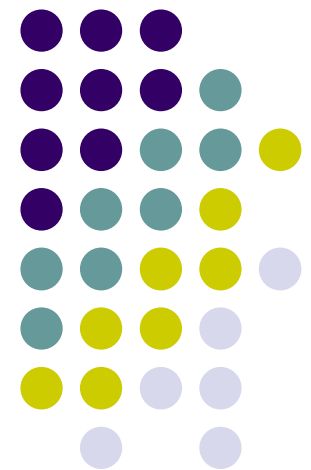




AHCCCS Budget & Health Care Reform

Tribal Consultation Meeting
March 29, 2010





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



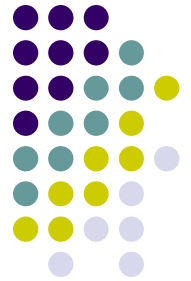
AHCCCS Adjustments

- 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.

The Final Budget – AHCCCS

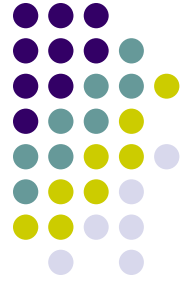


Eligibility Changes (Con't.)

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

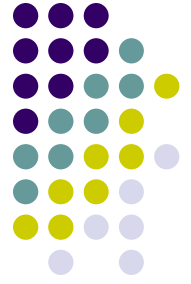
ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM



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

	2014	2015	2016	2017	2018	2019	2020
HOUSE	100%	91.00%	91.00%	91.00%	91.00%	91.00%	91.00%
SENATE	65.85%	65.85%	65.85%	65.85%	65.85%	65.85%	65.85%
RECONCILIATION (AZ)	82.93%	86.34%	89.76%	89.17%	91.19%	93.00%	90.00%
RECON. (Non expansion)	100%	100%	100%	95.00%	94.00%	93.00%	90.00%

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