



STATE OF ARIZONA

JANICE K. BREWER  
GOVERNOR

EXECUTIVE OFFICE

April 25, 2013

The Honorable Andy Biggs  
Arizona State Senate  
1700 West Washington  
Phoenix, Arizona 85007

The Honorable Andy Tobin  
Arizona House of Representatives  
1700 West Washington  
Phoenix, Arizona 85007

Dear President Biggs and Speaker Tobin:

Today, we received important guidance from the federal Centers for Medicare and Medicaid Services (CMS) that clarifies the State's options with respect to Medicaid coverage. This guidance comes in response to a formal inquiry from my administration: Could the State of Arizona continue receiving federal funding to maintain coverage for childless-adult Medicaid members if our State extends an enrollment freeze past the scheduled expiration date of December 31, 2013? As you know, an estimated 63,000 childless adults are expected to be members of the Arizona Health Care Cost Containment System (AHCCCS) as of that date.

In response, CMS today stated: "*Enrollment caps limit enrollment in coverage on a first come, first serve basis. Periods of ineligibility delay or deny coverage for otherwise eligible individuals. These policies do not further the objectives of the Medicaid program, which is the statutory requirement for allowing section 1115 demonstrations. As such, we do not anticipate that we would authorize enrollment caps or similar policies through section 1115 demonstrations ...*"

I know that many of you have been awaiting clear federal guidance in response to this key question. We now have it, and the answer is: "**No.**"

There are now four options before us. As you review these options, remember that the course we chart will play a large role in dictating the health and well-being of hundreds of thousands of Arizonans, impact our ability to fund other critical State services and help determine the future of Arizona's economic competitiveness.

**Option 1:**                                **Continue the AHCCCS enrollment freeze and cover remaining childless adults using State-only funds.**  
***General Fund Cost:***                    ***\$850 million over three years***

This option would maintain with State-only dollars the coverage for childless adults already in AHCCCS and continue an existing enrollment freeze, allowing enrollment to decline via attrition. This proposal would come at a projected three-year cost that exceeds \$850 million in State-only funds. This is neither cost-effective nor sound policy. It also violates the clear intent of Arizona voters who, with passage of Proposition 204 in 2000, expressed their will to provide AHCCCS coverage to childless adults living below the Federal Poverty Limit (FPL).

**Option 2:**                                **Restore AHCCCS coverage for all childless adults.**  
***General Fund Cost:***                    ***\$1.3 billion over three years (with 2-1 federal matching funds)***

This proposal would end the freeze on enrollment of childless adults, but decline to tap into additional federal support via the Governor's plan. As a result, this option would drain Arizona's Rainy Day Fund and intensify pressure upon our General Fund as health care services compete for scarce State dollars with education, public safety and other core State functions. I cannot support putting these critical state functions at risk when there is a more reasonable path forward.

**Option 3:**                                **Terminate childless adult coverage and drop 63,000 Arizonans from AHCCCS.**  
***General Fund Cost:***                    ***\$0***

With this option, Arizona on January 1, 2014, would terminate AHCCCS coverage for an estimated 63,000 Arizonans currently receiving care, regardless of health condition or manner of ongoing treatment. Among these 63,000 people are an estimated 5,000 cancer patients and 2,000 Arizonans with Serious Mental Illness. This choice also would eliminate any chance of AHCCCS coverage for another 240,000 Arizonans that voters, via passage of Prop. 204, indicated should receive care. For these reasons and others, this option is morally repugnant and fiscally irresponsible.

**Option 4:**                                **The Governor's Medicaid Restoration Plan**  
***General Fund Savings:***                ***\$100 million over three years***

My proposal would restore Prop. 204 coverage to 240,000 childless adults living below the Federal Poverty Limit (FPL), and expand coverage to 57,000 adults earning up to 133% of FPL.

President Andy Biggs  
Speaker Andy Tobin  
April 25, 2013  
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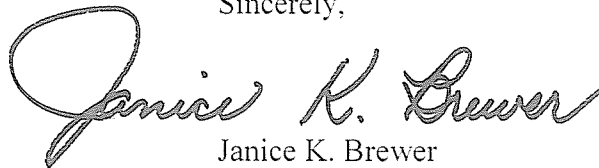
This would allow Arizona to access a higher federal matching rate in order to help the State fund Prop. 204 and reduce its pressure upon other State services. Through a collaborative effort with the hospital industry, this coverage can be funded through a provider assessment. There would be no cost to our General Fund, and a circuit breaker in my plan ensures the State's participation in the federal health reform act would automatically cease if the federal government walks away from its funding promises.

Please see the attached policy document for more details on the options above.

It has been more than 100 days since I announced my intentions for AHCCCS. In that time, my staff and I have presented detailed legislative language to enact this plan. We have met on multiple occasions with many of you to answer any questions or concerns you may have, and I remain open to your suggestions. I have appreciated your earnest consideration of this critical issue. But today's clear guidance from CMS makes it apparent there is really only one viable alternative: the Restoration Plan already before you.

It is time for us to complete the people's work.

Sincerely,

A handwritten signature in cursive script that reads "Janice K. Brewer". The signature is written in black ink and is positioned above the printed name and title.

Janice K. Brewer  
Governor

Enclosure: Arizona's Medicaid Policy Options

cc: Honorable members of the Arizona House of Representatives and Arizona State Senate

## ARIZONA'S MEDICAID POLICY OPTIONS

Options	Lives covered	General Fund Impact FY 2014 – 2016	Federal Money Available FY 2014 – 2016
The Governor's Medicaid Restoration Plan	300,000 people	Savings to GF: \$100 million	\$4.1 billion
Restore AHCCCS coverage for the Prop. 204 population (2 to 1 federal match)	240,000 people	Cost to GF: \$1.3 billion	\$2.6 billion
Continued Freeze (state only funds)	63,000 people but continuing to shrink	Cost to GF: \$850 million plus	\$0
Terminate Coverage on 1-1-14	63,000 people lose health insurance	\$0	\$0