



STATE OF ARIZONA

JANICE K. BREWER  
GOVERNOR

EXECUTIVE OFFICE

April 22, 2014

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

Re: House Bill 2367 (AHCCCS; annual waiver submittals)

Dear Speaker Tobin,

Today, I vetoed House Bill 2367. This bill would have required AHCCCS to submit an annual waiver request to the federal government to implement a lifetime enrollment limit after five years, work requirements on specific AHCCCS enrollees, and imposes co-pay requirements on certain emergency room visits and related transportation.

As Governor, I have fought to obtain efficiencies and additional flexibility in the administration of our AHCCCS program. I am a firm believer in the importance of personal responsibility, particularly as it relates to health care. Under my leadership, we were successful in obtaining new flexibility in the provision of medical services, modernizing the AHCCCS reimbursement methodology, maximizing enrollee cost sharing, and strengthening AHCCCS program integrity. I have a record of promoting innovation in the provision of state services, including Medicaid coverage. The waiver mandated in House Bill 2367, however, would have had a negative impact on the citizens of our state and our health care delivery system.

In addition to honoring the will of the voters as expressed under Proposition 204, one of the main reasons I advanced my Medicaid Restoration Plan was to address rising uncompensated care costs. The childless adult enrollment freeze resulted in more than 150,000 childless adults losing access to healthcare coverage. As we learned during the debate over Medicaid Restoration, their medical needs did not disappear – more than 18,000 of these individuals had cancer and more than 65,000 had suffered an injury or trauma. These individuals still required care, hospitals were still required to provide care, and Arizona families and businesses were paying for it. An AHCCCS analysis showed hospital uncompensated care increased 45 percent during the first year of the freeze. The impact on Arizona families, employers and all who access health care in our state was significant.

While I share your concerns about long-term reliance on government assistance, this waiver would have brought our healthcare sector to a breaking point. Estimates show the five year lifetime enrollment limit could have meant disenrolling up to 212,664 adults, or almost half of the AHCCCS adult membership. An additional 253,571 children would lose coverage as soon as they reached their 18<sup>th</sup> birthday, as the bill makes no exception for enrollment during childhood when determining the five year limit. Although the bill includes some exceptions to the limit, it is not possible to determine precisely how many individuals fall into those exceptions. Regardless, it is clear hundreds of thousands of Arizonans would have been affected.

It is important to remember that individuals under 100 percent of the Federal Poverty Level are ineligible for tax credits on the Federal Marketplace. So, this bill effectively eliminates the ability of almost half a million Arizona citizens to obtain health care coverage. From a human perspective, the impact of so many people losing their health care right after restoring coverage for childless adults this year is troublesome, particularly because as we all know, their medical needs will still exist. From an economic perspective, we know from experience this would result in a tremendously high level of uncompensated care and destabilize Arizona's healthcare industry.

I have long said that exporting the AHCCCS model to other states and continuing our innovation and leadership on Medicaid quality and efficiency are critical to ensuring the program's long-term sustainability. To that end, I have instructed the Director of AHCCCS to continue to work toward Medicaid reform at a national level.

These concerns are the primary reasons that I have vetoed House Bill 2367.

Sincerely,

A handwritten signature in black ink that reads "Janice K. Brewer". The signature is fluid and cursive, with the first name "Janice" being the most prominent part.

Janice K. Brewer  
Governor

cc: The Honorable Andy Biggs