

Executive Summary to DRAFT Waiver Amendment Childless Adults Continuation

AHCCCS currently covers adults without deprived children (“Childless Adults”) through its 1115 Research and Demonstration Waiver (sometimes referred to as a “Demonstration” or “Waiver”). This special waiver authority was needed because Childless Adults are not otherwise eligible for Medicaid. Arizona is one of only six states in the country to provide Medicaid coverage to Childless Adults.

AHCCCS’ authority to cover Childless Adults under the Waiver expires December 31, 2013, even though the Waiver will remain in effect for nearly three more years through September 30, 2016. The 2013 expiration date for Childless Adult coverage in the AHCCCS Waiver was selected because the Medicaid expansion provisions of the Affordable Care Act (the “ACA”) beginning January 1, 2014, were considered to be mandatory at the time the Demonstration was approved on October 21, 2011. Subsequently, the United States Supreme Court ruled that the ACA Medicaid expansion is optional, creating new coverage opportunities for states.

On September 18, 2012, AHCCCS posted a draft waiver amendment to its website that would allow the State to: (1) extend its current authority to provide Medicaid coverage to Childless Adults for the entire period of its Waiver (through September 30, 2016); and (2) to obtain the enhanced federal medical assistance percentage (FMAP) for Childless Adults beginning January 1, 2014.

As the State evaluates coverage options for the future, Governor Brewer has underscored the need to identify enhanced federal match rate opportunities for the restoration of coverage for Childless Adults in order to ensure the program’s sustainability while honoring the will of the voters. While states that have never covered childless adults can obtain 100% federal funding for this population in 2014, Arizona’s citizens are penalized for having elected to provide AHCCCS coverage to all Arizonans under 100% FPL. The resulting loss in federal funding associated with having provided coverage to Childless Adults since 2000 is enormous. Based on the most recent AHCCCS projections, if Arizona had never expanded coverage to Childless Adults, the cost from State Fiscal Year (“SFY”) 2014 through SFY 2017 of adding coverage for this population would have been only \$57 million. Instead, Arizona’s four-year costs to maintain coverage under the regular FMAP approach \$2.5 billion. However, the ACA does allow an enhanced FMAP for childless adults to the handful of states like Arizona who expanded Medicaid coverage prior to the passage of the ACA. Through this enhancement, the four-year cost of the Childless Adult population is decreased from \$2.5 billion to roughly \$928 million. Although this additional funding does not make Arizona whole compared to most other states, obtaining enhanced FMAP for the State’s Childless Adult population is imperative for the State to consider the sustainability of Prop. 204, and this Waiver amendment recognizes its significant impact.

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This amendment request does not reflect any decision on the part of Governor Brewer about the future of Arizona's Medicaid program. Rather, extending the State's authority to cover Childless Adults under the Demonstration supports the State's thoughtful approach to examining coverage opportunities for its citizens and preserves needed flexibility for the State to manage the cost of coverage for Childless Adults within available resources. The Waiver, and a decision on the enhanced federal match rate opportunity, are critical in assisting Governor Brewer in her decision making. Governor Brewer is still scheduled to make a decision on Medicaid-related issues in light of the Supreme Court ruling by December or January.

This Waiver amendment is open for public comment for 30 days; the comment period closes October 19, 2012. AHCCCS will review all public comments as they are received. Once the comment period is closed, AHCCCS will formally submit the waiver amendment request to the Centers for Medicare and Medicaid Services (CMS).