

December 22, 2023

The Honorable Warren Petersen
President of the Senate
Arizona State Senate
1700 W. Washington
Phoenix, AZ 85007

The Honorable Ben Toma
Speaker of the House
Arizona House of Representatives
1700 W. Washington
Phoenix, AZ 85007

SUBJECT: FY 2024 Appropriation Status Report for the Period Ended October 31, 2023

Dear President Petersen and Speaker Toma:

Pursuant to A.R.S §'s 36-2920 and 36-2994, enclosed is the Arizona Health Care Cost Containment System's (AHCCCS) Appropriation Status Report (ASR) for the period ended October 31, 2023.

Status Summary – AHCCCS caseload growth continues to be significantly impacted by the COVID-19 pandemic and associated federal requirements. Section 6008 of the Families First Coronavirus Response Act (FFCRA) (Pub. L. 116-127) provided a temporary 6.2 percentage point increase to the Federal Medical Assistance Percentage (FMAP) extending through the last day of the calendar quarter in which the public health emergency terminates. In order to receive the higher matching rate, a maintenance of effort (MOE) condition was imposed, prohibiting AHCCCS from terminating anyone who was enrolled in the program as of the date of the beginning of the emergency period as well as individuals enrolled during the emergency period. The 2023 Consolidated Appropriations Act set the end date of the MOE to April 1, 2023 and prescribed an unwinding timeline and provisions after the MOE end date. AHCCCS is currently midway through a twelve month unwinding period that will end in March 2024 at which point membership will no longer be impacted by the MOE. However, other systemic impacts of Covid-19 including any economic factors may still influence membership levels and AHCCCS does not anticipate membership to retreat all the way to pre-pandemic levels.

AHCCCS submitted its Fiscal Year 2025 budget request, including an update of Fiscal Year 2024 for submission to the Governor's Office of Strategic Planning and Budgeting pursuant to A.R.S. § 35-113. For purposes of this report, projected annual expenditures equal the appropriations. However, AHCCCS has recently submitted a Fiscal Year 2025 budget request revision which shows an anticipated FY 2024 supplemental need of \$26,303,000 General Fund, \$3,348,700 CHIP Fund, and \$174,538,000 Federal

Medicaid Authority. This need will continually be monitored as post-PHE redeterminations continue to be performed.

Enrollment Update – October 2023 enrollment is 2,220,416 members, a 44,131 member decrease over the prior month. Enrollment for November 2023 decreased to 2,210,484 members, a 9,932 member change. The decrease is primarily attributed to the eligibility redeterminations that began April 2023. From March 2020 through March 2023, AHCCCS enrollment increased by 648,181 members or 34.5%. Due to redetermination efforts, enrollment has decreased from the March 2023 enrollment of 2,527,141 to the November 2023 enrollment of 2,210,484. This is a decrease of 316,657 members or 12.5%.

Major November 2023 changes by eligibility category include: 1931 for Families and Children/SOBRA – decrease of 6,620; Supplemental Security Income – decrease of 1,126; Prop 204 Restoration - decrease of 769; Adult Expansion – decrease of 1,278; Medicare Cost Sharing – increase of 962; KidsCare – decrease of 248; and Federal Emergency Services – decrease of 1,034.

Tobacco Funds Revenue Update - Tobacco tax collections through October 2023 are \$3.8 million less than the AHCCCS monthly projected flows. AHCCCS will continue to monitor the tobacco funds revenue collections to determine any impact on the FY 2024 appropriations.

If you have any questions about this report, please do not hesitate to call me at (602) 417-4458 or Jeffery Tegen at (602) 417-4705.

Sincerely,



Carmen Heredia
Cabinet Executive Officer
Executive Deputy Director

Enclosure

cc: The Honorable Katie Hobbs, Governor
The Honorable, John Kavanagh, Chairman, Senate Appropriations Committee
The Honorable David Livingston, Chairman, House Appropriations Committee
The Honorable T.J. Shope, Chairman, Senate Health and Human Services Committee
The Honorable Steve Montenegro, Chairman, House Health and Human Services Committee
Sarah Brown, Director, Governor's Office of Strategic Planning and Budgeting
Richard Stavneak, Director, Joint Legislative Budget Committee