

TWO DIFFERENT AHCCCS ENROLLMENT FREEZE SCENARIOS

Background

The [1115 Waiver](#) functions much like a contract between AHCCCS and its federal oversight agency, the Centers for Medicare and Medicaid Services (CMS). The Waiver includes specific federal Medicaid requirements from which AHCCCS is waived and provides for special terms and conditions the agency must follow as part of that waiver authority. In terms of eligibility, there are only two populations whose Medicaid eligibility is solely dependent upon the AHCCCS Waiver: childless adults (pop: 222,430)* and people in the Medical Expense Deduction or spend down program (pop: 5,761)*.

In a [letter](#) dated February 15, 2011, U.S. Health and Human Services Secretary Kathleen Sebelius confirmed that the State could elect not to renew coverage for its waiver populations when the Waiver expires September 30, 2011. This means the State could allow coverage to lapse for childless adults and spend down members without violating maintenance of effort requirements in the Affordable Care Act.

In that same letter, Secretary Sebelius also indicated that the State would be required to provide a "phase down plan" by March 31, 2011 *if* the State elects not to renew coverage for the Waiver groups. In accordance with the special terms and conditions, AHCCCS is required to submit a phase down plan six months before the expiration of the Waiver.

Phase Down Freeze

A decision to terminate coverage for the Waiver groups would trigger a provision in the Waiver referred to as a "phase down freeze." The language included in the current Waiver establishes that a phase down freeze be implemented six months prior to the expiration of the Waiver (April 1, 2011). However, CMS has stated that this date is not definitive and the federal government will be flexible with the State to ensure that an appropriate transition plan is complete and approved. In fact, no change will be made to the program on April 1, 2011 because any change in eligibility requires a 30-day public comment rule process by AHCCCS. It is important to note that the phase down freeze is *only* triggered if a decision is made to terminate coverage.

Permanent Freeze for Childless Adults

The phase down freeze should not be confused with a permanent freeze on enrollment for the childless adult population, which is one of the policy options that could be considered. This permanent freeze requires federal approval as part of a new Waiver. Such a permanent freeze would mean that AHCCCS would no longer accept any new applications for the childless adult population.

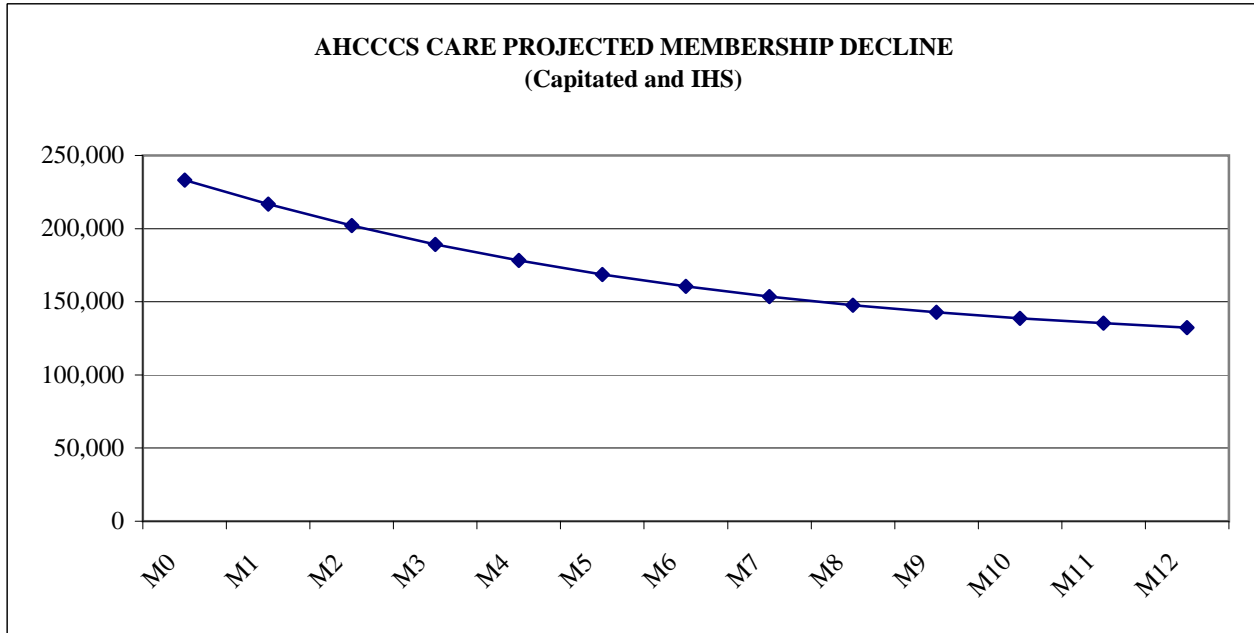
A permanent freeze for childless adults would be similar to the enrollment freeze imposed on KidsCare. Any individual applying for AHCCCS would be screened for eligibility under all of the open eligibility categories -- aged, blind, disabled, pregnant women, children, and parents. If the applicant is not eligible for any open category, then the individual's eligibility will be denied. There is turnover or movement on and off the program in the childless adult population (sometimes referred to as "churn"). AHCCCS has estimated that because of this turnover, a freeze on enrollment (see attached) for childless adults could save the State General Fund \$190 million over a 12 month period.

Notice and Opportunity for Public Comment

No final decisions have been made. Once a final policy decision is made, AHCCCS will work with CMS on the appropriate plan. That plan will be made available to the public. AHCCCS will also provide public notice, opportunity for public comment, and appropriate notice to all members (those who are directly impacted and those who are not). We urge the public to check the AHCCCS website regularly for updates.

* As of 3/1/11.

**ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM
ESTIMATED IMPACT OF FREEZE ON CHILDLESS ADULTS (AHCCCS CARE)**



Projected First Year Savings from Freeze = \$613.2 million Total Fund (\$190.1 General Fund)

Notes:

- 1) Beginning caseloads based on AHCCCS January 2011 budget rebase.
- 2) Population reductions are based on Calendar 2010 average eligibility ended percentage of 7.34%. Each month thereafter, the percentage reduction is reduced by 0.5% as the population is expected to decline at a declining rate once members realize that failure to follow through on redeterminations results in permanent loss of coverage. The reductions level off at 2.3%.
- 3) Savings are calculated using a fully loaded PMPM which is based on AHCCCS January FY12 Rebase which incorporate the 4/1 rate reduction and assume no inflation for the entire period. Loaded PMPM includes Behavioral Health Services which are appropriated within ADHS.
- 4) General Fund savings based on SFY12 weighted Title XIX FMAPs. Includes some 100% IHS Facilities.