The Executive Budget Recommendation, FY 2014 and FY 2015

Office of Governor Janice K. Brewer

Medicaid Expansion

January 2013
Expanding will Maintain Arizona’s Economic Competitiveness

• Almost all of Arizona’s neighboring states are expanding
• Not expanding will expose Arizona to uncompensated care costs that will impact the cost and quality of care
• This cost will hurt Arizona in economic competition with other states
• Taxes from non-expanding states will fund Medicaid growth in expanding states creating a wealth shift
Medicaid and ACA Populations

- **Exchange Subsidies**
- **Full Expansion**
- **Healthcare Reform Mandatory**
- **Prop 204 Expanded Coverage**
- **State Expanded Coverage (Non-Prop 204)**
- **Federal Minimum**

100-133% FPL Estimated 57,000 to enroll

Percentage of costs paid by federal government

*Currently frozen*
Relatively Minor Tweak to Populations Already Covered by Arizona Voters

If Arizona does not expand, it may have to eliminate coverage for remaining 50,000 Childless Adults on 1/1/14.
Significant New Funding for AZ Economy

In FY15, the first full year of implementation:

– $1.6 billion in new federal matching funds
  • 10-to-1 return on investment
    – Because of enhanced federal matches: expansion is 100% federally funded and Prop 204 restoration is 85% federally funded
    – Similar economic impact as Luke Air Force Base
  
– $154.0 million match paid by provider assessment

Circuit breaker protects the State from a bait and switch
New Provider Assessment Protects the General Fund

• Since 2007 Medicaid costs have grown by 35%
• At full implementation the Prop. 204 expansion’s unfunded costs are $256.0 million
• The proposed assessment will relieve the GF of the Prop. 204 burden, freeing funds for other state priorities
• Assessment is consistent with 2004’s Prop. 101, requiring self-funding for all initiatives
• Replaces City of Phoenix tax
• Cities will no longer be allowed to levy tax
Arizona uses Conservative Principles to Manage Medicaid

- Exporting Arizona’s conservative health management model can help the national deficit
- Since shortly after creation in 1982, AHCCCS has been considered “the gold standard”
- AHCCCS - a national leader on cost containment
  - Almost entirely managed care – rare for Medicaid
  - Member costs approximately 12 percent lower than national average
- The Executive Recommends additional payment reforms:
  - Shift payment from per-hospital day to per-diagnosis
  - Partnerships with plans and providers to improve quality and performance