

Arizona's Section 1115 Research and Demonstration Waiver

Since its inception, the Arizona Health Care Cost Containment System (AHCCCS), Arizona's single state Medicaid agency, has operated its managed care program under a Section 1115 Research and Demonstration Waiver. The previous 1115 Demonstration period ran from October 1, 2006 through September 30, 2011.

On September 27, 2010, AHCCCS submitted its letter of intent and an initial proposal for a new 1115 Waiver to the Centers for Medicare and Medicaid Services (CMS). AHCCCS revised and resubmitted the request on March 31, 2011. While the proposal requested a continuation of existing waiver authorities in order to maintain current efficiencies and flexibilities, it also included new requests designed to maximize Medicaid coverage to the greatest extent and to further the access and quality of care objectives of the Medicaid program.

On October 21, 2011, CMS approved the new Waiver for a 5-year period from October 22, 2011, through September 30, 2016. The effective date of the new Demonstration begins on October 22, 2011 because CMS and AHCCCS required an extension of the previous Demonstration to allow appropriate time to complete the review and approval process.

Overview of 1115 Waivers and Budget Neutrality

- Section 1115 allows states to be waived from federal Medicaid requirements in order to pursue innovative projects in their Medicaid programs.
- Programs that operate under 1115 Waivers are required to be budget neutral – that is, a state must ensure the federal costs under the Waiver are less than what the cost would be without the Waiver.

Some of the New Waiver Authorities Allow Arizona to:

- Maintain coverage for the Childless Adult enrolled as of July 8, 2011;
- Impose mandatory copayments for Childless Adults for prescriptions, office visits, and non-emergency use of the emergency room;
- Require copayments for Childless Adults who use taxi services in Maricopa and Pima Counties;
- Permit providers to charge a fee for adults outside of Maricopa and Pima counties who miss appointments;
- Pay Medicare Part B premiums for selected dual eligible beneficiaries; and
- Provide two months of continuous coverage for beneficiaries who lose SSI eligibility.

The New Waiver does NOT Allow Arizona to:

- Freeze enrollment for TANF parents with family income between 75-100% of the FPL;
- Further reduce Childless Adult enrollment based on available funding;
- Require eligibility redeterminations every 6 months for TANF parents and Childless Adults whose redeterminations currently occur every 12 months;
- Expand mandatory copayments to Medicaid populations subject only to nominal cost sharing;
- Eliminate federal emergency service for individuals who do not qualify for Medicaid based on their immigration status;
- Impose an annual \$50 fee on Childless Adults who smoke;
- Pay for prescriptions not written on tamper-resistant drug pads after November 1, 2012.

Outstanding Waiver Issues for Further Discussion with CMS

- Establish a Safety Net Care Pool (SNCP) and Health System Improvement Pool.
- Exempt American Indians from benefit and eligibility reductions.