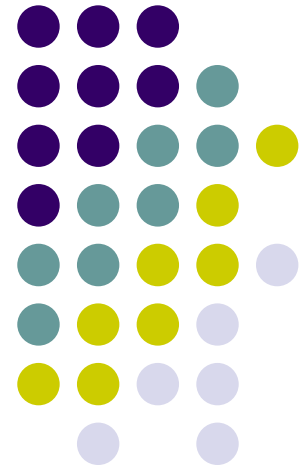




Federal Health Care Reform Update

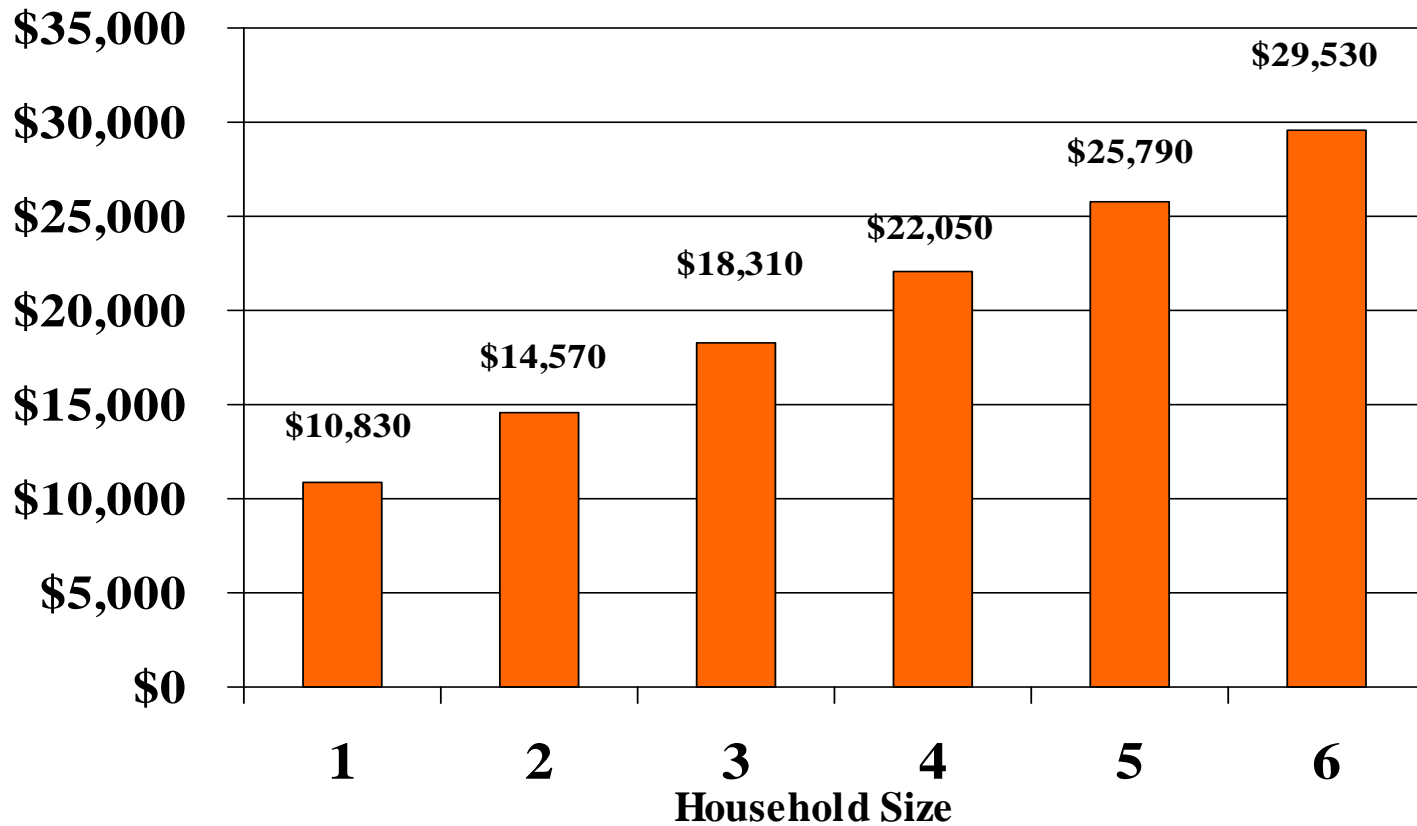
January 27, 2010

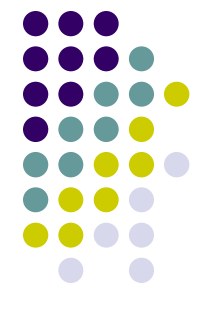




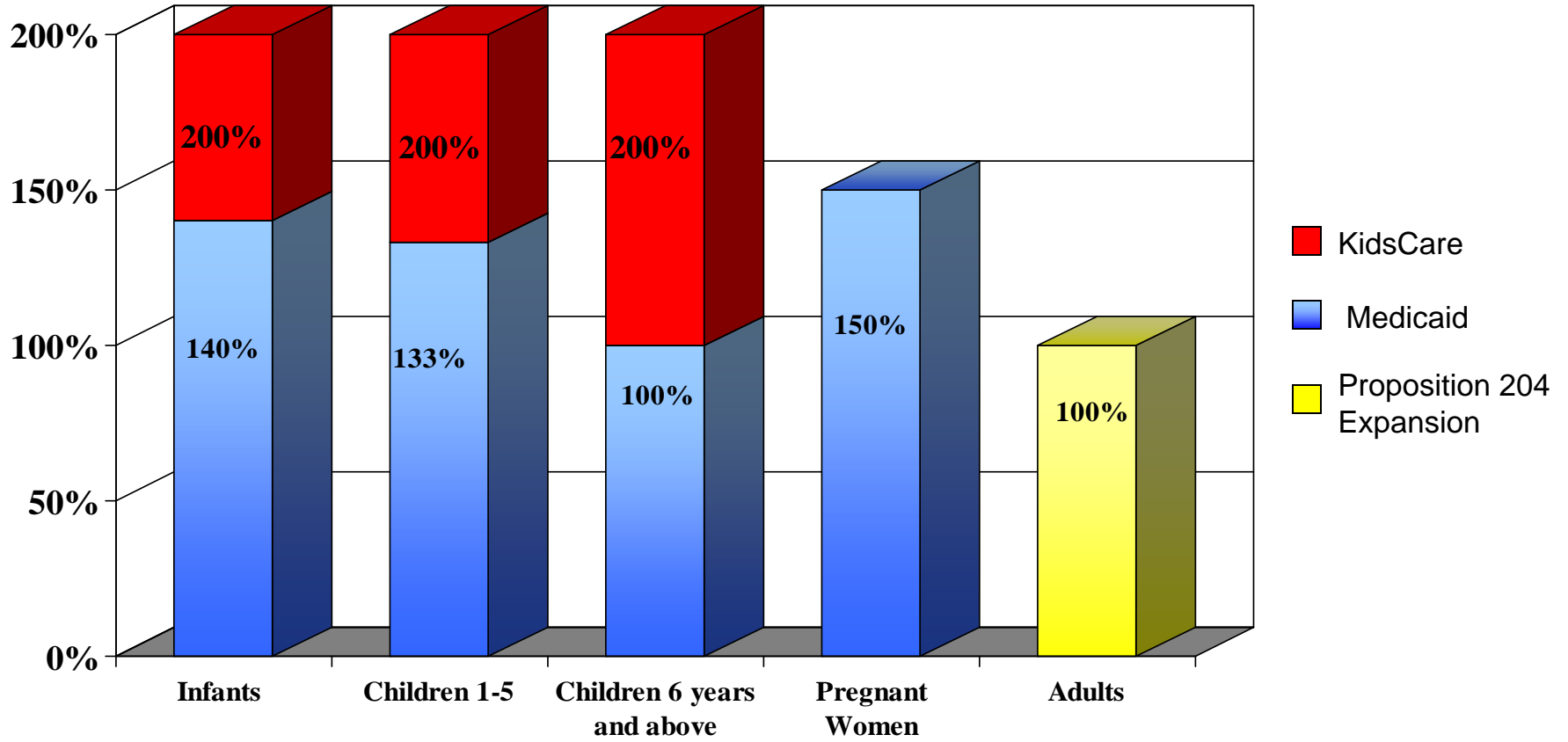
100% Federal Poverty Level

(2009)





Eligibility Levels

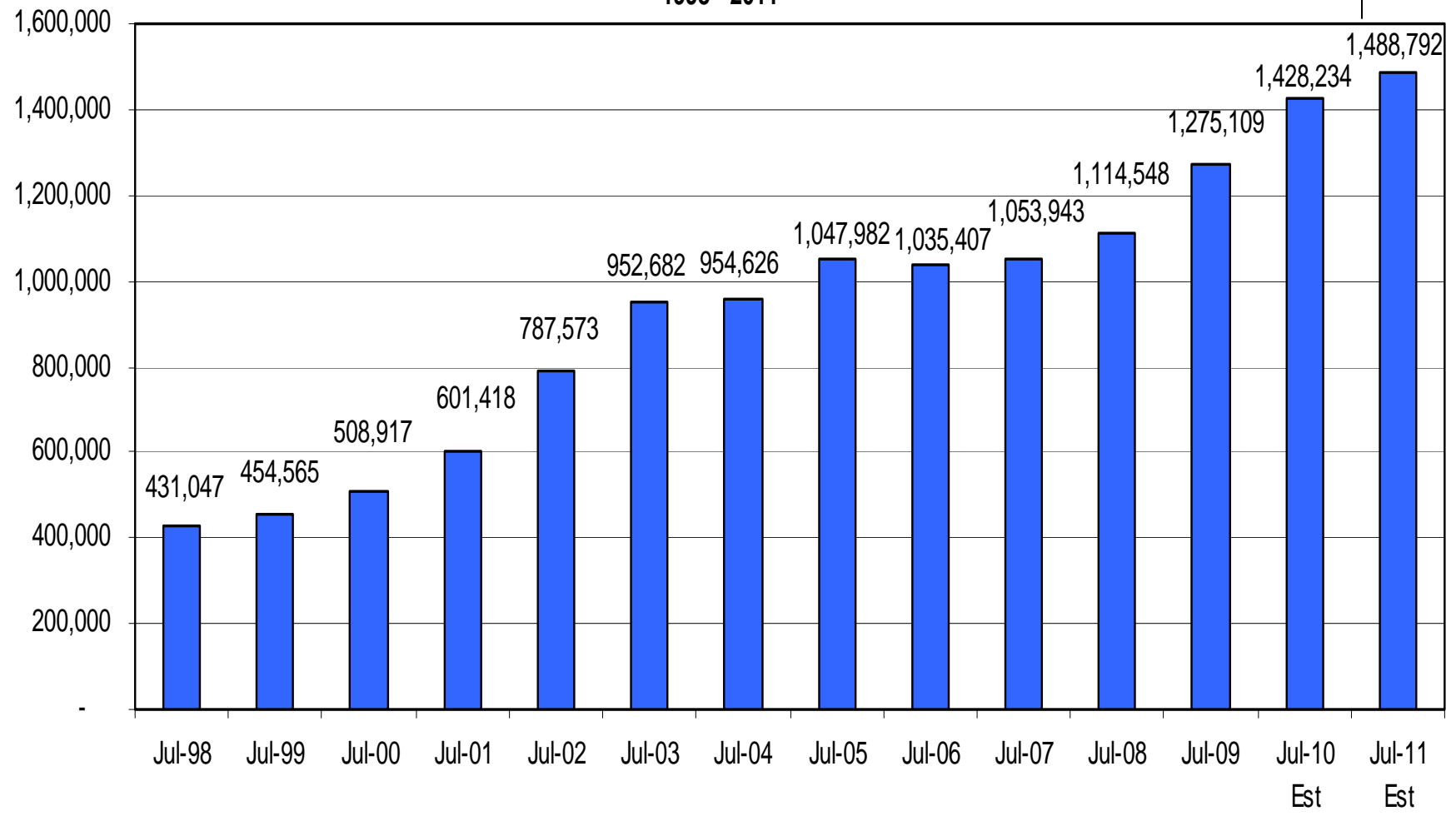


Note – This chart excludes income levels for optional programs like Freedom to Work and Breast and Cervical Cancer.

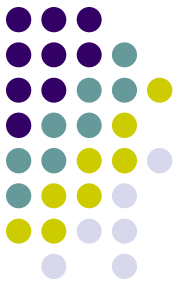


AHCCCS Population as of July 1st

1998 - 2011



Senate Bill



Expansion of Medicaid/CHIP

- Expand Medicaid to all individuals (children, pregnant women, parents, and adults without dependent children) with incomes up to 133% FPL (to be implemented in 2014).
- Adults with incomes between 100-133% FPL will have the option of obtaining coverage through Medicaid or with federal subsidies through the Exchange.
- All newly eligible adults will be guaranteed a benchmark benefit package that at least meets the minimum creditable coverage standards.
- Require states to provide premium assistance to any Medicaid beneficiary with access to employer-sponsored insurance if it is cost effective for the state.
- Starting in 2015 rolls the Children's Health Insurance Program (CHIP) into Medicaid and Exchange

House Bill



Expansion of Medicaid/CHIP

- Expand Medicaid to all individuals (children, pregnant women, parents, and adults without dependent children) with incomes up to 150% FPL.
- Increase Medicaid payment rates for primary care providers to 100% of Medicare rates by 2012.
- Extends ARRA increased FFP for 6 months - \$470M.
- Require Medicaid to cover newborns during first 60 days of life.
- Maintenance of Effort requirement at June 2009 levels.
- Require CHIP enrollees to obtain coverage through the Health Insurance Exchange or Medicaid in 2014.

**ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM
ESTIMATED IMPACT OF FEDERAL MEDICAID EXPANSION PROPOSALS**

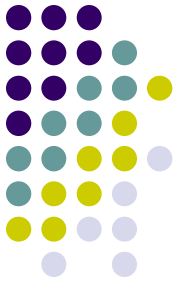
Medium Presentation Analysis

	Federal Impact Cost		New Medicaid Participants	
	Senate	House	Senate	House
2011	-	470,000,000	-	-
2012	-	-	-	-
2013	-	2,556,693,900	-	265,300
2014	1,208,687,900	2,745,826,500	219,400	271,900
2015	1,497,405,500	2,495,271,100	224,600	278,500
2016	1,620,680,500	2,680,985,300	229,600	285,000
2017	1,727,258,300	2,880,302,500	234,800	291,500
2018	1,858,909,700	3,090,731,300	240,000	297,800
2019	2,008,649,500	3,318,892,600	245,000	304,200
2020	2,158,287,600	3,561,589,200	250,000	310,600
Total	12,079,879,000	23,800,292,400		

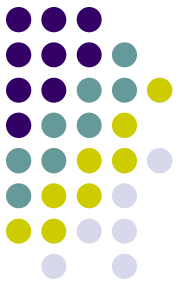
	State Impact Cost	
	Senate	House
2011	-	(470,000,000)
2012	-	-
2013	-	(993,987,800)
2014	397,635,000	(1,049,462,500)
2015	443,713,400	(654,835,500)
2016	480,747,300	(686,839,100)
2017	549,997,400	(720,345,700)
2018	605,974,100	(755,712,200)
2019	655,194,600	(792,666,200)
2020	720,246,300	(831,563,100)
Total	3,853,508,100	(6,955,412,100)

Notes and Assumptions:

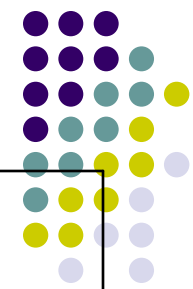
- 1) Medium Presentation based on 70% of newly eligible expansion population and 50% of currently eligible woodwork populations.
- 2) New Medicaid Participants includes expansion population, woodwork, and Title XXI transfers. Does not include current Title XIX or Title XXI participants who will have FMAP impacted based on proposals.
- 3) This preliminary analysis by the Arizona Health Care Cost Containment System is intended to estimate the incremental funding impacts of Healthcare reform proposals only.



Federal Policy on Expansion



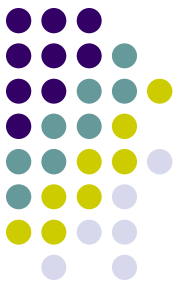
- Arizona is one of 6 states that covers childless adults up to 100% of the federal poverty limit (AZ, NY, MA, VT, HI, DE)
- The policy decision made with regards to coverage for expansion populations has a dramatic impact on funding requirements and should be more equitable.
- The House has a much more narrow range of funding requirements versus the Senate.
- Under the Senate proposal, Arizona must pay over \$15 billion more (through 2020) because of expansion.



	House – No Expansion State	House - Arizona	Senate – No Expansion State	Senate Arizona
Parents 22.6-100% FPL	100% FMAP 2013 until 2015 91% FMAP 2015 indefinitely	Traditional FMAP – Currently 65.75%	100% FMAP 2014 through 2016 2017 - 34.3 inc FMAP 2018 - 33.3 inc FMAP 2019 - 32.3 inc FMAP	Traditional FMAP – Currently 65.75%
Parents 100-150% House 100-133% Senate	100% FMAP 2013 until 2015 91% FMAP 2015 indefinitely	100% FMAP 2013 until 2015 91% FMAP 2015 indefinitely	100% FMAP 2014 through 2016 2017 - 34.3 inc FMAP 2018 - 33.3 inc FMAP 2019 - 32.3 inc FMAP	100% FMAP 2014 through 2016 2017 – 30.3 inc FMAP 2018 – 31.3 inc FMAP 2019 - 32.3 inc FMAP
Childless Adults 0-100%	100% FMAP 2013 until 2015 91% FMAP 2015 indefinitely	100% FMAP 2013 until 2015 91% FMAP 2015 indefinitely	100% FMAP 2014 through 2016 2017 - 34.3 inc FMAP 2018 - 33.3 inc FMAP 2019 - 32.3 inc FMAP	Traditional FMAP – Currently 65.75%
Childless Adults 100-150% House 100-133% Senate	100% FMAP 2013 until 2015 91% FMAP 2015 indefinitely	100% FMAP 2013 until 2015 91% FMAP 2015 indefinitely	100% FMAP 2014 through 2016 2017 - 34.3 inc FMAP 2018 - 33.3 inc FMAP 2019 - 32.3 inc FMAP	100% FMAP 2014 through 2016 2017 – 30.3 inc FMAP 2018 – 31.3 inc FMAP 2019 - 32.3 inc FMAP

Note – the Senate caps FMAP at 95%

Healthcare Reform Impact on Adult Expansion Costs 2013 - 2020



Proposal	State Match Costs	Total Fund
Baseline (Current Program)	15.4 Billion	44.1 Billion
House Proposal	6.7 Billion	53.0 Billion
House Proposal if AZ had Not Expanded	3.8 Billion	53.0 Billion
Senate Proposal	17.0 Billion	46.8 Billion
Senate Proposal if AZ had not Expanded	1.4 Billion	46.8 Billion

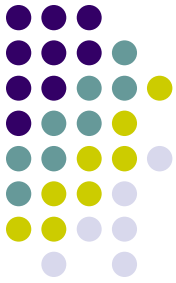
Note – The Senate proposal estimates only include 2014 through 2020



Maintenance of Effort

- The House proposal would require states to maintain their Medicaid programs at June 2009 levels.
- The Senate proposal would not allow states to change Medicaid eligibility as of December 2009.
- Both programs would eliminate State flexibility to cover expansion populations.
- While a significant portion of the AHCCCS program is State Voter protected, at the federal level the expansion under Proposition 204 was optional.

**ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM
HEALTHCARE REFORM MAINTENANCE OF EFFORT IMPACT
STATE FISCAL YEAR 2010 ACUTE BUDGET**

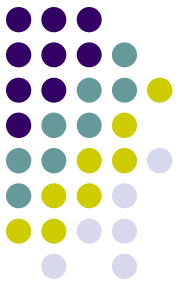


POPULATION	CURRENT			HOUSE AND SENATE		
	OPTIONAL	MANDATORY	TOTAL	OPTIONAL	MANDATORY	TOTAL
Children & Families	-	3,042,000,000	3,042,000,000	-	3,042,000,000	3,042,000,000
Parent Expansion	540,200,000	-	540,200,000	-	540,200,000	540,200,000
Aged, Blind, & Disabled Base	-	1,112,000,000	1,112,000,000	-	1,112,000,000	1,112,000,000
Aged, Blind, & Disabled Expansion	134,100,000	-	134,100,000	-	134,100,000	134,100,000
Childless Adults	2,401,800,000	-	2,401,800,000	-	2,401,800,000	2,401,800,000
KidsCare (Title XXI)	103,300,000	-	103,300,000	-	103,300,000	103,300,000
Total Acute	3,179,400,000	4,154,000,000	7,333,400,000	-	7,333,400,000	7,333,400,000

Notes:

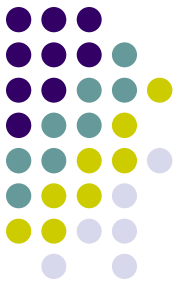
- 1) Dollars are Total Fund, based on State Fiscal Year 2010 AHCCCS September Budget (without Capitation Rollover).
- 2) Includes Behavioral Health and Children's Rehabilitative Services expenditures.
- 3) Does not include ALTCS, School Based Services, Administrative Costs, Freedom to Work, or Breast and Cervical Cancer populations
- 4) Does not include supplemental hospital payments, reconciliation payments, or Medicare Clawback payments.

Concerns for Arizona



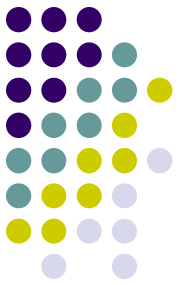
- Governor's December 30th Statement
 - House Delegation members should “forcefully reject” the Senate bill because it will only exacerbate Arizona fiscal problems
 - Bill creates unfunded mandate and punishes Arizona for previous expansion
 - Taxpayers in Arizona will need to support costs in our state and others
 - Bill eliminates discretion of States
- December 4, Governor sends letter to AZ Congressional delegation outlining State's fiscal crisis
 - Governor does not support mandated expansion of Medicaid at this time but if Congress pursues mandated expansion, it should be 100% federally funded
 - States should be allowed to retain some flexibility with regards to MOE requirements because Arizona needs ability to cap expansion populations such as childless adults
- AHCCCS Letter to Governor on fiscal impact can be found on website.

Other Topics



Issue	House	Senate
Individual Mandate	Yes, or pay penalty of 2.5% adjusted gross income	Yes, or pay penalties; hardship exemption
Employer Mandate (50+ employees)	Yes, or pay 8% payroll tax	Yes, or pay per employee receiving tax credit
Main Revenue Option	5.4% surcharge on income over \$500,00 (individuals) and \$1 million (couples)	40% tax on expensive plans of \$8,900+ (individuals) and \$24,000+ (families)
No exclusion of pre-existing conditions	Yes	Yes
Exchange	Yes	Yes, can be run by states
ARRA FMAP	Extends ARRA FMAP	No

Next Steps



**Impact of January 19 Senate
Election in Massachusetts???**