | 3,563.23                | 3,734.35                  | 3,734.35                  | 3,776.86                  | 3,752.42                  | 3,860.93                  | 4,173.41                  | 4,446.71                  | 4,785.01                  | 40,446.71        |
| ALTCOS-DD  | -                               | 3,463.49                | 3,906.99                | 3,903.06                  | 3,917.46                  | 3,910.25                  | 3,941.93                  | 3,710.46                  | 3,824.32                  | 4,199.94                  | 4,504.06                  | 38,404.06        |
| Budget Neutrality Variance                                       | 174,688,300                     | (51,282,000)            | (106,863,400)           | 190,764,600               | 412,245,900               | 861,388,000               | 3,976,838,600             | 4,662,120,800             | 5,437,633,700             | 6,182,650,600             | 6,937,277,700             | 33,452,079,000   |
| Cumulative Variance  | 174,688,300                     | 123,396,300             | 16,522,900              | 207,287,500               | 619,533,400               | 1,480,921,400             | 5,457,759,900             | 10,139,880,700            | 15,577,514,400            | 21,760,165,000            | 28,697,442,700            | 108,306,319,700  |
| Variance by Waiver Group   |                                 |                         |                         |                           |                           |                           |                           |                           |                           |                           |                           |                  |
| TANF/SOBRA   | 3,836,522,800                   | 1,112,348,100           | 1,248,694,000           | 1,703,686,500             | 2,288,757,200             | 2,680,075,400             | 3,108,392,400             | 3,552,147,500             | 4,073,813,000             | 4,630,367,800             | 5,217,274,200             | 33,452,079,000   |
| SSI  | (82,171,700)                    | (76,867,500)            | (90,162,900)            | (74,303,200)              | (40,874,000)              | (40,874,000)              | (40,874,000)              | (198,569,500)             | (247,708,800)             | (280,640,200)             | (324,530,200)             | (2,439,661,900)  |
| ACMED  | (3,986,333,800)                 | (1,087,316,900)         | (1,308,696,900)         | (1,631,680,000)           | (2,223,296,900)           | (2,431,849,200)           | (2,549,000,000)           | (3,368,500,000)           | (4,281,100,000)           | (5,169,500,000)           | (6,047,000,000)           | (12,439,661,900) |
| ALTCOS-EPD   | -                               | (1,454,400)             | (1,580,700)             | (1,667,600)               | (1,667,600)               | (1,667,600)               | (1,667,600)               | (1,667,600)               | (1,667,600)               | (1,667,600)               | (1,667,600)               | (16,676,000)     |
| ALTCOS-DD  | -                               | 12,008,600              | 39,396,300              | 113,266,100               | 221,006,500               | 325,313,700               | 433,268,100               | 512,902,400               | 659,615,800               | 823,640,900               | 1,000,000,000             | 3,640,848,900    |
| DSH  | 6,651,000                       | (61,282,000)            | (106,863,400)           | 190,764,600               | 412,245,900               | 861,388,000               | 3,976,838,600             | 4,662,120,800             | 5,437,633,700             | 6,182,650,600             | 6,937,277,700             | 28,697,442,700   |
| Exp PMPM Change  |                                 |                         |                         |                           |                           |                           |                           |                           |                           |                           |                           |                  |
| TANF/SOBRA   | 7.9%                            | 4.7%                    | 6.1%                    | 5.1%                      | 5.2%                      | 5.3%                      | 5.3%                      | 5.2%                      | 5.3%                      | 5.5%                      | 6.2%                      | 7.0%             |
| SSI  | 4.7%                            | 4.1%                    | 4.1%                    | 4.1%                      | 4.1%                      | 4.1%                      | 4.1%                      | 4.1%                      | 4.1%                      | 4.1%                      | 4.1%                      | 4.1%             |
| ACMED  | 8.9%                            | 6.1%                    | 6.1%                    | 6.1%                      | 6.1%                      | 6.1%                      | 6.1%                      | 6.1%                      | 6.1%                      | 6.1%                      | 6.1%                      | 6.1%             |
| ALTCOS-EPD   | -                               | -                       | -                       | -                         | -                         | -                         | -                         | -                         | -                         | -                         | -                         | -                |
| ALTCOS-DD  | -                               | -                       | -                       | -                         | -                         | -                         | -                         | -                         | -                         | -                         | -                         | -                |



**Arizona Health Care Cost Containment System**  
**Budget Neutrality Status by Federal Fiscal Year**  
**Total Funds**  
**For the Period April 1, 2001 - September 30, 2016**  
**All Populations**

| Without Waiver<br>Expenditure Limit Calculation<br>Member Months | Actual<br>2001-2006<br>DY 01-06 | Actual<br>2007<br>DY 07 | Actual<br>2008<br>DY 08 | Estimate<br>2009<br>DY 09 | Estimate<br>2010<br>DY 09 | Estimate<br>2011<br>DY 10 | Estimate<br>2012<br>DY 11 | Estimate<br>2013<br>DY 12 | Estimate<br>2014<br>DY 13 | Estimate<br>2015<br>DY 14 | Estimate<br>2016<br>DY 15 | Total |
|--|---------------------------------|-------------------------|-------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|-------|
|  |                                 |                         |                         |                           |                           |                           |                           |                           |                           |                           |                           |       |
| TANF/SOBRA   | 41,955,643                      | 8,679,327               | 1,495,965               | 11,453,120                | 11,512,935                | 11,408,858                | 11,894,637                | 13,891,601                | 15,023,328                | 15,713,166                | 160,996,828               |       |
| SSI  | 7,489,137                       | 1,565,168               | 1,674,184               | 1,775,683                 | 1,951,919                 | 2,242,578                 | 2,448,328                 | 2,723,048                 | 2,783,674                 | 2,859,446                 | 28,484,369                |       |
| AC/MED   | -                               | 311,973                 | 328,207                 | 335,917                   | 340,965                   | 364,947                   | 384,792                   | 400,183                   | 416,191                   | 416,191                   | 3,542,314                 |       |
| ALTCOS-EPD   | -                               | 227,684                 | 258,665                 | 271,391                   | 287,000                   | 301,664                   | 315,057                   | 327,659                   | 340,755                   | 354,396                   | 2,926,215                 |       |
| ALTCOS-DD  | 48,435,680                      | 10,750,428              | 12,502,508              | 13,734,602                | 13,855,946                | 13,840,872                | 14,431,605                | 18,842,919                | 20,935,654                | 21,826,873                | 201,454,537               |       |
| Combined   |                                 |                         |                         |                           |                           |                           |                           |                           |                           |                           |                           |       |
| Without Waiver PMPM  |                                 |                         |                         |                           |                           |                           |                           |                           |                           |                           |                           |       |
| TANF/SOBRA   | 330.54                          | 421.27                  | 451.60                  | 518.98                    | 556.35                    | 566.41                    | 659.35                    | 685.38                    | 734.73                    | 787.63                    | 536.29                    |       |
| SSI  | 566.64                          | 632.50                  | 678.04                  | 726.86                    | 779.19                    | 835.28                    | 895.43                    | 959.90                    | 1,029.01                  | 1,103.10                  | 1,182.52                  |       |
| AC/MED   | -                               | 3,409.91                | 3,655.42                | 4,203.75                  | 4,827.43                  | 5,175.00                  | 5,847.80                  | 6,375.22                  | 6,945.41                  | 7,513.22                  | 968.42                    |       |
| ALTCOS-EPD   | -                               | 3,516.33                | 3,758.51                | 4,331.86                  | 4,843.75                  | 5,220.75                  | 5,720.75                  | 6,192.64                  | 6,632.64                  | 7,074.12                  | 5,038.41                  |       |
| ALTCOS-DD  | -                               | 600.31                  | 642.98                  | 676.08                    | 712.66                    | 756.68                    | 801.31                    | 851.19                    | 904.34                    | 954.33                    | 730.32                    |       |
| Weighted   |                                 |                         |                         |                           |                           |                           |                           |                           |                           |                           |                           |       |
| Without Waiver Expenditure Limit                                 |                                 |                         |                         |                           |                           |                           |                           |                           |                           |                           |                           |       |
| TANF/SOBRA   | 13,871,619,700                  | 3,655,916,800           | 4,138,640,200           | 5,943,940,200             | 6,405,221,100             | 6,804,357,200             | 7,604,838,300             | 9,821,162,800             | 11,038,090,000            | 12,376,161,000            | 86,342,516,000            |       |
| SSI  | 4,292,307,200                   | 977,459,800             | 1,073,451,200           | 1,177,141,800             | 1,304,907,400             | 1,588,996,700             | 1,777,666,900             | 2,307,634,800             | 2,700,750,800             | 3,026,586,400             | 21,600,066,600            |       |
| AC/MED   | -                               | 1,021,087,300           | 1,286,115,200           | 1,411,103,300             | 1,535,436,300             | 1,712,031,400             | 1,914,708,800             | 2,134,670,600             | 2,378,902,800             | 2,658,610,100             | 7,250,879,700             |       |
| ALTCOS-EPD   | -                               | 789,135,200             | 813,514,400             | 843,750,000               | 878,100,000               | 913,514,400               | 954,577,900               | 1,007,442,900             | 1,068,549,400             | 1,129,227,500             | 17,188,754,200            |       |
| ALTCOS-DD  | 18,103,926,800                  | 6,453,601,100           | 7,263,998,100           | 8,483,089,700             | 9,835,135,400             | 11,608,209,300            | 12,978,509,800            | 17,821,650,200            | 20,817,080,200            | 23,244,543,100            | 147,125,681,600           |       |
| Total  |                                 |                         |                         |                           |                           |                           |                           |                           |                           |                           |                           |       |
| DSH Allotment  | 785,666,700                     | 143,477,400             | 155,169,200             | 159,096,900               | 153,633,900               | 153,633,900               | 153,633,900               | 153,633,900               | 153,633,900               | 153,633,900               | 2,318,681,000             |       |
| Total Without Waiver Expenditure Limit                           | 18,899,593,600                  | 6,597,078,500           | 8,648,238,900           | 9,894,232,300             | 10,859,607,600            | 11,761,837,200            | 13,132,143,700            | 17,775,284,100            | 20,970,714,100            | 23,398,177,000            | 148,444,382,500           |       |
| With Waiver Expenditures   |                                 |                         |                         |                           |                           |                           |                           |                           |                           |                           |                           |       |
| TANF/SOBRA   | 10,035,056,800                  | 2,543,570,700           | 3,250,594,000           | 3,725,145,700             | 3,955,188,000             | 3,955,964,800             | 4,052,668,800             | 4,552,260,300             | 5,724,988,600             | 6,409,482,300             | 50,996,251,200            |       |
| SSI  | 4,314,478,800                   | 1,094,327,300           | 1,163,618,800           | 1,291,448,000             | 1,335,386,900             | 1,440,579,900             | 1,579,076,200             | 2,021,948,500             | 2,352,214,900             | 2,659,124,900             | 20,543,993,200            |       |
| AC/MED   | 3,586,333,800                   | 1,097,316,900           | 1,358,605,900           | 1,631,650,600             | 1,831,949,200             | 1,954,900,000             | 2,175,716,800             | 2,591,519,500             | 2,847,683,900             | 3,047,893,900             | 19,534,492,100            |       |
| ALTCOS-EPD   | -                               | 1,022,541,700           | 1,098,511,900           | 1,226,026,200             | 1,254,432,800             | 1,288,481,200             | 1,461,813,100             | 1,658,893,400             | 1,780,299,500             | 1,991,475,000             | 14,070,238,600            |       |
| ALTCOS-DD  | 17,935,909,600                  | 874,118,100             | 931,955,800             | 954,577,900               | 1,007,442,900             | 1,068,549,400             | 1,129,227,500             | 1,189,005,400             | 1,254,840,800             | 1,329,888,200             | 11,108,624,000            |       |
| Expenditure Subtotal   | 6,504,883,100                   | 7,372,795,700           | 8,322,021,600           | 9,422,889,500             | 9,844,585,900             | 7,631,364,900             | 8,296,389,900             | 13,876,766,900            | 15,484,203,400            | 16,347,489,000            |                           |       |
| DSH  | 789,015,700                     | 143,477,400             | 155,169,200             | 159,096,900               | 153,633,900               | 153,633,900               | 153,633,900               | 153,633,900               | 153,633,900               | 153,633,900               | 2,290,389,200             |       |
| Total With Waiver Expenditures                                   | 18,724,925,800                  | 6,648,360,400           | 7,514,339,900           | 8,457,474,200             | 9,899,219,700             | 7,784,998,600             | 8,450,022,900             | 11,809,323,700            | 14,030,400,800            | 15,637,637,300            | 118,637,668,200           |       |
| With Waiver Expenditure PMPMs                                    |                                 |                         |                         |                           |                           |                           |                           |                           |                           |                           |                           |       |
| TANF/SOBRA   | 238.12                          | 283.09                  | 315.28                  | 319.14                    | 323.56                    | 323.96                    | 340.72                    | 358.67                    | 381.07                    | 407.91                    | 407.91                    |       |
| SSI  | 577.64                          | 682.24                  | 734.89                  | 797.74                    | 811.46                    | 811.28                    | 892.67                    | 901.82                    | 950.74                    | 1,031.13                  | 1,031.13                  |       |
| AC/MED   | 672.29                          | 798.58                  | 848.41                  | 893.56                    | 813.90                    | 860.08                    | 860.08                    | 951.69                    | 1,023.07                  | 1,023.07                  | 4,852.41                  |       |
| ALTCOS-EPD   | -                               | 3,414.77                | 3,563.23                | 3,734.35                  | 3,778.86                  | 3,752.42                  | 4,173.41                  | 4,446.71                  | 4,763.01                  | 4,763.01                  | 4,852.41                  |       |
| ALTCOS-DD  | -                               | 3,463.49                | 3,603.95                | 3,517.45                  | 3,510.25                  | 3,541.93                  | 3,770.46                  | 3,924.32                  | 4,188.94                  | 4,504.08                  | 4,504.08                  |       |
| Budget Neutrality Variance                                       | 174,668,300                     | (51,281,900)            | (106,863,500)           | 160,764,700               | 412,245,900               | 861,387,900               | 3,975,838,700             | 4,662,120,800             | 5,965,960,400             | 6,940,313,300             | 30,806,494,300            |       |
| Cumulative Variance  | 174,668,300                     | 123,386,400             | 16,522,900              | 207,287,600               | 619,533,500               | 1,480,921,400             | 5,457,760,100             | 10,139,880,900            | 16,105,841,300            | 23,046,154,600            | 30,806,494,300            |       |
| Variance by Waiver Group   |                                 |                         |                         |                           |                           |                           |                           |                           |                           |                           |                           |       |
| TANF/SOBRA   | 3,836,522,800                   | 1,112,346,100           | 1,248,694,000           | 2,288,757,200             | 2,680,075,400             | 3,108,382,400             | 3,552,147,500             | 4,535,872,500             | 5,313,101,500             | 5,966,668,700             | 35,346,266,800            |       |
| SSI  | (82,171,700)                    | (76,867,500)            | (90,162,700)            | (40,874,000)              | 40,874,000                | 149,419,800               | 188,569,500               | 285,660,300               | 348,535,700               | 387,471,500               | 1,056,173,400             |       |
| AC/MED   | (3,586,333,800)                 | (1,097,316,900)         | (1,338,605,900)         | (2,223,298,900)           | (2,431,849,200)           | (2,431,849,200)           | (2,431,849,200)           | (2,700,600,000)           | (2,700,600,000)           | (2,700,600,000)           | (12,383,612,400)          |       |
| ALTCOS-EPD   | -                               | (1,454,400)             | (1,880,700)             | (2,088,000)               | (2,088,000)               | (2,088,000)               | (2,088,000)               | (2,088,000)               | (2,088,000)               | (2,088,000)               | (12,383,612,400)          |       |
| ALTCOS-DD  | -                               | 12,008,700              | 39,396,300              | 113,256,200               | 221,006,600               | 325,313,900               | 433,269,100               | 568,615,800               | 662,039,400               | 733,640,900               | 3,640,449,000             |       |
| DSH  | 6,651,000                       | 100                     | 1,934,100               | 1,934,100                 | 1,934,100                 | 1,934,100                 | 1,934,100                 | 1,934,100                 | 1,934,100                 | 1,934,100                 | 26,301,600                |       |
| Exp PMPM Change  | (51,281,900)                    | (106,863,500)           | 160,764,700             | 412,245,900               | 861,387,900               | 3,975,838,700             | 4,662,120,800             | 5,965,960,400             | 6,940,313,300             | 7,760,339,700             | 30,806,494,300            |       |
| TANF/SOBRA   | 7.9%                            | 4.7%                    | 6.9%                    | 7.9%                      | 8.9%                      | 8.9%                      | 9.5%                      | 10.1%                     | 10.7%                     | 11.3%                     | 11.3%                     |       |
| SSI  | 4.7%                            | 4.7%                    | 4.7%                    | 4.7%                      | 4.7%                      | 4.7%                      | 4.7%                      | 4.7%                      | 4.7%                      | 4.7%                      | 4.7%                      |       |
| AC/MED   | 8.9%                            | 8.9%                    | 8.9%                    | 8.9%                      | 8.9%                      | 8.9%                      | 8.9%                      | 8.9%                      | 8.9%                      | 8.9%                      | 8.9%                      |       |
| ALTCOS-EPD   | -                               | -                       | -                       | -                         | -                         | -                         | -                         | -                         | -                         | -                         | -                         |       |
| ALTCOS-DD  | -                               | -                       | -                       | -                         | -                         | -                         | -                         | -                         | -                         | -                         | -                         |       |