

**Joint Legislative Budget Committee  
Staff Memorandum**

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DATE: May 2, 2013

TO: Richard Stavneak, Director

FROM: Jon Stall, Fiscal Analyst  
Amy Upston, Principal Fiscal Analyst

SUBJECT: SUPPLEMENTARY MEDICAID BASELINE INFORMATION

We updated our Medicaid Baseline estimates on April 24. Since that time, we have been asked for supplementary information.

*What is the cost of restoring Medicaid coverage to all childless adults up to 100% of the federal poverty level (FPL) beginning on January 1, 2014?*

Restoration with a Regular Federal Match

The JLBC Staff estimates restoring coverage to all childless adults up to 100% FPL would cost the General Fund approximately \$839 million from FY 2014 through FY 2016. This amount is above the April Baseline, which continues the enrollment freeze at a regular federal match rate. (See Attachment A).

The Executive estimates the General Fund cost of this option would be \$1.3 billion from FY 2014 through FY 2016. However, this amount includes Baseline costs from continuing the freeze. On a comparable basis, the JLBC estimate would be \$1.08 billion for FY 2014 through FY 2016.

Restoration without a Federal Match

The JLBC Staff estimates the cost of restoring childless adult coverage to 100% FPL without a federal match would cost the General Fund approximately \$3.4 billion from FY 2014 through FY 2016 above the April Baseline.

*What is the JLBC estimate of the Executive's proposed hospital assessment?*

The Executive proposes an assessment on hospitals equivalent to the cost of expanding adult coverage to 133% FPL and offsetting the current General Fund cost of the Arizona Health Care Cost Containment System Proposition 204 program, beginning January 1, 2014. Relative to the April JLBC Baseline, the JLBC Staff estimates that this proposal would reduce the General Fund costs by \$(56) million in FY 2014, \$(111) million in FY 2015 and \$(117) million in FY 2016 or \$(284) million over the 3 year period. (See Attachment A and B).

Since the assessment would have to also cover the cost of expansion, its magnitude would be greater than just the General Fund savings. The assessment is estimated to be \$54 million in FY 2014, \$196 million in FY 2015 and \$185 million in FY 2016.

JS/AU:ts  
Attachments

**JLBC**

**April Baseline of Medicaid Expansion Cost Estimates**  
**General Fund (GF) and Federal Funds (FF)**  
(\$ in millions)

		FY 14		FY 15		FY 16	
		GF	FF <sup>1/</sup>	GF	FF <sup>1/</sup>	GF	FF <sup>1/</sup>
<b><u>April Baseline Cost Above FY 13</u></b>							
Mandatory Expansion – 133% FPL Children, and increase from eligible but not enrolled	AHCCCS	58	244	155	400	168	388
	DHS	<u>16</u>	<u>34</u>	<u>54</u>	<u>115</u>	<u>62</u>	<u>137</u>
	<b>Total</b>	<b>74</b>	<b>278</b>	<b>209</b>	<b>515</b>	<b>230</b>	<b>525</b>
Continued Childless Adult Freeze Past 12/31/2013 (Regular Federal Match) <sup>2/</sup>	AHCCCS	48	108	78	183	67	158
	DHS	<u>12</u>	<u>27</u>	<u>21</u>	<u>47</u>	<u>18</u>	<u>41</u>
	<b>Total</b>	<b>60</b>	<b>135</b>	<b>99</b>	<b>230</b>	<b>85</b>	<b>199</b>
<b><u>Optional Cost Above April Baseline</u></b>							
1. Continued Childless Adult Freeze (No Federal Match) <sup>2/</sup>	AHCCCS	108	0	183	0	158	0
	DHS	<u>27</u>	<u>0</u>	<u>47</u>	<u>0</u>	<u>41</u>	<u>0</u>
	<b>Total</b>	<b>135</b>	<b>0</b>	<b>230</b>	<b>0</b>	<b>199</b>	<b>0</b>
2. 100% FPL Childless Adult Restoration (Regular Match Rate) <sup>2/</sup>	AHCCCS	46	104	276	640	345	806
	DHS	<u>12</u>	<u>27</u>	<u>71</u>	<u>166</u>	<u>89</u>	<u>208</u>
	<b>Total</b>	<b>58</b>	<b>131</b>	<b>347</b>	<b>806</b>	<b>434</b>	<b>1,014</b>
3. 100% FPL Childless Adult Restoration (No Federal Match) <sup>2/</sup>	AHCCCS	258	0	1,099	0	1,309	0
	DHS	<u>66</u>	<u>0</u>	<u>284</u>	<u>0</u>	<u>338</u>	<u>0</u>
	<b>Total</b>	<b>324</b>	<b>0</b>	<b>1,383</b>	<b>0</b>	<b>1,647</b>	<b>0</b>
4. Full Expansion to 133% FPL <sup>3/</sup>	AHCCCS	(2)	191	68	1,078	54	1,380
	DHS	<u>0</u>	<u>52</u>	<u>17</u>	<u>294</u>	<u>14</u>	<u>374</u>
	<b>Total</b>	<b>(2)</b>	<b>243</b>	<b>85</b>	<b>1,372</b>	<b>68</b>	<b>1,754</b>
Estimated Assessment <sup>4/</sup>	Total	54	-	196	-	185	-
GF Savings With Assessment <sup>5/</sup>	<b>Total</b>	<b>(56)</b>	-	<b>(111)</b>	-	<b>(117)</b>	-

<sup>1/</sup> Includes Federal Medicaid Authority and the federal match for KidsCare.

<sup>2/</sup> FY 14 estimates are only the costs of covering childless adults from January through June of 2014. The current federal authority to cover this population expires after 12/31/2013. Estimates listed in FY 15 and FY 16 are full year costs.

<sup>3/</sup> The federal government pays 100% of the cost of the adult expansion (100-133% FPL) from FY 14 to FY 16. The federal share gradually declines to 90% by 2020.

<sup>4/</sup> The Executive proposes a hospital assessment that would cover the cost of the full expansion plus offset the current Arizona Health Care Cost Containment System Prop 204 General Fund cost, beginning January 1, 2014.

<sup>5/</sup> Represents the net savings relative to April Baseline with Executive assessment proposal.

**Comparison of JLBC and Executive Cost Estimate  
(\$ millions)**

**Full Expansion General Fund (GF) 1/**

	<b>FY 14</b>	<b>FY 15</b>	<b>FY 16</b>
JLBC (April)	(2.2)	85.2	67.7
Executive	27.1	154.0	105.0
<b>Difference</b>	<b>29.3</b>	<b>68.8</b>	<b>37.3</b>

**Provider Assessment Estimates 2/**

	<b>FY 14</b>	<b>FY 15</b>	<b>FY 16</b>
JLBC (April)	53.7	196.3	184.5
Executive	81.8	256.0	224.0
<b>Difference</b>	<b>28.1</b>	<b>59.7</b>	<b>39.5</b>

**General Fund Savings With Assessment 3/**

	<b>FY 14</b>	<b>FY 15</b>	<b>FY 16</b>
JLBC (April)	(55.9)	(111.1)	(116.8)
Executive	(54.7)	(102.0)	(119.0)
<b>Difference</b>	<b>1.2</b>	<b>9.1</b>	<b>(2.2)</b>

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- 1/ The federal government pays 100% of the cost of the adult expansion (100-133% FPL) from FY 14 to FY 16. The federal share gradually declines to 90% by 2020.
- 2/ The Executive proposes a hospital assessment that would cover the cost of the full expansion plus offset the current Arizona Health Care Cost Containment System Prop 204 General Fund cost, beginning January 1, 2014.
- 3/ Represents the net savings relative to April Baseline with Executive assessment proposal.