Budget Changes to Date

- Arizona’s Program is $743 million less today because of budget policy decisions
- Rates - $635 million impact
  - $505 million in reductions to provider rates freezes to statutorily mandated rate increases.
  - $130 million in health plan reductions
  - Example – eliminated $42 m in GME and $25.6 m in DSH
- Eligibility - $72.2 million impact
  - Eliminated CHIP parents coverage for 9,000 adults and imposed freeze in CHIP program – 8,000 kids on waiting list in first month
- Cost Sharing - $10.6 million –
- Administrative Reductions - $25 million
What’s the Problem?

In January the budget had to address three interconnected problems

- Current year deficit – shortfall of $1.4 billion remains for FY 2010
- Structural deficit – projected shortfall of $3.2 billion for FY 2011 and beyond
- Cash flow – treasurer borrowing $1.0 billion – state recently completed $735 million sales of assets
The Final Budget – AHCCCS

AHCCCS Adjustments

- Baseline Budget - Medicaid Population Growth $357 million General Fund (GF) ($1.1 billion total fund) and Federal Stimulus Backfill $224 million

Rate Reductions

- Capitation rate growth held flat; will likely result in provider rate reductions, saving $57.1 million GF ($167 million total fund)
- Agency has authority to apply rate reductions to Institutions as well up to 5%
- For FY 2011 State supported GME has been eliminated – ($42 m TF)
- Private DSH hospital funding is set at approximately $10 million TF – Pool 3 was eliminated
The Final Budget – AHCCCS

Benefit Changes

- The Budget includes reduction of $6.3 million GF ($18.3 million total fund)
- Benefit changes includes items like Podiatry, orthotics, emergency dental services, health screenings, transplants and physical therapy.
- Separate Legislation (SB 1390) proposes transferring Adult General Mental Health and Substance Abuse funding to AHCCCS plans ($43 million GF - $141 m TF)

Eligibility Changes

**KidsCare**

- The Budget eliminates KidsCare on June 15, 2010, saving $22.9 million GF ($119 million total fund). KidsCare currently provides health coverage for 38,600 children with incomes below 200% of FPL.
Eligibility Changes (Con’t.)

**Proposition 204**

- The Budget cuts $385 million General Fund (over $1.0 B TF) and requires AHCCCS “to implement a program within available appropriation”.
- Under current federal law where increased federal participation expires on January 1, 2011, the budget was based on AHCCCS rollback of Proposition 204 eligibility levels
  - An estimated 310,500 people will lose coverage
  - State will lose $737.6 million in Federal matching funds
  - In FY 2012 the GF saves $1 billion and $3 billion is cut from health care infrastructure
- If Congress extends stimulus funding the state will save roughly $430 million over six months which should provide sufficient funds to cover Prop 204 and KidsCare cuts.
The Final Budget – AHCCCS

Contingency Budget
- Should sales tax not be passed by voters on May 18th, the budget includes additional reductions. For AHCCCS this amounts to $114 m GF ($350 m TF) resulting in additional provider cuts.

Administrative Resources
- Currently AHCCCS is down over 300 staff (22%) and will need to cut an additional $7 million in administrative costs.
Health Care Reform

- Patient Protection and Affordable Care Act (PPACA) signed into law on March 23, 2010
- Reconciliation Bill
  - Senate passed on March 25, 2010
  - House passed on March 25, 2010
  - President is expected to sign early this week
- PPACA expands Medicaid to 133% of the federal poverty limit on January 1, 2014.
  - MOE and treatment of expansion states (like Arizona) result in significant fiscal issues.
Health Care Reform - MOE

- Maintenance of Effort (MOE) Requirements
  - At a minimum, restoration of KidsCare with freeze on new enrollment
  - Maintain the Medicaid program at the current level; no rollback of Prop 204
Health Care Reform – Cost

- $11.6 Billion GF from SFY 2011-2020
  - Expansion populations ($590 million)
  - Woodwork from new mandates ($2.2 billion)
  - Maintenance of previously optional groups ($8.8 billion)

- Equates to over $1.0 Billion per year in unfunded mandates
Health Care Reform – MOE

- To Continue Prop 204 Expansion
  - Unfunded MOE mandate prior to increased FFP
  - Cost is $3.8 Billion from Jan 1, 2011 to Jan 1, 2014

- To Restore KidsCare with Enrollment Freeze
  - $38 Million from July 1, 2010 to September 30, 2019
ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM

FEDERAL PARTICIPATION PERCENTAGE FOR ARIZONA CHILDLESS ADULTS 0-100% FPL

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>HOUSE</td>
<td>100%</td>
<td>91.00%</td>
<td>91.00%</td>
<td>91.00%</td>
<td>91.00%</td>
<td>91.00%</td>
<td>91.00%</td>
</tr>
<tr>
<td>SENATE</td>
<td>65.85%</td>
<td>65.85%</td>
<td>65.85%</td>
<td>65.85%</td>
<td>65.85%</td>
<td>65.85%</td>
<td>65.85%</td>
</tr>
<tr>
<td>RECONCILIATION (AZ)</td>
<td>82.93%</td>
<td>86.34%</td>
<td>89.76%</td>
<td>89.17%</td>
<td>91.19%</td>
<td>93.00%</td>
<td>90.00%</td>
</tr>
<tr>
<td>RECON. (Non expansion)</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>95.00%</td>
<td>94.00%</td>
<td>93.00%</td>
<td>90.00%</td>
</tr>
</tbody>
</table>
Health Care Reform – MOE

- State Costs from FFY 2014 through FFY 2020
  - Costs to support Prop 204 exceed $15 billion based on PPACA
  - With reconciliation bill costs decrease to an estimated $7.76 Billion GF
  - Still $6.0 Billion more than the $1.78 Billion in costs if Arizona was treated equitably with other non-expansion states