

Testimony of AHCCCS Director Tom Betlach: SB1519 AHCCCS; termination

Mr. Chairman, thank you for your willingness to discuss policy alternatives that address the impending shortfall in Medicaid funding. AHCCCS understands that both the Federal and State Government are in the midst of an unprecedented budgetary crisis. This has been the subject of extensive correspondence between AHCCCS, the Executive and Arizona's Congressional delegation.

I share your concern regarding the debt we are imposing on future generations and the role that expenses in entitlement programs play in Federal and State budgets. I remain hopeful that policy makers take appropriate action to avoid a deepening crisis.

At this time, we stand at a critical point in determining the future of the AHCCCS program in Arizona. As policymakers, you have been charged with a very difficult decision and you have a number of alternatives to consider. Certainly, eliminating the AHCCCS program in its entirety is one policy alternative. But in considering this option, we must advise you of the significant implications this choice poses from an economic and human standpoint.

Background

AHCCCS provides health care to 1.35 million Arizonans. Half of our members are children, and many others are elderly, disabled or seriously mentally ill. It is AHCCCS' mission to provide health care coverage to Arizona's most vulnerable citizens in a manner that also meets our fiduciary duty to the taxpayers, ensuring that we are providing quality care at the lowest possible cost. Committed to meet this two-fold mission, AHCCCS is continually ranked as having the lowest per member cost among Medicaid programs in the country while still meeting high quality standards. The AHCCCS model also serves over 80% of its long term care members in the home or community, maintains the lowest pharmaceutical costs in the country and highest use of generic drugs, among other achievements.

Economic Impact

One of the reasons for AHCCCS' success is that it is a public/private partnership that leverages market resources through an integrated health care delivery model. This means Medicaid dollars are used to support the very same health care provider infrastructure upon which we all rely.

The economic devastation that would result from the sudden elimination of \$7 billion in federal participation would be crippling. Unemployment would skyrocket. The demand for other government services would drain resources. And Arizona's health care network – hospitals, pharmacies, doctor's offices, and so many other ancillary services – would be irreparably damaged. Some of you may have heard of the hidden health care tax. In this event, there would be no way for providers to begin to make up the elimination of Medicaid dollars. Hospitals would shut down beds meaning fewer spaces for all Arizonans to receive care. The impact to the business community would crush their competitiveness. Because of its weak health care infrastructure, Arizona would be placed at a competitive disadvantage in terms of its ability to grow the State's economy.

Human Impact

There are some who have argued that Arizona should forgo the federal financial participation and instead, establish a program using only the State's current investment. I understand how this could sound appealing given federal constraints. As an Agency, we have been on record as sharing these frustrations.

The State's current contribution to AHCCCS is \$2.0 billion. The cost of care for 50,000 elderly, physically and developmentally disabled individuals is \$2.2 billion. This bill does not even provide sufficient funding for our most frail citizens. How would we care for these citizens? Where would they go?

The fact that \$2.0 billion is insufficient to meet the needs of those requiring long term care services means this bill would leave over 1.3 million Arizonans – 20% of our population – without health care coverage, including those with serious mental illness.

The level of uncompensated care Arizona's health care system would have to absorb would be untenable. Talented doctors, nurses and others in the health care field would flee the State and Arizonans would be left with a health care system inadequate to meet our needs.

National Reform Efforts

Arizona is the canary in the coal mine. How we navigate our way through this crisis, particularly with respect to the Medicaid program, is being observed at a national level. The devastating ramifications of AHCCCS termination would result in a severe backlash that would sway the national pendulum away from the growing consensus that something must be done to reform the nation's entitlement structure. Opting out of Medicaid in one fell swoop would alter the health care and entitlement debate significantly.

Conclusion

There are other options. One alternative is an incremental approach to Medicaid reform in Arizona. Indeed, Secretary Sebelius recently provided the flexibility Arizona needs to reshape the spending trajectory of the AHCCCS program. It is our belief that working together we can reform our program in a manner that is sustainable to the State without the negative impacts of complete termination.

We greatly respect your leadership in bringing this important discussion forward and we stand in agreement that reforms need to be undertaken to address the unsustainability of the existing entitlement system both in our state and nationally. However, we must respectfully disagree with the approach as proposed in this legislation.

Thank you again for your willingness to host this important dialogue and I thank you for your time.