Board of Supervisors Memorandum

April 9, 2013

Resolution in Support of the Governor's Plan to Restore Medicaid

Introduction

Over the past several years, the State has made a number of changes in the scope of coverage and eligibility criteria for the Arizona Healthcare Cost Containment System (AHCCCS) Medicaid program offered to Arizonans. The State has also reduced reimbursement rates paid to providers. These changes, while seemingly modest in relationship to the State budget, have a disproportionate impact when the consequences of such changes are realized at the local level. The need for care is still present and the cost related to the consequences of these changes must be absorbed by the Counties and the local healthcare providers – particularly community hospitals.

On March 12, 2013, Governor Jan Brewer introduced her plan to expand Medicaid eligibility as a piece of a broader initiative to stimulate the Arizona economy, protect rural and safety-net hospitals and provide quality, cost-effective healthcare to Arizona's working poor. The following summarizes the impact of Medicaid expansion and the likely impact of failure to expand.

What Medicaid Expansion Means for Arizona and Pima County

AHCCCS is one of the few programs in the country that uses almost entirely a managed care model. Member costs are approximately 12 percent lower than the national average. As such, AHCCCS has regularly been recognized as a national leader on cost containment and lauded as the "gold standard" for state Medicaid programs.

The cost of restoring adult eligibility and expanding eligibility to 133 percent of the Federal Poverty Level (FPL) (currently set at $11,170 for a single individual and $23,050 for a family of four) is $154 million for the first full year of implementation. Consistent with 2004's Proposition 101 requirement for all new initiatives to be self-funding, Governor Brewer's proposal includes the creation of a statewide provider assessment for hospitals that is expected to relieve this impact on the State general fund. As a result of investing the $154 million, Arizona will receive almost $1.6 billion in new federal matching funds in the same period, which is a 10:1 return on investment. This influx of federal money is anticipated to create more than 15,000 jobs annually for Arizona's economy. Governor Brewer's plan also has "circuit breaker" provision that protects the State from potential federal decisions to reduce match. If the federal funding commitment drops below 80 percent, the State would repeal the initiative. This protects the State and assures it has the ability to opt out of Medicaid restoration at any time.

Expanding coverage could lower health insurance costs for all Arizonans. The uninsured individuals who are seriously ill receive healthcare, but generally do so in hospital emergency rooms when their conditions are so severe they can no longer delay care. This results in use of one of the most costly settings for care. Federal law requires hospitals to triage and stabilize individuals who present in emergency rooms. Hospitals must cost shift the uncompensated care to other payers ultimately increasing fees paid by those who are insured or have the ability to pay. It is estimated that the costs associated with treatment of the uninsured is $1,700 per year for the average family. Elimination of the need to cost shift will also assist Arizona employers, both by reducing healthcare costs (premiums and out of pocket) and by supporting a system of preventive and routine care yielding a healthier workforce.

In Pima County, expansion of Medicaid could result in a reduction of costs for mandated healthcare services, particularly those related to care provided in the Pima County Adult Detention Complex (PCADC) and through the involuntary psychiatric commitment process under Title 36. Reduction in the availability of AHCCCS for uninsured residents of Pima County has cost the County in several ways. Daily comparisons of individuals booked into PCADC with the AHCCCS eligibility files indicate that the percentage of individuals enrolled in AHCCCS decreased from 43 percent to 23 percent between July 2011 and June 2012. This is significant as increase in the uninsured levels means more individuals are experiencing barriers to medical and behavioral care leading to destabilization as chronic conditions go untreated. Once a person destabilizes the most likely outcome is presentation again to a high cost emergency room or reappearance in one of the two settings funded by the County: detention or involuntary psychiatric commitment. When these individuals present, they require costly restabilization which is funded by the taxpayers of Pima County.

AHCCCS reductions in covered services, reimbursement rates and eligibility have resulted in increasing levels of uncompensated care for healthcare providers across Arizona. The Arizona Hospital and Healthcare Association reports the statewide cost of uncompensated care in hospitals was 3.5 percent in 2009 and has increased to 6.1 percent in January 2012. Local hospitals are reporting much higher figures. The University of Arizona Medical Center – South Campus (UAMC SC) is reporting more than 13 percent. Reports to the Arizona Department of Health Services (ADHS) by area hospitals in Pima County indicated that uncompensated care stated at cost increased by 38 percent between Fiscal Year (FY) 2009 and FY 2011 which represents $54.9 million. As uncompensated care increases at UAMC SC, the County's current commitment of $15 million annually, plus any federal match generated by with County's funds, is consumed by the rapidly increasing rate of uncompensated care. As a result, UAMC SC is not able to utilize the $15 million to expand or enhance services at the campus.

Impact of Not Expanding Medicaid

If Arizona does not expand its AHCCCS eligibility, it may have to eliminate coverage for an estimated 50,000 in January 2014. It will also leave more than 200,000 individuals who have already fallen off AHCCCS without any insurance option as these individuals will not be eligible for the low-cost health plan options that will be enrolling the uninsured as of October 1, 2013. This situation will establish a permanent tier of uninsured and related uncompensated costs in Arizona.

Arizonans will continue to pay federal taxes; however, their tax dollars will be used in part to fund Medicaid programs in other states. Almost all of Arizona's neighboring states are expanding Medicaid to the 133 percent of FPL. In effect, Arizonans will be supporting Medicaid growth in other states, creating a shift in wealth. This may result in a weakened position for economic development and competition in Arizona as it will eliminate an influx of federal funding the state would otherwise not receive and which creates jobs and aids in creating a healthy workforce.

Pima County will likely see a continued increase in mandated healthcare services costs at the detention center and the involuntary psychiatric commitments. Additionally, local providers will see a continuing increase in uncompensated care, which will potentially impact the sustainability of their business operations possibly resulting in reduced levels of service and unemployment for their staff. Additionally, the cost shifting to insured residents through increases in hospital costs and insurance premiums will continue.

Recommendation

The Governor's plan for Medicaid expansion is in the best interest of our State and the residents of Pima County. I recommend the Board of Supervisors pass the resolution in support of Governor Brewer's plan to restore Medicaid and thereby encourage the Arizona Legislature to approve the Governor's plan to expand AHCCCS coverage for Arizonans in need.

Respectfully submitted,

C.H. Huckelberry
County Administrator

CHH/mjk – April 3, 2013

Attachment

c: Jan Lesher, Deputy County Administrator for Medical & Health Services

RESOLUTION NO. 2013-_____

PIMA COUNTY
RESOLUTION IN SUPPORT OF THE GOVERNOR'S MEDICAID PLAN

WHEREAS, the voters of Arizona clearly and overwhelmingly expressed their will to provide health insurance coverage through the Arizona Health Care Cost Containment System (AHCCCS) for all Arizonans up to 100 percent of the Federal Poverty Level both in 1996 and in 2000 through Proposition 204; and

WHEREAS, Proposition 204 relieved county governments of their role in serving as the safety net for the medically needy/financially indigent, which was not a sustainable cost for the counties; and

WHEREAS, restoration of Proposition 204 is critical to county governments as the impact of the childless adult enrollment freeze has led to increased county costs and public safety concerns, such as increases in court ordered treatment, recidivism rates and use of the jail system as a means of addressing those who are in need of behavioral health treatment but unable to access care; and

WHEREAS, the Governor's plan is the best approach to honor the will of the voters, support county governments, and restore coverage to hundreds of thousands of Arizonans in need; and

WHEREAS, the cost of restoring Proposition 204 will be covered by a hospital assessment that will make State funds available for other priorities such as education or public safety; and

WHEREAS, the hospital assessment does not get passed on to the consumer but instead relieves hospitals of their uncompensated care burden for which we are all currently paying; and

WHEREAS, the Governor's plan further protects the State from any federal "bait and switch" by including a "circuit breaker" that will be triggered if the federal funding commitment falls below 80 percent; and

WHEREAS, the federal guidance is very clear that such a circuit breaker is permissible and that Arizona is able to opt in or out of Medicaid restoration at any time; and

WHEREAS, while everyone is concerned about the federal deficit, not restoring Proposition 204 coverage to hundreds of thousands of Arizonans with cancer, trauma injuries, serious mental illness, etc., only hurts Arizonans and does nothing to reduce the federal deficit; and

WHEREAS, restoring Medicaid positions Arizona as a leader in the national debate about Medicaid reform, which can have an impact on the federal deficit; and

WHEREAS, AHCCCS is the Gold Standard for Medicaid managed care and serves as the national model of how to deliver quality care at the lowest cost; and

WHEREAS, AHCCCS is also a shining example of *limited* government where care is managed by *private* health plans and provided by *private* physicians and hospitals, the very same ones we all see for our own care;

NOW, THEREFORE BE IT RESOLVED, that we, Pima County, do affirm and declare our support for the Governor's plan to restore Medicaid; and

BE IT FURTHER RESOLVED, that we, Pima County, encourage the members of the Arizona Legislature to stand with the people of Arizona, who have twice expressed their support for the Governor's plan to provide AHCCCS coverage for Arizonans in need.

PASSED, ADOPTED AND APPROVED, by the Board of Supervisors of Pima County this _____ day of _____, 2013.

_____
Chair, Pima County Board of Supervisors

ATTEST:

_____
Clerk of the Board

APPROVED AS TO FORM:

_____
Deputy County Attorney