

Fiscal Note

BILL # HB 2624

TITLE: AHCCCS; redeterminations

SPONSOR: Biasiucci

STATUS: House Engrossed

PREPARED BY: Chandler Coiner

Description

The bill would require AHCCCS to complete all eligibility redeterminations and removals by December 31, 2023, for all members who have not been redetermined since December 1, 2022. The bill also prohibits AHCCCS from following any federal guidance and timelines beyond what is required under federal law. Federal law requires that the redeterminations be completed by May 31, 2024, 14 months after April 1, 2023.

Estimated Impact

The bill could potentially have 3 distinct impacts.

First, the bill would speed up the redetermination process compared to the process outlined in federal law. The JLBC Baseline had already accounted for the FY 2023 and FY 2024 savings from lower enrollment due to the federal timelines. The December 2023 deadline would increase one-time savings by \$(93) million General Fund and \$(531) million Total Funds relative to the JLBC Baseline.

Second, the bill would increase administrative workload. AHCCCS estimates that the state would need to hire 660 additional staff costing \$16.7 million General Fund (\$47.7 million Total Funds). This amount consists of 120 FTE Positions in AHCCCS and 540 FTE Positions in DES.

We concur that the bill increases administrative workload, but the AHCCCS estimates are improbable. Even in the long run, hiring an additional 660 FTE Positions would be very challenging, much less doing so in the next several months.

Third, although the bill does not specifically instruct AHCCCS to take an action that would conflict with federal guidance, implementing the accelerated redetermination schedule could still bring the state in conflict. Potentially, this could result in the loss of the enhanced Medicaid match rates that are in effect through December 2023. The federal 2023 Consolidated Appropriations Act (CAA) established these enhanced match rates and conditioned them on complying with federal eligibility renewal requirements, among other provisions. AHCCCS has said "it is unclear from the federal guidance whether complying with HB 2624 would put Arizona's enhanced FMAP at risk."

In summary, AHCCCS has outlined a 660 FTE Position requirement that is not achievable. If AHCCCS has correctly estimated the workload and they cannot hire that many individuals, we would not achieve the \$(93) million savings estimate. In addition, the House Engrossed version of the bill does not contain an emergency clause. Savings from the bill are much less likely to be realized the later the bill becomes effective. Due to these multiple factors, we cannot forecast the net impact of this bill with any degree of confidence.

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Analysis

Federal law prohibited AHCCCS from disenrolling members for exceeding income eligibility limits while the COVID-19 Public Health Emergency (PHE) was in effect. Under current law, beginning April 1, 2023, AHCCCS must resume disenrolling ineligible members.

The Centers for Medicare & Medicaid Services (CMS) has provided guidance to states throughout the PHE on how they should proceed with this disenrollment process. As part of its guidance, CMS established a deadline of 12 months from the resumption date to initiate all redeterminations of eligibility and 14 months to complete all removals. In setting a deadline of December 31, 2023, the bill would reduce the 14-month window to a 9-month window. We assume this would accelerate the anticipated caseload decline.

CMS guidance also advises states to initiate no more than one-ninth of their total renewal caseload in any 1 month. According to CMS, this guidance is in place to establish a sustainable renewal schedule in future years. In its Operational Unwinding Plan, AHCCCS has indicated it intends to distribute renewals as evenly as possible over a 12-month timeline.

We assume AHCCCS would redetermine and remove members more quickly due to the bill, thereby accelerating the anticipated caseload decline. However, our estimate of the impact could be overstated/understated depending on AHCCCS' capacity to scale its operations to disenroll members more quickly.

Our January JLBC Baseline assumption was that AHCCCS will disenroll ineligible members throughout the entire 14-month period ending May 31, 2024. Under the bill, we assume that the eligibility redetermination process would be concluded in 9 months, which we estimate would result in approximately 106,000 fewer AHCCCS enrollees by December 31, 2023, relative to the Baseline.

This could potentially generate \$(92.7) million in one-time savings from the General Fund and \$(530.9) million in Total Funds. Most of these savings would be incurred in FY 2024, but a portion would be felt in FY 2023.

The federal 2023 CAA requires states to follow federal standards concerning Medicaid eligibility determinations to qualify for a one-time enhanced federal match. This enhanced match will begin at 5% in April 2023 and will gradually phase out by the end of 2023. The state savings from the higher match rate are included in the FY 2024 Baseline.

We cannot determine in advance, however, whether the federal government would find Arizona out of compliance if the bill were to pass. Alternatively, the federal government could temporarily halt the state's redeterminations until the state is compliant with its standards. This would generate a cost to the state, but we do not attempt to quantify the impact given the uncertainty surrounding the timing of such an action.

Local Government Impact

The FY 2024 Baseline does not assume any savings from lower enrollment in ALTCS due to the resumption of redeterminations. Therefore, we also assume the bill will not generate savings from lower enrollment for counties above the Baseline.