

Making a Decision on Expanding AHCCCS in Arizona

Brief

It's about **Coverage**...

Given last summer's Supreme Court decision, Arizona can now accept or decline Federal funds to expand the Arizona Health Care Cost Containment System (AHCCCS). Estimates by AHCCCS included in Governor Brewer's proposed budget indicate that implementation of the Medicaid expansion will increase the number of people in Arizona covered by AHCCCS by almost 250,000 people by 2016. For this report, we project that this number will approach 280,000 people by 2020. The state will also be able to maintain coverage for the 50,000 childless adults projected to remain enrolled as of January 1, 2014, who would otherwise lose eligibility eventually due to the 2011 enrollment freeze. Some persons who are eligible for AHCCCS under today's eligibility rules but not currently enrolled will subsequently sign up due to the publicity and outreach related to health reform; sometimes people call this a "woodwork" effect. The Governor's budget estimates account for this woodwork effect, but it is worth noting that there will be a woodwork effect regardless of whether Arizona implements an AHCCCS expansion or not.

It is estimated that 280,000 additional people would be covered by 2020.

It's about **Jobs and Economic Growth**...

The total amount of expenditures on health care for those covered under an expanded AHCCCS would be hundreds of millions of dollars, but the majority of that money will be put right back into the Arizona economy. That money will result in an **increase of more than 6,000 new jobs in 2014**

Jobs and Economic Effects of Expansion

Year	New Federal Funds (in millions)	Increase in Gross State Product (in millions)	Increase in Jobs* (Not Cumulative)
2014	\$803	\$486	6,100
2015	\$1,176	\$778	9,400
2016	\$1,262	\$840	9,800
2017	\$1,343	\$859	9,600
2018	\$1,445	\$892	9,600
2019	\$1,543	\$915	9,500
2020	\$1,591	\$906	9,000
Total	\$9,163	\$5,676	NA

and 9,000 new jobs by 2020. These jobs will not only be in hospitals, clinics, nursing and other health facilities, but also in those industries that support the Arizona health care industry. Various businesses in Arizona will benefit from growth in incomes.

* Determined by comparing job growth with AHCCCS expansion to baseline job growth without AHCCCS expansion

It's about **Costs**...

The ACA substantially increased the federal matching rates for persons who are newly eligible, which in Arizona means adults (both parents and childless adults) with incomes between 100 and 133 percent of FPL. From 2014 to 2016, the federal government will fund 100% of spending for this population but the enhanced federal match declines to 95 percent in 2017, 94 percent in 2018, 93 percent in 2019, and 90 percent in 2020 and thereafter. Since childless adults with incomes below 100 percent of FPL are already eligible (even if some of them are not covered due to the enrollment freeze), they will have a different federal matching rate. For this group, the federal government will pay 85 percent of the total costs and this share will gradually elevate to 90 percent by 2020. Even so, this is more financially attractive than the "regular" federal matching rate of 67%, helping the state save money. New tax revenues due to economic growth and offsetting health savings can defray the new state AHCCCS costs. New state revenues also include anticipated revenues from the Governor's proposed expansion of the Insurance Premium Tax and the new Hospital Tax. The state can achieve offsetting savings through enrollees who can be transitioned into the AHCCCS expansion or savings from other state programs for the uninsured. **Net savings to the state of Arizona with AHCCCS expansion would be more than \$1.5 billion from Fiscal Years 2014-2020.**

Arizona Fiscal Impacts

Year	Increased State Medicaid Costs	New State Revenues	Offsetting State Health Savings	Net State Savings
FY2014	\$27	\$94	\$24	\$91
FY2015	\$154	\$305	\$54	\$205
FY2016	\$105	\$280	\$88	\$263
FY2017	\$175	\$314	\$97	\$236
FY2018	\$190	\$338	\$106	\$254
FY2019	\$222	\$365	\$117	\$260
FY2020	\$277	\$396	\$129	\$248
Total	\$1,150	\$2,092	\$615	\$1,557

The Bottom Line...

Expanding AHCCCS to non-elderly adults with family incomes up to 133 percent of the federal poverty level will provide considerable economic benefits to Arizonans. It is important to understand that the estimates in this report are projections, which always have some degree of uncertainty. This analysis shows that AHCCCS expansion will increase direct AHCCCS costs to the state, particularly after 2016 when the federal support for the expansion population begins to decrease. However, these increased costs also enable the state to draw down billions of dollars in additional federal funding that will support jobs and maintain the state's healthcare infrastructure. The increases in employment and economic activity will occur both within the health care sector as well as in other sectors of the state's economy. While there are some new costs associated with the expansion, these costs would be more than offset by the new state revenue and other health savings that the state could achieve. Overall, the state can substantially reduce its state costs through an AHCCCS expansion, while providing about 250,000 low-income state residents with insurance coverage by 2016.

This brief is a summary of the full report, "Economic and Employment Effects of Expanding AHCCCS in Arizona," by Regional Economic Models, Inc. and George Washington University.