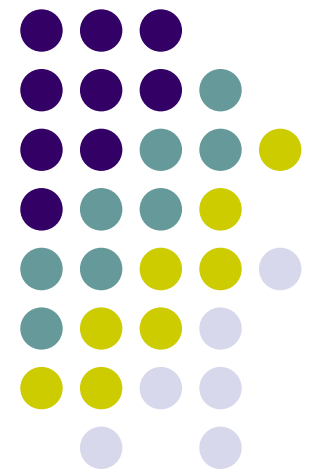


AHCCCS Update

Tribal Consultation Meeting
January 21, 2011

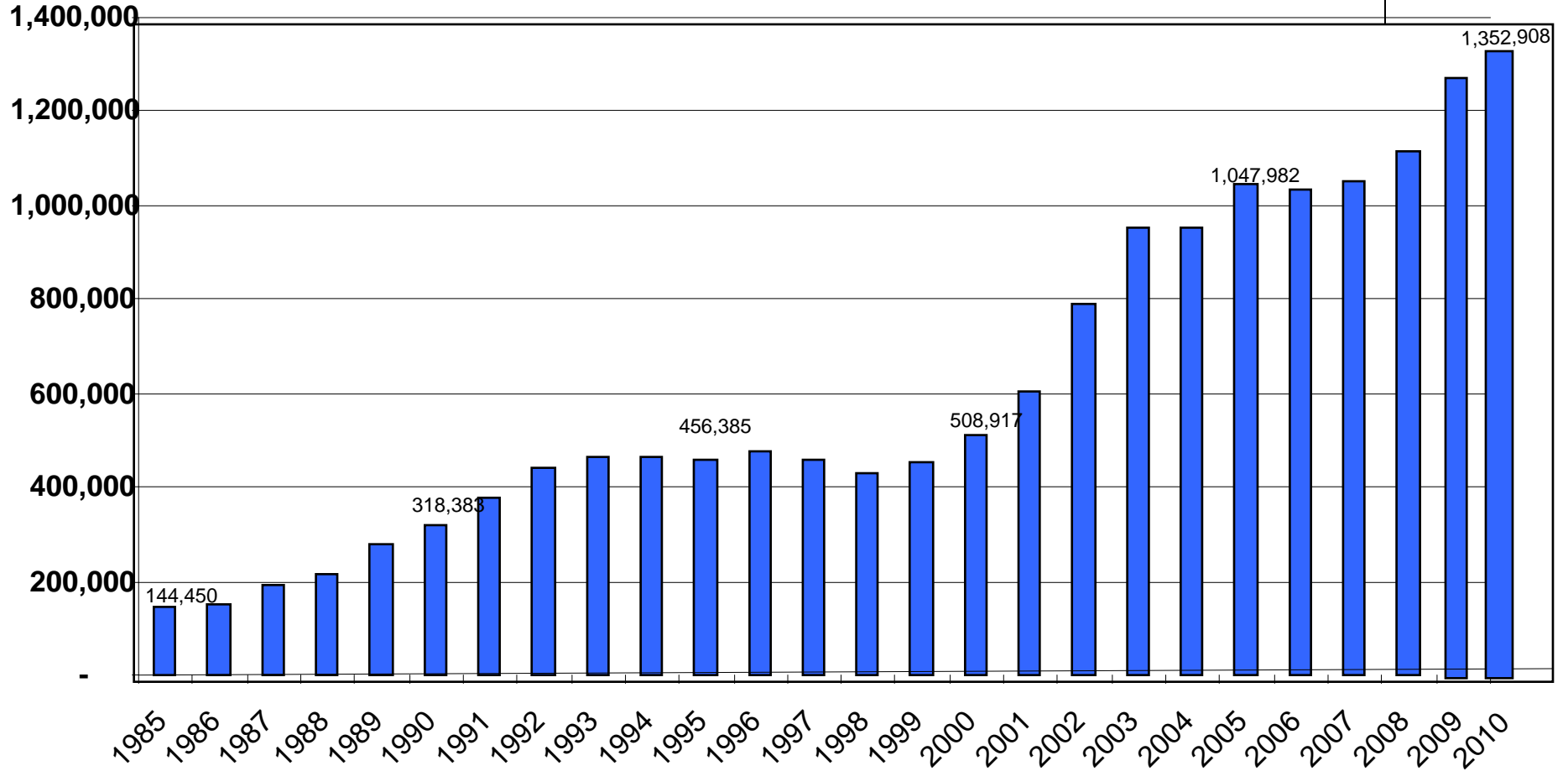




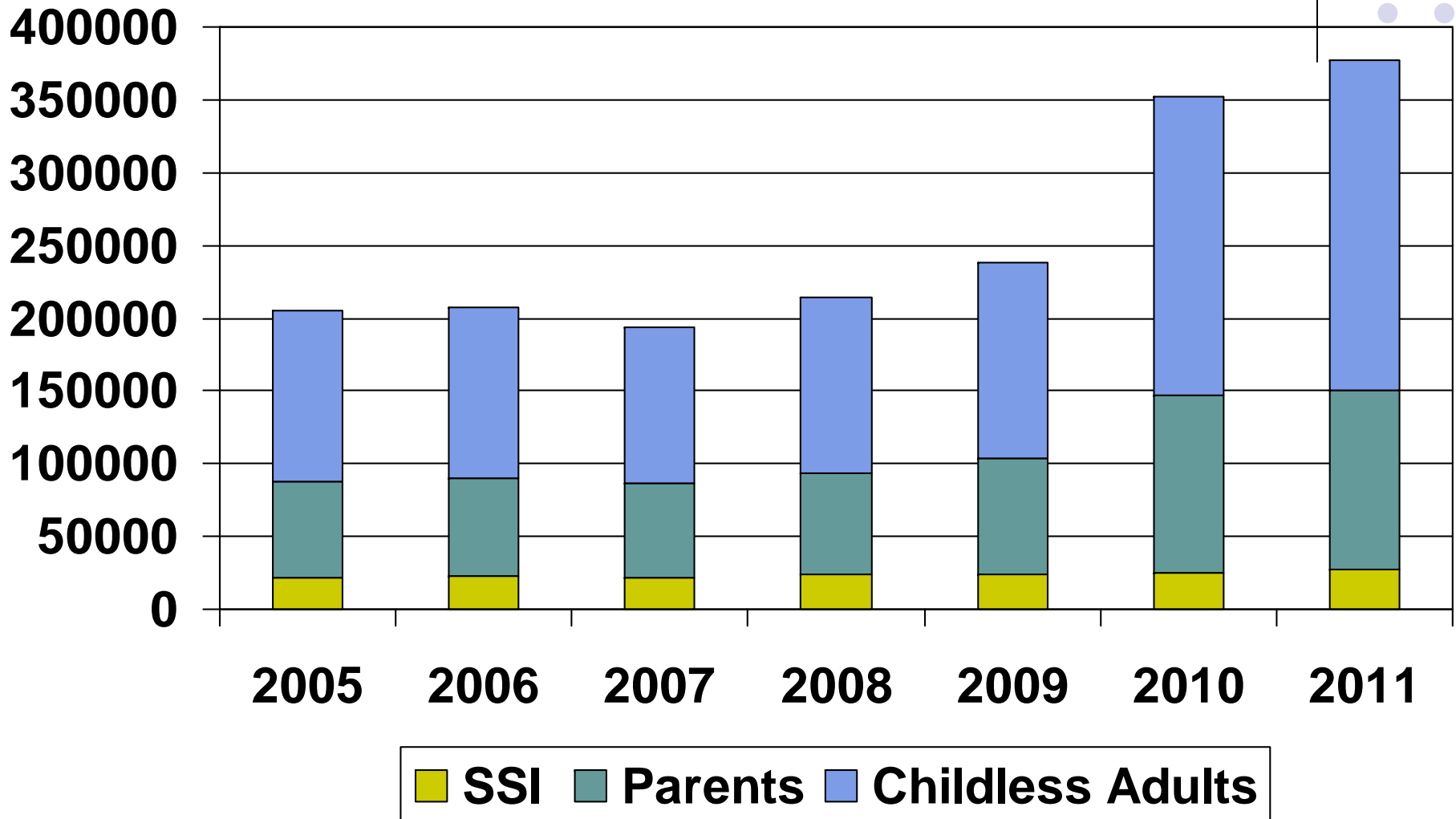
AHCCCS Population as of July 1, 2010



1985 – 2010

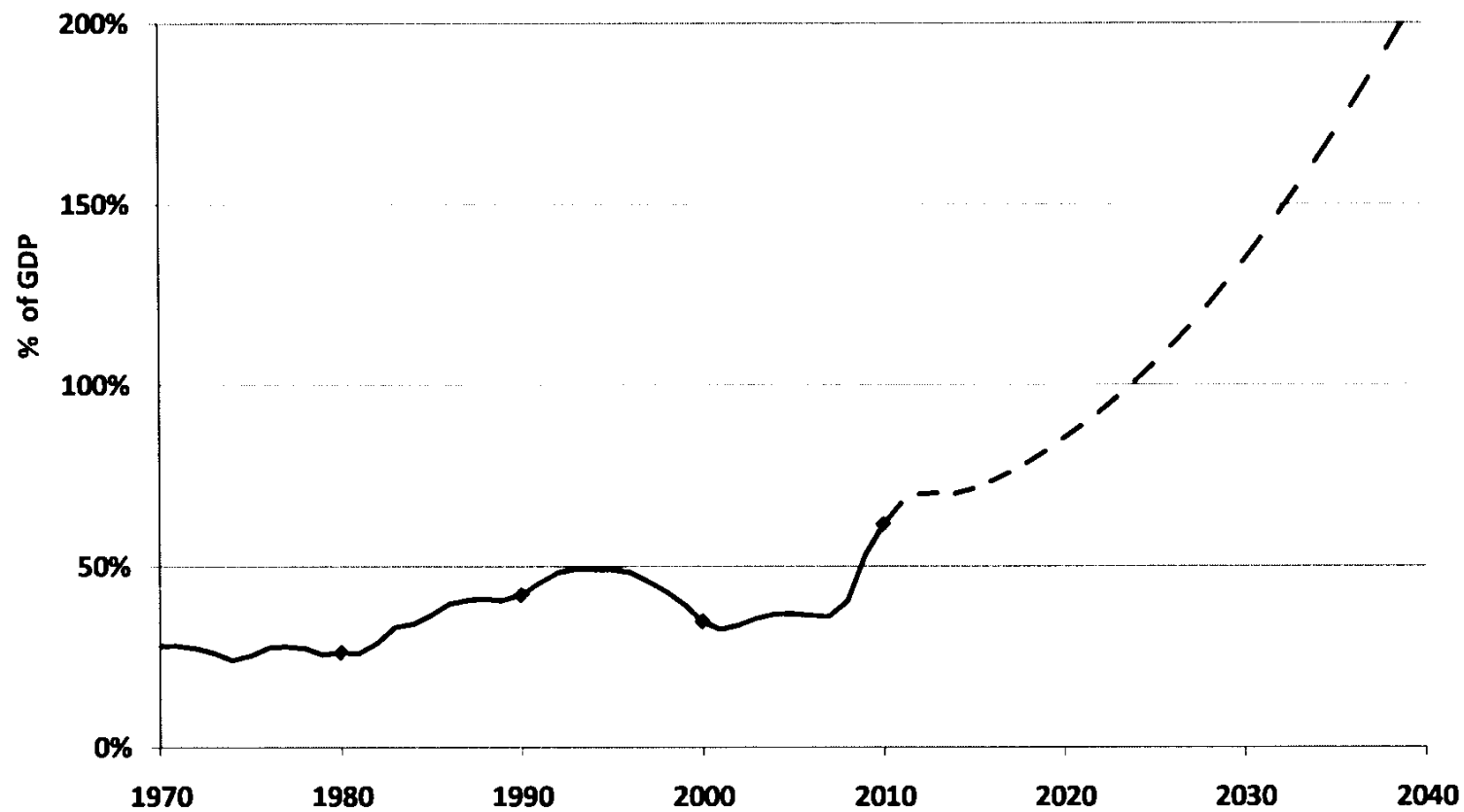


Prop 204 Expansion Population





Debt Held By The Public

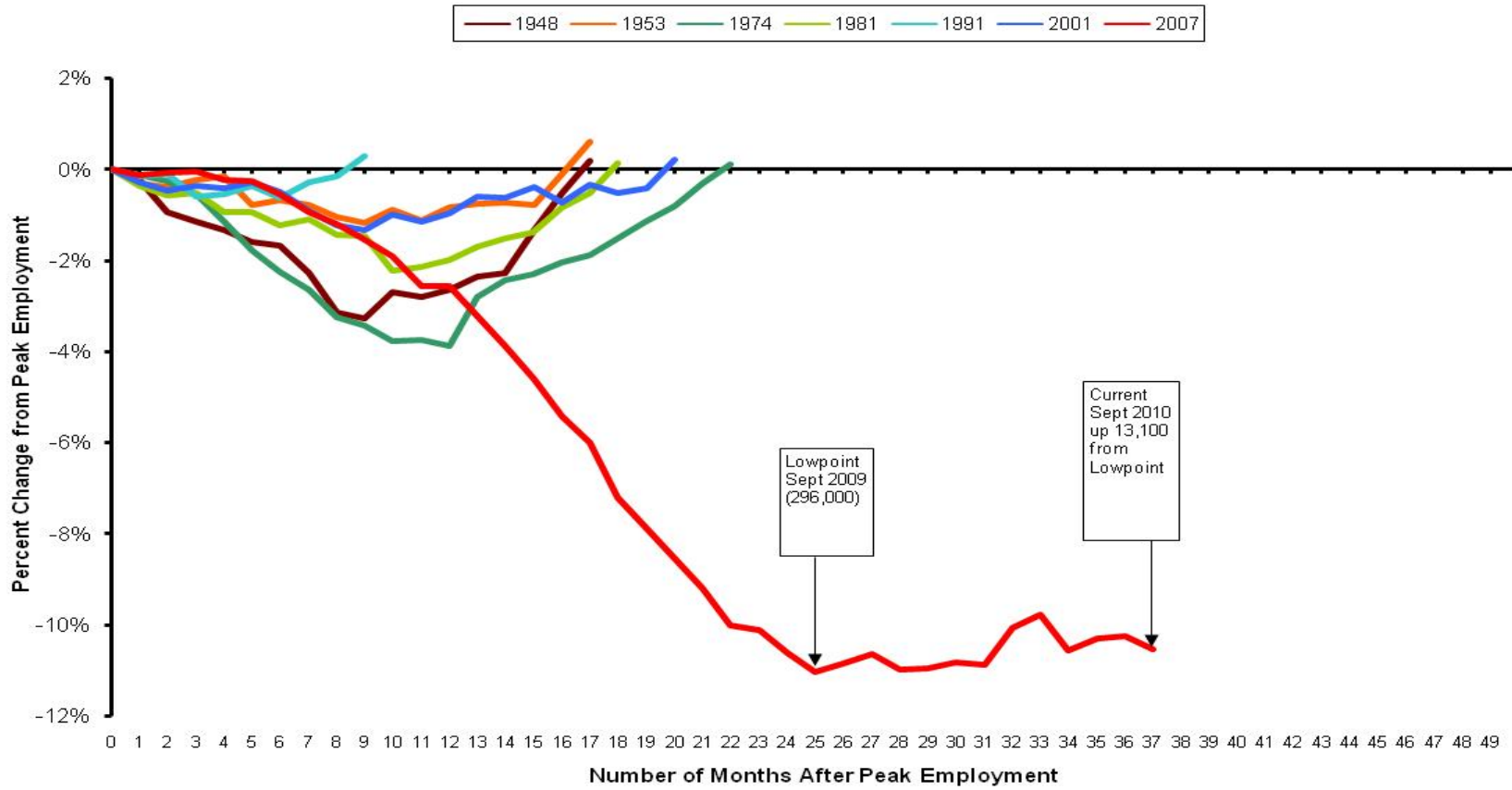


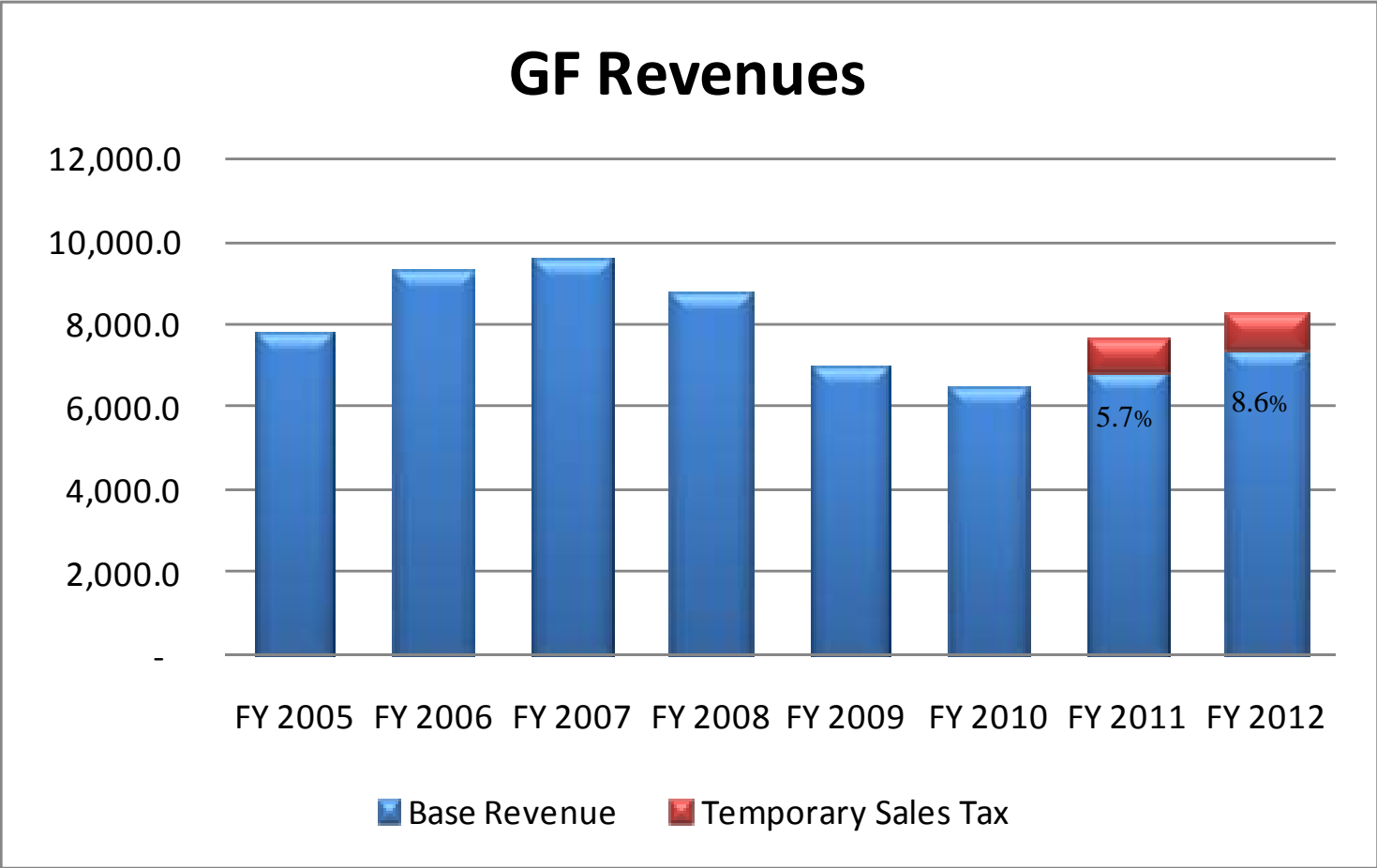
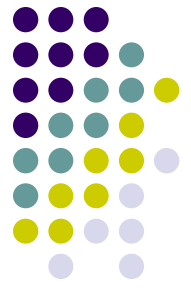
Source: CBO's "Alternative Fiscal Scenario" constructed from the August 2010 Budget and Economic Outlook, additionally assuming that troops in Iraq and Afghanistan are reduced to 30,000 by 2013.

Economy – Job Growth

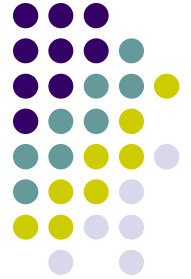


**Arizona
Job Loss Non-Farm Seasonally Adjusted**





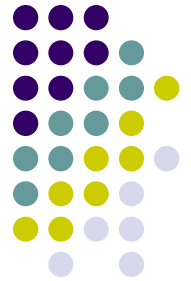
Enacted Budget Solutions



In response to the State's fiscal crisis, Arizona has taken the following steps:

- Reduced personnel expenditures by 19 percent
- Reduced K-12 per pupil support by 18 percent
- Reduced University per pupil funding by 25 percent
- Reduced child care enrollees by 37 percent (18,000 children)

Enacted Budget Solutions (ctd)



- Reduced the number of families on cash assistance by 48 percent (19,000 families)
- Reduced state benefits for the SMI population
- Provided no inflation for health care providers for the last three years – no capitation growth for the last two
- Eliminated most non federally mandated Medicaid services
- Reduced number of kids on KidsCare by 22,900

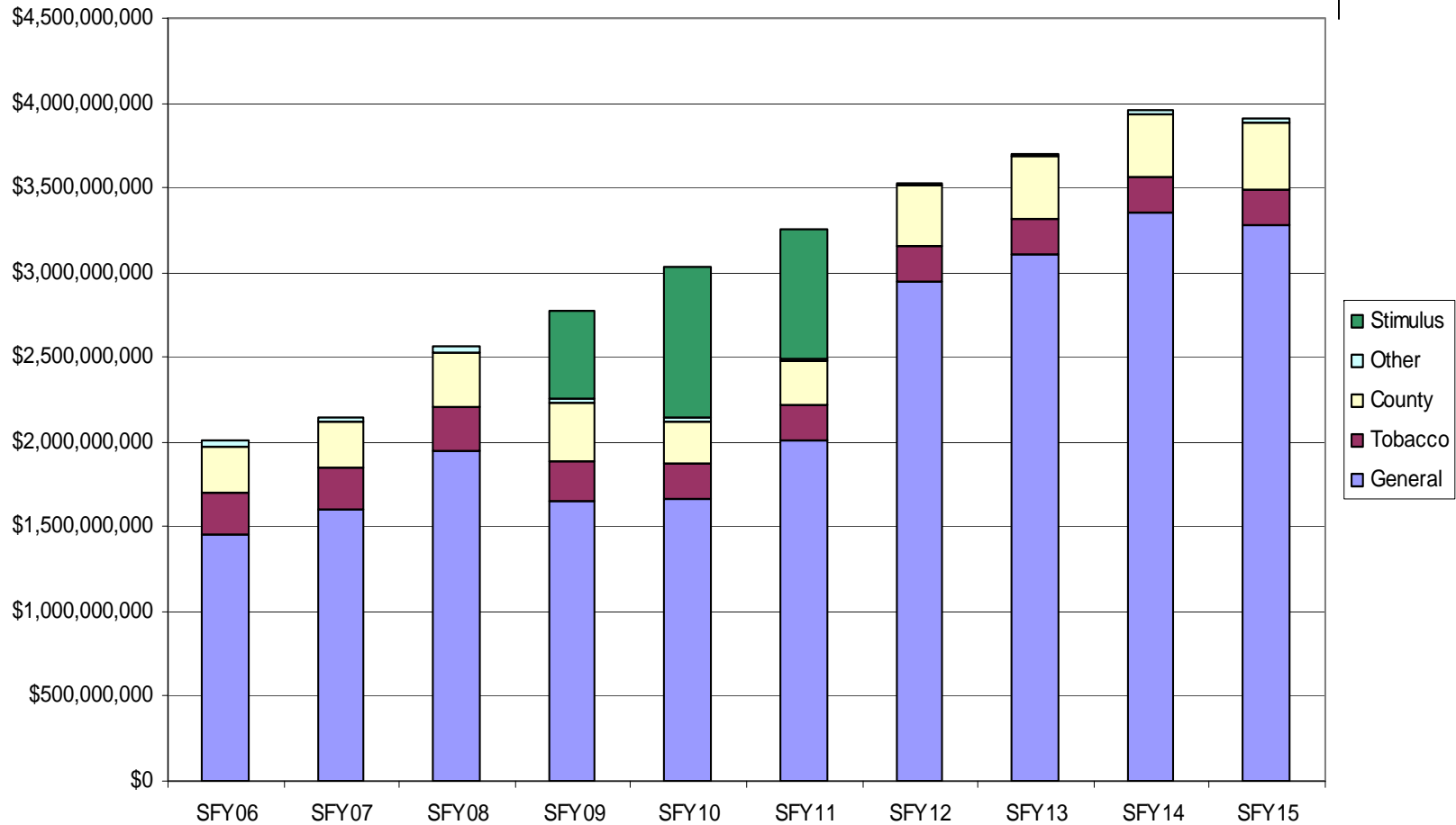
Enacted Budget Solutions (ctd)



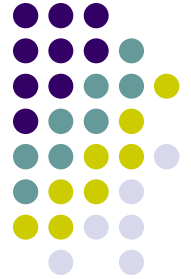
In addition to spending reductions, Arizona has also:

- Borrowed \$2.1 billion
- Deferred \$1.5 billion in current year payments
- Raised taxes by 14.5 percent (\$900 million)

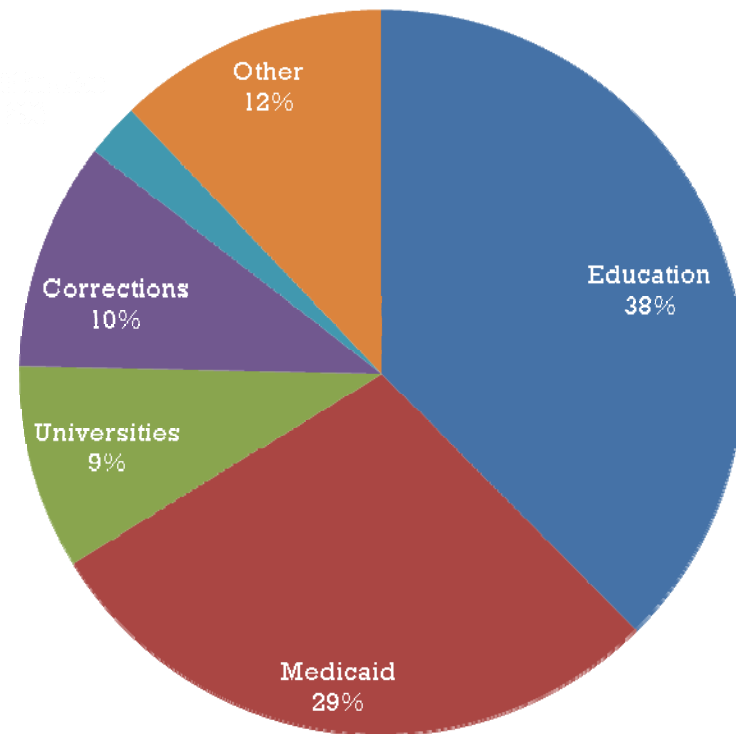
AHCCCS/TOTAL MEDICAID STATE MATCH SFY2006-SFY2015



6 Major Activities Account For FY 2011 On-Going General Fund Spending

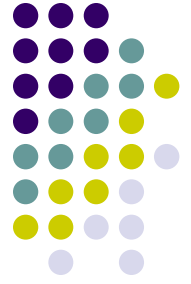


<u>Budget Unit</u>	<u>(Millions)</u>
Education (K-12)	\$ 3,491.2
Medicaid	2,649.0
Universities	855.6
Prisons	938.7
Debt Service	223.4
Other	<u>1,128.1</u>
TOTAL	\$ 9,286.0



K-12 amount is based on the appropriation
Universities does not include capital funds

AHCCCS Budget changes to Date



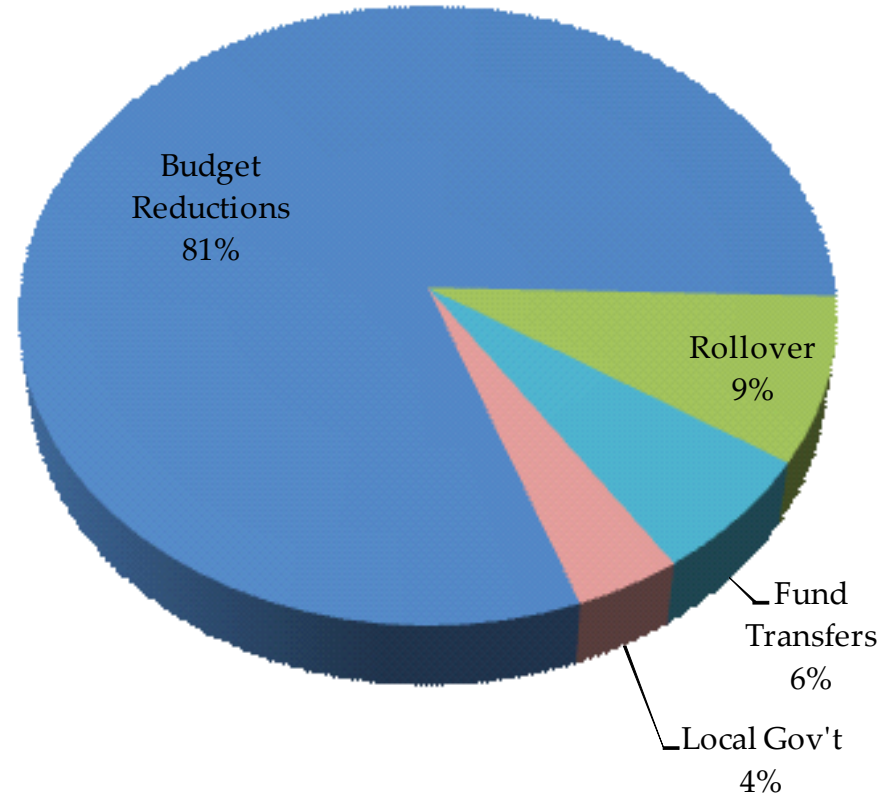
- AHCCCS Program is \$874 million less as a result of policy changes
 - \$413 million in provider reductions
 - \$241 m in institutional rate freezes
 - \$121 m in eligibility reductions
 - \$39 m in benefit changes
 - \$29.5 m in admin reductions
 - \$28 m in increased member cost sharing
- Additional 5% provider rate reduction 4-1-11

Executive Budget Summary

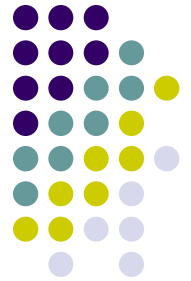


FY 12 Solutions

Budget Reductions	\$1,077.5 M
Rollover	\$115.4 M
Local Gov't Impacts	\$52.4 M
<u>Fund Transfers</u>	<u>\$85.7 M</u>
Total	\$1,331.0 M



Executive Budget Summary

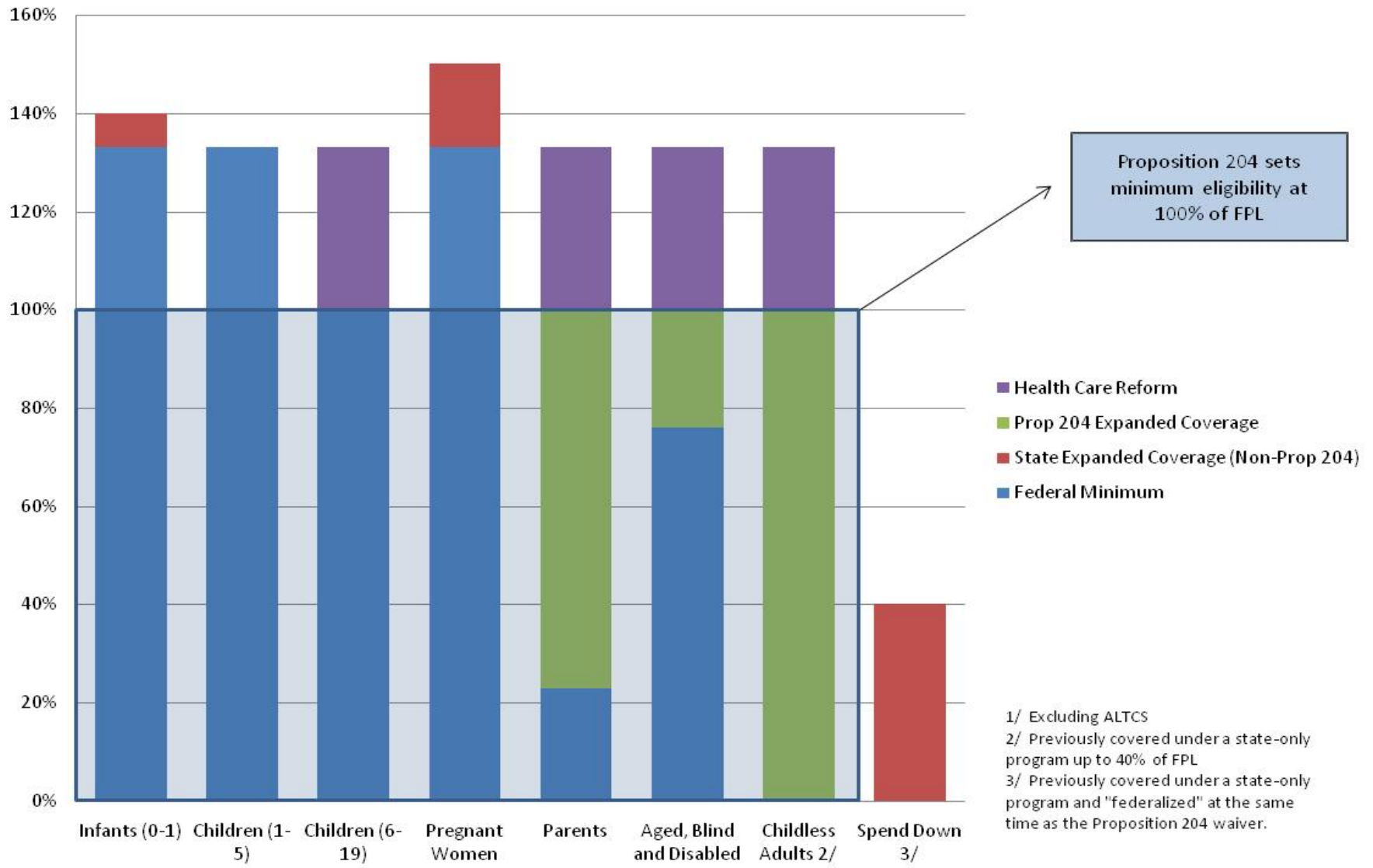


Budget Reductions

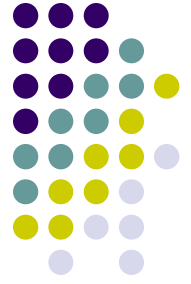
Medicaid Reform	\$541.5
Universities	\$170.0
DES	\$91.0
Provider Rate Reduction	\$89.0
K-12	\$83.7
Community Colleges	\$72.9
Convention Center Payment	\$15.0
DJC	\$7.2
Other	\$7.2
Total	\$1,077.5



Arizona Medicaid Income Eligibility¹



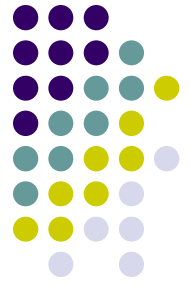
The Plan: Medicaid



Prop 204:

- The Executive recommends limiting Prop. 204 costs to dedicated tobacco settlement and tobacco tax revenues
- To achieve these savings, the Executive recommends
 - Eliminating coverage for childless adults (250,000)
 - Capping TANF parents at a level that can be sustained (30,000 parents lose coverage – approx 90,000 maintain)
 - Continuing coverage for 30,000 Aged, Blind and Disabled

The Plan: Medicaid

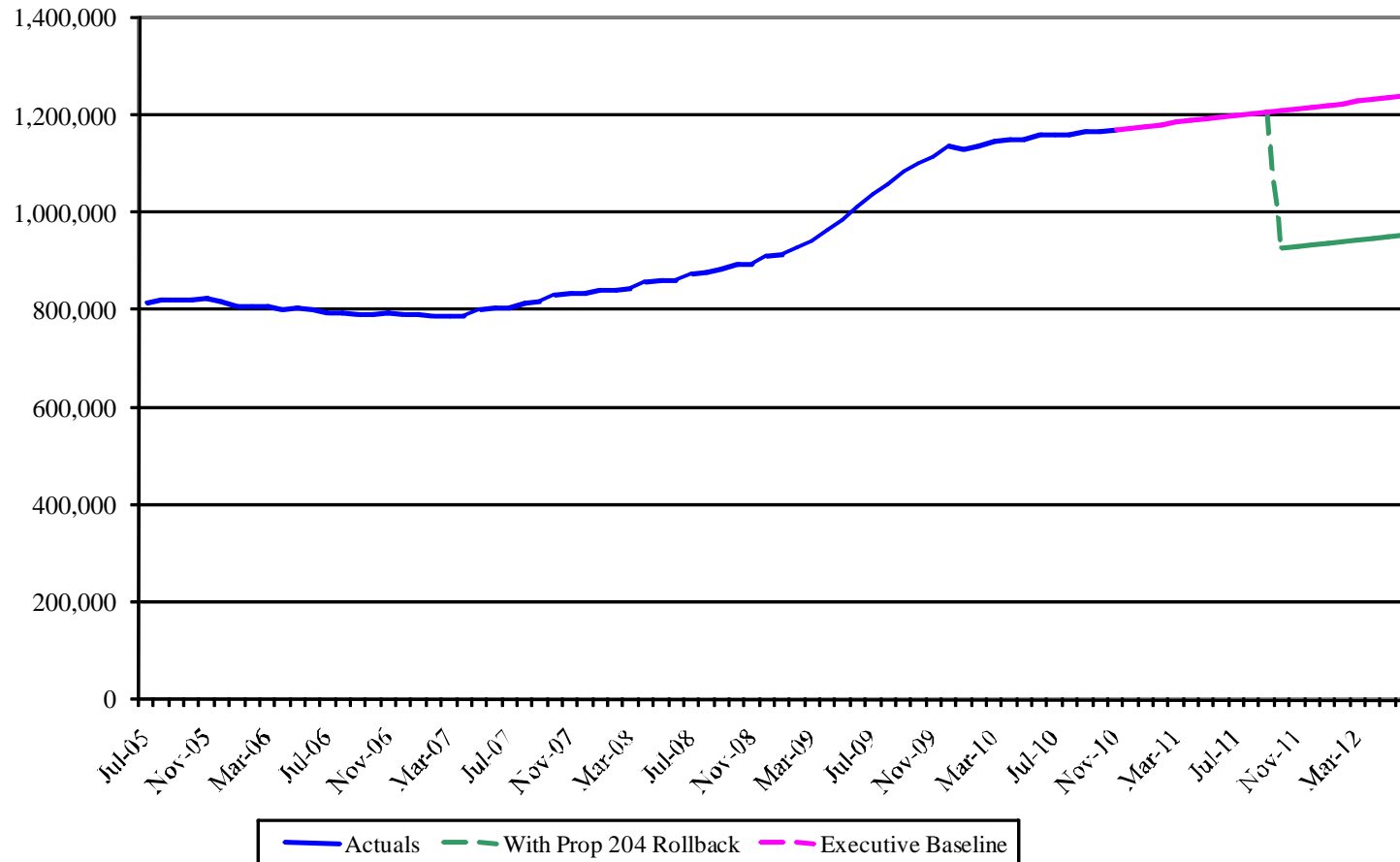


- FY 2012 General Fund savings are estimated at \$541.5 million
- The State will lose approximately \$1.1 billion in federal match
- The Executive is pursuing dual track strategy
 1. Waiver from Secretary of HHS – Legislature provided authority
 2. Congressional Change – Part of request from 33 Governors
- FY 2013 General Fund savings are estimated at almost \$1.0 billion

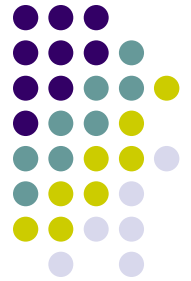
The Plan: Medicaid



AHCCCS All TXIX Capitation Member Months
Actuals and Forecasts



The Plan: Medicaid



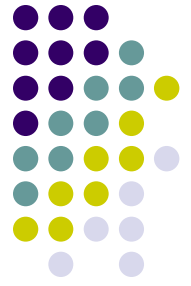
The Executive recommends two steps to mitigate the impact of the change in eligibility:

1. Create a \$151.0 million uncompensated care pool (\$50.0 million GF, \$101.0 million matching funds)
2. Provide \$10.3 million to DHS to fund prescription drug coverage for the estimated 5,200 SMI's who may lose Medicaid eligibility.

Provider Taxes

1. Dozens of States have Implemented them
2. Governor willing to entertain options
3. Governor/Legislative Leaders have met with Stakeholders for past two years – no progress to date

What about eliminating AHCCCS?



- Nothing in federal law establishes a federally run Medicaid system
- \$7 billion in federal health care spending eliminated
- Current GF Medicaid commitment is \$2.0 billion
- Funding for Long Term Care program for elderly and developmentally disabled (50,000 members) -\$2.2 b
- Unless eliminating coverage for those at risk of being in an institution then there are no funds left for 1.3 million Arizonans currently covered – including Seriously Mentally Ill (SMIs)
- Significant cost shift to remaining payers (business)