

Expansion of Medicaid Eligibility AHCCCS Program Summary

Key Points

- 1) The Affordable Care Act (ACA) expanded Medicaid enrollment eligibility to individuals up to 133% FPL.
- 2) The ACA also established premium tax credits and cost-sharing subsidies for marketplace enrollees whose income falls between 100-400% FPL and 100-250% FPL, respectively. Recent data indicates approximately 124,000 Arizona enrollees received premium tax credits in 2018 while 102,000 received cost-sharing subsidies in 2016.
- 3) As of July 2019, Medicaid expansion enrollment in Arizona has risen to 464,000.
- 4) The FY 2020 budget provided approximately \$3.8 billion in funding for AHCCCS expansion coverage, including \$61 million from the General Fund.
- 5) Current ACA litigation revolves around the legislation's constitutionality. Congressional repeal of the ACA would trigger discontinuation of Medicaid eligibility for the Adult Expansion population and elimination of the Hospital Assessment in Arizona.

Program Overview

The federal Affordable Care Act (ACA) of 2010 extended Medicaid eligibility to individuals up to 133% of the federal poverty level (FPL) (currently \$34,248 for a family of 4) and introduced exchange coverage for marketplace enrollees through premium tax credits and cost-sharing subsidies. On January 1, 2014, Arizona officially implemented ACA, expanding Medicaid eligibility for all children up to 133% FPL, childless adults up to 100% FPL, and adults up to 133% FPL. As of June 2019, total Medicaid expansion enrollment is 464,000.

Child Expansion, 100-133% FPL

Effective January 1, 2014, the FY 2014 Health and Welfare Budget Reconciliation Bill (BRB) (Laws 2013, 1st Special Session, Chapter 10) expanded the Traditional program's Medicaid eligibility from 100% FPL to 133% FPL for children 6 to 18 years of age. As a result, 26,300 KidsCare recipients with income up to 133% were transferred to the Traditional population. Infants continued to be covered up to 140% FPL and children ages 1 to 5 years continued to be covered up to 133% FPL through the Traditional program.

The child expansion population is funded via the Children's Health Insurance Program (CHIP) Block Grant. The ACA temporarily increased federal match rates for CHIP through September 30, 2019, resulting in a current 100% match rate in Arizona for child expansion. The enhanced match rate will decrease to 90.51% on October 1, 2019, and then 79.21% on October 1, 2020. The General Fund pays the state match.

Childless Adult Restoration, 0-100% FPL

Effective January 1, 2014, the FY 2014 Health and Welfare BRB also restored coverage for childless adults up to 100% FPL. This population gained Medicaid eligibility through Proposition 204, passed by voters in 2000, but was subject to an enrollment freeze beginning in July 2011. Effective January 1, 2019, the childless adult population receives a 93% match. The match rate will decline to 90% by calendar year 2020 and remain unchanged each year thereafter, with the Hospital Assessment Fund paying the state match for acute services and the General Fund paying the state match for behavioral health services. Prior to restoration of coverage, the federal government informed states that it would be unlikely to approve enrollment freezes for childless adults past December 31, 2013.

Adult Expansion, 100-133% FPL

Arizona's FY 2014 budget expanded Medicaid eligibility to all adults up to 133% FPL on January 1, 2014. The federal government paid 100% of the cost of the adult expansion (adults whose incomes are 100-133% FPL) in calendar years 2014 to 2016. The federal share is currently 93% and will decline to 90% by calendar year 2020. As with Childless Adults, the Hospital Assessment pays the state match for acute services and the General Fund pays the state match for behavioral health services.

Exchange Coverage

Effective January 1, 2014, Section 1401 of the ACA established a premium tax credit for individuals and families whose income falls between 100-400% FPL. These federal subsidies are available to eligible Arizona residents who use the federally-facilitated exchange (Healthcare.gov) to enroll in a health insurance plan. According to Kaiser Family Foundation's [report](#) "Estimated Total Premium Tax Credits Received by Medicaid Enrollees," the average monthly advanced premium tax credit received by marketplace enrollees in Arizona was \$555 in 2018, as compared to the national average of \$519. Approximately 124,000 Arizona residents received premium tax credits, amounting to \$829 million annually. The funding for these enrollees is not included in the AHCCCS budget.

The ACA also established cost-sharing subsidies, another source of financial assistance offered to marketplace enrollees between 100-250% FPL. While the premium tax credit can be applied toward any level of coverage, cost-sharing subsidies can only be applied toward a silver plan. The subsidy reduces out-of-pocket costs by increasing the actuarial value (AV) of a silver plan from 70% to 73%, 87%, or 94%, depending on enrollee income. In 2016, 102,000 Arizona members received cost-sharing subsidies. The funding for these enrollees is not included in the AHCCCS budget.

Program Funding

The FY 2020 budget includes approximately \$3.8 billion of funding in the AHCCCS budget for coverage of the child expansion, childless adults to 100% FPL, and adult expansion to 133% FPL. This amount is comprised of approximately \$61 million in General Fund money, \$163 million in Hospital Assessment funding, and \$3.6 billion in matching Federal Funds (*see Table 1*).

	General Fund	Hospital Assessment	Federal Funds	Total Funds
Child Expansion 100-133% FPL, ages 6 -18 years	\$ 12	\$ 0	\$ 164	\$ 176
Proposition 204 – Childless Adults 0-100% FPL	\$ 44	\$ 126	\$2,934	\$3,076
Adult Expansion 100-133% FPL	\$ 5	\$ 37	\$ 484	\$ 527
Total Expenditures	\$ 61	\$ 163	\$3,582	\$3,779

The FY 2014 budget required AHCCCS to establish an assessment on hospital revenue, discharges, or bed days to fund the state match portion of physical health care costs of the adult expansion and the entire Proposition 204 population on and after January 1, 2014. The General Fund continues to fund the state match portion of behavioral health service costs for these populations. The assessment is based on hospital discharges as reported on each hospital's Medicare Cost Report. The amounts differ based on types of providers. In addition to the \$163 million of hospital assessment funding appropriated for Proposition 204 childless adults and adult expansion in FY 2020, \$178 million was appropriated for state costs of non-childless adult Proposition 204 populations for a total of \$341 million in hospital assessment funding (*see the Hospital Assessment section of the JLBC Tax Handbook for more information*).

Program Enrollment

Medicaid expansion enrollment grew to 464,000 by June 2019. This figure includes 67,300 from child expansion, 319,900 from childless adults to 100% FPL, and 76,800 from adult expansion to 133% FPL.

Total Medicaid Population Increase Since January 1, 2014						
	June 2014	June 2015	June 2016	June 2017	June 2018	June 2019
Child Expansion to 133% FPL	29,900	36,000	74,700	82,100	68,800	67,300
Childless Adult Restoration	148,000	211,300	241,200	253,900	305,600	319,900
Adult Expansion to 133% FPL	<u>19,800</u>	<u>61,500</u>	<u>83,300</u>	<u>82,200</u>	<u>76,200</u>	<u>76,800</u>
Total	197,700	308,800	399,200	418,200	450,600	464,000

In the case of *National Federation of Independent Business v. Sebelius*, the United States Supreme Court ruled that ACA can require Medicaid coverage of children up to 133% FPL, but that states have the option of whether to expand adult eligibility to the same extent. A.R.S. § 36-2901.07 and A.R.S. § 36-2901.08 authorize discontinuation of adult expansion coverage and the hospital assessment funding source if any of the following conditions are met: 1) the federal match rate for adults from 100%-133% FPL or childless adults to 100% FPL falls below 80%; 2) the hospital assessment is insufficient to pay for adults from 100% to 133% FPL or childless adults to 100% FPL; or 3) the federal ACA is repealed.

Current litigation revolves around the constitutionality of the ACA's individual mandate. The Tax Cuts and Jobs Act (TCJA), passed in December 2017, established a \$0 penalty for not having health insurance. On December 14, 2018, the Fifth Circuit Court ruled in *Texas v. Azar* that a \$0 Shared Responsibility Payment renders the mandate unconstitutional and that, by extension, the entirety of the ACA is unconstitutional. The case is currently on appeal. The appeal process is expected to take a considerable amount of time.

Formal repeal of the ACA would trigger the authorizations set forth in A.R.S. § 36-2901.07 and A.R.S. § 36-2901.08, which extend eligibility to the adult expansion population. However, coverage would continue for the Proposition 204 population from 0-100% and for children ages 6-18 from 100-133%.