
Medicaid Funding and the Hospital Assessment

January 27, 2025



Key Points

- Medicaid financing is multi-layered—a combination of federal, state, and local funds.
- Without a specific federal proposal, it is difficult to produce a definitive estimate of the impact.
- Federal changes could potentially affect: financing, eligibility, participation requirements, and waiver authorities.

AHCCCS Oversees a \$21 B Medicaid System

FY 25 AHCCCS Budget	
	<u>\$ in M</u>
General Fund	2,670
Hospital Assessment Fund (HAF)	694
Health Care Investment Fund (HCIF)	911
County Funds	448
Tobacco Revenues	223
Prescription Drug Rebates (state share)	190
Other non-Federal Funds	295
Federal Matching Funds	<u>15,628</u>
Total	21,059*

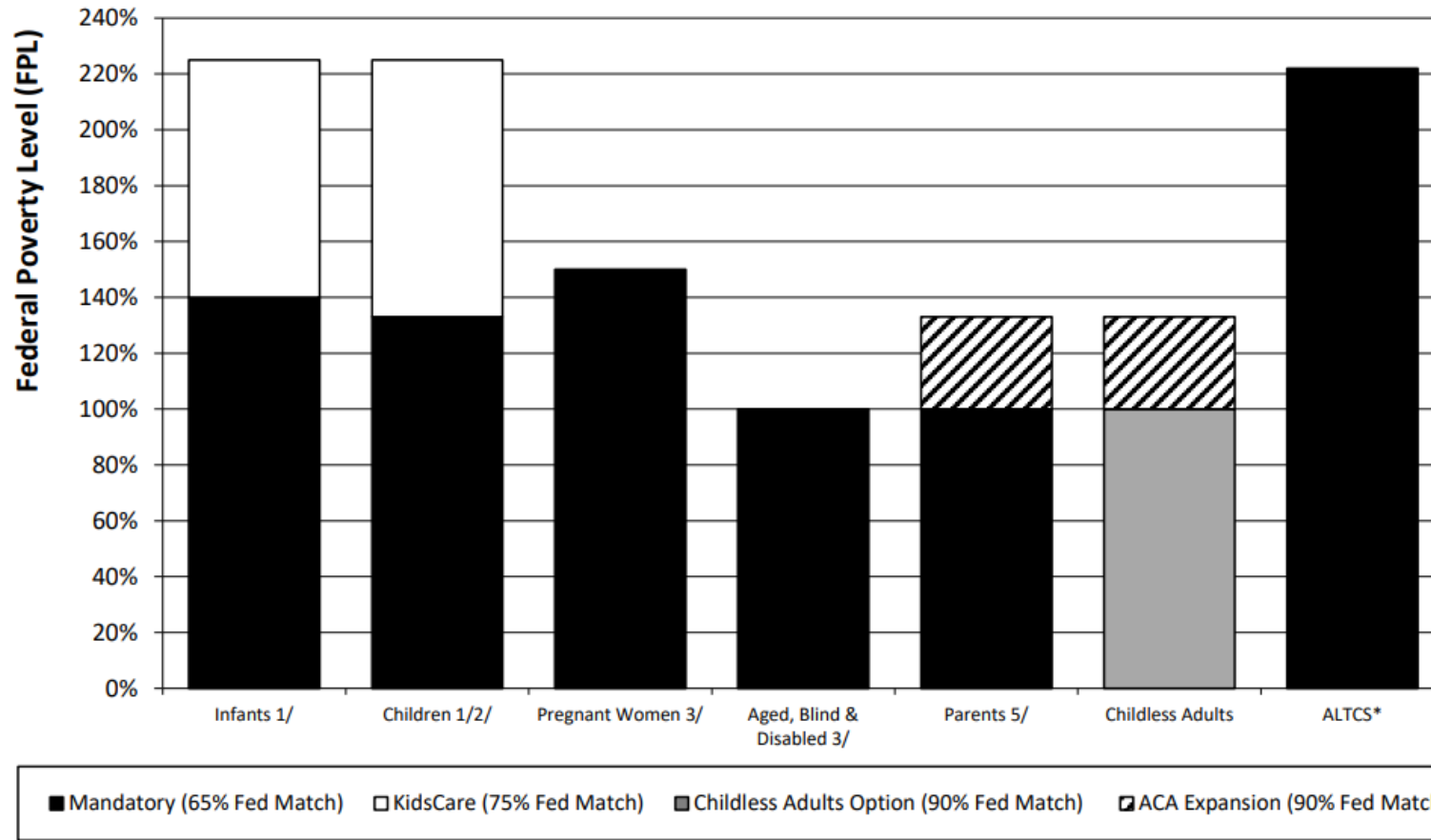
* Excludes \$1.1 B General Fund (\$3.4 B Total Funds) for the Developmental Disabilities (DD) program within the Department of Economic Security (DES).

AHCCCS Provides Health Insurance for 2 Million Enrollees

- 1.24 million adults up to 133% of the federal poverty level (FPL).
- 765,000 children up to 225% FPL.
- 72,000 individuals with long-term care needs (including those with developmental disabilities) under a separate set of eligibility rules.

Chart 1

AHCCCS Eligibility

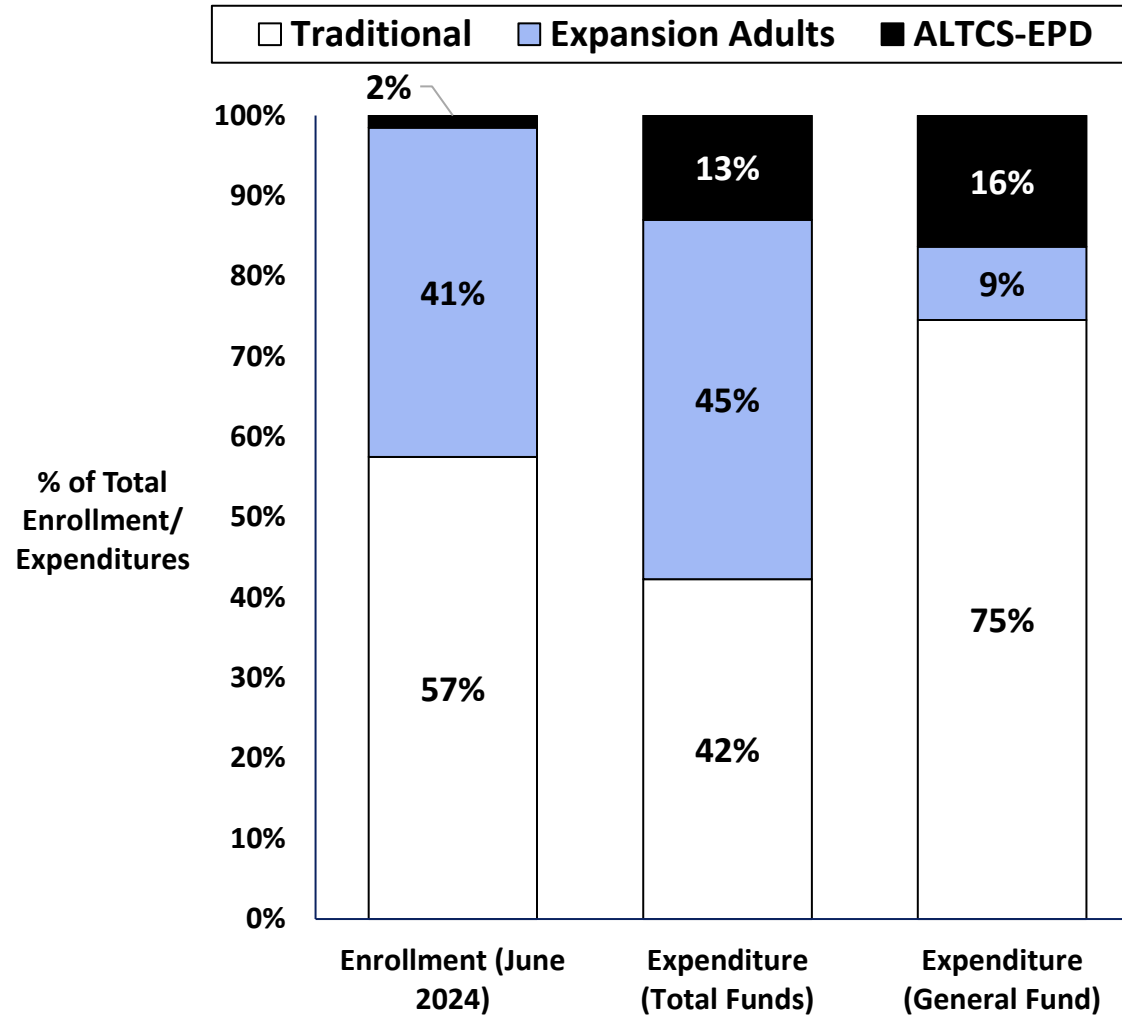


1/ The KidsCare expansion from 200% to 225% FPL is in effect beginning April 1, 2024.

2/ Children ages 6 to 18 years in families with incomes between 100% FPL and 133% FPL are eligible to receive an 78.69% federal match in FFY 2023.

3/ Women diagnosed with breast or cervical cancer by a provider recognized by the Well Women Healthcheck program and those in the "Ticket to Work" program receive coverage to 250% FPL.

AHCCCS Enrollment vs. Expenditures by Population Category



Federal Changes Could Affect AHCCCS Programs in Several Ways

- Move to a Block Grant model.
- Reduce federal match rate.
- Lower the cap on provider assessments.
- Impose work requirements.
- Modify waiver authorities.

AZ Medicaid Expansion Provides Coverage to 500,000 Adults

- Fed Action May Impact Eligibility and Cost of Expansion

- Includes 2 Distinct Populations:
 - 434,000 Childless Adults from 0% to 100% FPL (Required by Prop 204).
 - 66,000 Adults from 100% to 133% FPL (“ACA Adult Expansion”).
- State cost of Medicaid expansion primarily funded by Hospital Assessment, while feds cover 90% of costs.
- “Trigger” statute eliminates the Hospital Assessment and Adult Expansion coverage under any of the following conditions:
 - Affordable Care Act (ACA) is repealed.
 - If the state’s federal match rate for expansion is reduced below 80%.
 - If the hospital assessment is insufficient to cover state expansion costs.

AZ Levies 6% Assessment on Hospitals to Fund Medicaid

- Maximum Permitted Under Current Federal Law

- Raises \$1.42 B from hospitals, including:
 - \$682 M for the Hospital Assessment Fund (HAF) to cover physical health costs of Prop 204 and ACA Adult Expansion.
 - \$741 M for the Health Care Investment Fund (HCIF) to draw down federal funds for payment increases to hospitals, physicians, and dentists.
- Including federal funds drawn down, AHCCCS estimates net hospital financial gain of \$3.055 B from the combined assessment.
- The “trigger” would repeal the HAF, not HCIF.
 - Prop 204 has a “subject to the availability of funds” clause.
 - State Court of Appeals allowed enrollment freeze for Prop 204 Childless Adults implemented in July 2011 to remain in effect.