



MEMORANDUM

Date: March 22, 2017

To: The Honorable Chair and Members
Pima County Board of Supervisors

From: C.H. Huckelberry
County Administrator

A handwritten signature in black ink, appearing to read "CHH", is written over the printed name "C.H. Huckelberry".

Re: **Impact of the American Health Care Act on Arizona**

There has been speculation regarding the impact to Pima County and on Pima County residents of passage of President Trump's proposed American Health Care Act (AHCA). The attached document provided by Governor Doug Ducey and Tom Betlach, Director of the Arizona Health Care Cost Containment System (AHCCCS), summarizes the AHCA's impact to Arizona.

Our assumption is that approximately 15 percent of the figures provided by Governor Ducey and Mr. Betlach can be apportioned to Pima County. Therefore, using the State's numbers, if the AHCA was enacted as currently drafted, it would result in the following:

- End Medicaid/AHCCCS for 380,000 in Arizona (estimated 57,000 in Pima County)
- Cut \$2.5 billion per year in federal funds received in the Arizona economy
- Shift \$500 million per year in federal costs to Arizona to cover the 300,000 childless adults (estimated 45,000 in Pima County)
- Force 80,000 off AHCCCS
- Increase Arizona uninsured

Unfortunately, this appears to be a major step backward in providing reasonable healthcare and medical services. As an example, at the County-owned hospital leased to Banner, under the Affordable Care Act and Arizona's Medicare expansion, the uncompensated care experience decreased from 13 percent of patients to 3 percent of patients being classified as self-pay or having no insurance.

CHH/mjk
Attachment

c: Jan Leshar, Chief Deputy County Administrator
Dr. Francisco Garcia, Assistant County Administrator for Health Services
Chair and Members, Pima County Board of Health

SUMMARY OF AHCA IMPACTS

The Arizona Health Care Cost Containment System (AHCCCS) has compiled an analysis of the American Health Care Act (AHCA) as of March 15, 2017. Currently, 1.9 million low-income Arizonans are covered under AHCCCS. Approximately 400,000 are included in the main eligibility groups initially affected by the changes included in the AHCA: 316,000 in the 0-100% Proposition 204 Childless Adult population and 81,000 in the 100-133% Expansion Adult population. AHCCCS continues to monitor the progress of the AHCA as it moves through the legislative process. This analysis may be affected by future changes to the legislation or other factors.

Summary of the AHCA Provisions Affecting AHCCCS

- The AHCA would change the enhanced federal funding associated with both the Proposition 204 Childless Adult population (with incomes up to 100% FPL) and the Expansion Adult population (with incomes 100-133% FPL).¹ For both of these populations, the AHCA would allow the State to continue claiming enhanced federal matching funds for those members who are enrolled as of December 31, 2019, and do not have a break in eligibility for more than one month. If the State allowed individuals to continue to enroll in these population groups after that date, those new enrollees would be subject to the regular 2 to 1 federal match.
- Additionally, for the Proposition 204 population, the bill would decrease federal funding from what is specified under current law for 2018 and 2019, essentially freezing it at 2017 levels (which would result in a lower federal share of between 2% and 4.6% over that time-frame).
- The AHCA would create the Patient State Stability Fund, an optional grant program to support state insurance markets, which would appropriate a total of \$100 billion over nine years to the states. Arizona's estimated share is about \$280 million annually. This program would require an increasing state match contribution; in the absence of state administration, the federal government would provide direct reinsurance payments to non-group market insurers.
- The bill would limit federal payments to states for Medicaid to a fixed amount per eligible enrollee starting in FY 2020. A fiscal impact analysis of the per capita cap is not included here.

Estimated AHCA Impact

The table on the next page summarizes the estimated impacts of AHCA changes. The impacts depend upon several policy decisions, including whether or not Arizona continues enrollment for the Proposition 204 Childless Adult population, or whether that population's enrollment is frozen.^{2,3} The scenarios below assume enrollment is frozen for the 100-133% Expansion Adult population.

¹ Proposition 204 population includes childless adults, parents, and those eligible for Supplemental Security Income with income up to the federal poverty level. Adults with incomes 100-133% of the FPL were added as part of the Affordable Care Act.

² Analysis of enrollment changes does not include any assumptions about changes that may result from non-enforcement of the individual mandate.

³ Enrollment freeze analysis is based on AHCCCS's prior experience with an enrollment freeze from 2011 to 2013.

In summary:

- If Arizona freezes enrollment for both the Proposition 204 and the expansion populations, approximately 383,000 fewer members will be covered by FY 2023 than under current law. AHCCCS spending in the health care economy in FY 2023 will be \$2.5 billion less than under current law.
- If Arizona continues Proposition 204 Childless Adult population enrollment in 2020, but freezes enrollment in the 100-133% Expansion Adult group, enrollment in that Expansion Adult group will decrease by approximately 108,000 members by FY 2023. The expected annual increased costs to the State due to the loss of the enhanced FMAP for the Childless Adults population would be \$478 million by FY 2023.
- If Arizona elects to participate in the newly-established Patient State Stability Fund, it will be required to contribute a state share in the amount of approximately \$69 million by FY 2023 (increasing each year). A state match is required for calendar years 2020-2026.

	FY 18	FY 19	FY 20	FY 21	FY 22	FY 23
If enrollment for 0-100% FPL (Proposition 204 Childless Adult) and 100-133% FPL (Expansion) populations is frozen in response to loss of enhanced federal funding:						
Decrease in AHCCCS enrollment	0	0	134,000	274,000	319,000	383,000
Decrease in AHCCCS spending	0	0	(\$118 m)	(\$1.5 B)	(\$2.0 B)	(\$2.5 B)
If State continues enrollment for individuals with incomes 0-100% FPL (Proposition 204 Childless Adults):						
Decrease in AHCCCS enrollment	0	0	37,000	78,000	90,000	108,000
Increase in State costs ⁴	\$30m	\$92 m	\$148 m	\$319 m	\$408 m	\$478 m
If State elects to participate in the Patient State Stability Fund:						
Increase in State costs	0	0	\$9.8 m	\$29.4 m	\$49 m	\$68.6 m

⁴ Includes costs in FY 18 and FY 19 associated with a required decrease in enhanced federal funding regardless of whether the State continues to cover this population after 2019.

If the American Health Care Act were enacted as is, it would...

- End Medicaid/AHCCCS for 380,000 in AZ
- Cut \$2.5 billion federal from AZ economy
- Shift \$0.5 billion/yr federal costs to AZ to cover 300,000 childless adults (<100% FPL)
- Force 80,000 off AHCCCS (100-138% FPL)
- Increase Arizona uninsured to pre-ACA levels