

November 2015 | Fact Sheet

Proposed Changes to Medicaid Expansion in Arizona

On September 30, 2015, Arizona submitted an application to the Centers for Medicare and Medicaid Services (CMS) for a new Section 1115 demonstration waiver that proposes changes for adults eligible through the Affordable Care Act's (ACA) Medicaid expansion.¹ Prior to the ACA, Arizona had expanded coverage through a Section 1115 waiver to include working parents up to 106% FPL and non-working parents and childless adults up to 100% FPL. Coverage for childless adults was implemented in 2000 as a result of Voter Proposition 204. Beginning in July 2011, enrollment for childless adults was capped.² Arizona implemented the ACA's Medicaid expansion as of January 2014 to cover most adults up to 138% of the federal poverty level (FPL, \$16,242 per year for an individual in 2015). Arizona's Medicaid expansion population includes approximately 315,000 beneficiaries, of which 63,000 were newly eligible adults (working parents from 106-138% FPL and non-working parents and childless adults from 100-138% FPL) and nearly 252,000 were previously eligible childless adults from 0 to 100% FPL who had been subject to an enrollment cap since 2011. Arizona administers its entire Medicaid program through a long-standing Section 1115 demonstration waiver, dating back to 1989, which enables Arizona to deliver Medicaid through capitated managed care. Arizona's present waiver incorporates the ACA's Medicaid expansion population but does not include any waiver authorities related to the ACA expansion specifically.

Arizona's new waiver application seeks several changes as part of the proposed Choice, Accountability, Responsibility, Engagement (CARE) program that would affect the expansion population.³ If approved by CMS, Arizona's new waiver would change coverage for the Medicaid expansion population through the CARE program as of October, 2016 in the following ways:

- Impose monthly premiums⁴ of 2% of income or \$25, whichever is less, on all Medicaid expansion adults from 0-138% FPL, paid into health savings accounts;
- Require that co-payments, up to 3% of income, would be paid monthly into health savings accounts based on services already used (state legislation requires Arizona to pursue cost-sharing to the maximum allowed under federal law);
- Establish co-payments for missed appointments and co-payments above maximum federal limits for non-emergency use of the emergency room⁵ pursuant to Section 1916(f) waiver authority;
- Disenroll and lock out of coverage for six months beneficiaries from 100-138% FPL for nonpayment of premiums and co-payments; failure to make payments for beneficiaries below poverty would not result in a lock out but would be counted as a debt to the State;

- Create a healthy behavior incentive program that would allow beneficiaries to use health savings account funds for non-covered services or reduce future account contributions if they make timely account payments and comply with one target healthy behavior and work incentives (see below);
- Create a work incentive program, which would not be a condition of eligibility, for beneficiaries to engage in activities such as connecting to a state employment supports program, attending a job fair, enrolling in job seekers' assistance, taking a class, or other similar goals; and
- Waive non-emergency medical transportation services for beneficiaries from 100-138% FPL for one year from October 2015 to September 2016.

In addition, state law requires Arizona to seek waiver authority for two new provisions that would affect the Medicaid expansion population as well as all other “able-bodied” adult Medicaid beneficiaries (with certain populations exempted).⁶ These provisions would:

- Require able-bodied adults receiving Medicaid to work, actively seek work, or attend school or a job training program for 20 hours per week and to verify compliance and any family income changes monthly;
- Impose a 1-year ban on Medicaid enrollment for knowingly failing to report a change in family income or making a false statement about compliance with work requirements; and
- Impose a 5-year lifetime limit on Medicaid benefits for able-bodied adults.

If not granted by CMS, state law requires Arizona to re-apply each year for waiver authority for the following provisions: to require work for able-bodied adults, to impose a 5 year lifetime limit on able-bodied adults, and to impose “meaningful” cost-sharing requirements for non-emergency use of the emergency room and use of ambulance services for non-emergency use or when not medically necessary.⁷

Arizona’s new waiver application also proposes changes in other aspects of its Medicaid program, including a delivery system reform incentive payment program, medical homes for American Indians, payment reforms to transition from the safety net care pool, and the continuation of Arizona’s current demonstration authorities.⁸ Arizona’s proposal is subject to approval by CMS after a federal public comment period that ends on November 16, 2015.

To date, CMS has approved Medicaid expansion waivers in six states ([Arkansas](#), [Iowa](#), [Indiana](#), [Michigan](#), [New Hampshire](#),⁹ and [Montana](#)). A seventh state, [Pennsylvania](#), initially had implemented the Medicaid expansion using a Section 1115 demonstration, but later changed to a traditional Medicaid expansion.

Table 1 describes the major elements that would apply to newly eligible adults in Arizona’s proposed Section 1115 demonstration.

Table 1: Provisions Affecting Medicaid Expansion Adults in Arizona’s Proposed Section 1115 Medicaid Expansion Demonstration Waiver

Element	Arizona Waiver Proposal
Overview:	<p>Seeks to change Medicaid coverage for the ACA expansion population by imposing premiums of 2% of income; disenrolling beneficiaries from 100-138% FPL for six months for nonpayment of premiums; imposing copays up to 3% of income paid monthly into health savings accounts; imposing copayments above state plan amounts for non-emergency use of the emergency room and missed appointments; creating a healthy behavior incentive program; implementing a work incentive program; and waiving non-emergency medical transportation for one year for beneficiaries from 100-138% FPL.</p> <p>Also seeks a work requirement and a 5-year lifetime limit on benefits for all “able-bodied” adult Medicaid beneficiaries.</p>
Duration:	10/1/16 through 9/30/21
Proposed Waiver Provisions That Would Apply to ACA Medicaid Expansion Adults (CARE Program):	
Coverage Groups:	<p>Newly eligible working parents from 106-138% FPL and non-working parents and childless adults from 100-138% FPL.</p> <p>Previously eligible childless adults from 0-100% FPL.¹⁰</p>
Exempt Populations:	<p>American Indian/Alaska Natives, people with serious mental illness, people who are medially frail (to be defined by state in consultation with CMS), and people who serve as caregivers to a senior or person with a disability are exempt from the CARE program.</p> <p>Working parents from 0-106% FPL and non-working parents from 0-100% FPL may choose to participate in the CARE program.</p>
Premiums:	<p>Would require premiums of 2% of income or \$25/month, whichever is less, paid into health savings account (described below).</p>
Co-Payments:	<p>Would require co-payments up to 3% of annual household income. Co-payments would be paid into health savings account (described below) monthly for services already used instead of at point of service.</p> <p>No co-payments for preventive or wellness services, services to manage chronic illness, any services (well or sick visit) at PCP or OB/GYN office, specialist services with PCP referral, behavioral health services/people with serious mental illness, or prescription drugs (except for opioids other than for people with cancer or who are terminally ill and brand name drugs unless doctor has determined that generic is ineffective).</p> <p>Co-payments would be at state plan amounts, except that state seeks waiver authority to impose co-payments in excess of federal law as follows:</p> <p><u>Non-emergency use of the emergency room:</u></p> <p>New adults 0-100% FPL: \$25 if within 20 miles of community health center, rural health center or urgent care center; otherwise \$8 for first use if not admitted and \$25 for subsequent use if not admitted</p>

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Element	Arizona Waiver Proposal
	<p>New adults 100-138% FPL: \$25 for each non-emergency use of ER if not admitted</p> <p><u>Missed appointments:</u></p> <p>All new adults 0-138% FPL: copay that would otherwise have been due for the service</p> <p>Premiums and copays would be limited to 5% of annual household income.</p>
Disenrollment and Lock-Out for Non-Payment:	<p>Beneficiaries from 100-138% FPL would be disenrolled and locked out of Medicaid eligibility for 6 months for nonpayment of monthly premiums and co-payments.</p> <p>Beneficiaries from 0-100% FPL would not lose Medicaid eligibility for nonpayment of premiums and co-payments but would have any unpaid amounts counted as a debt to the state.</p>
Health Savings Accounts:	<p>Health savings account funds could be used for non-covered dental, vision or chiropractic services, nutritional counseling, recognized weight loss programs, gym membership, and sunscreen if beneficiary makes timely payments, complies with work incentive program, and meets one healthy behavior target (described below).</p> <p>Employers could make voluntary tax-deductible health savings account contributions for their employees that could be used to reduce the beneficiary's account contributions or to access non-covered services. Philanthropic organizations could make health savings account contributions for targeted purposes, such as smoking cessation or managing chronic disease, or to support an identified population.</p> <p>Once a beneficiary's income exceeds Medicaid eligibility levels, the account balance would transfer to a private health savings account or the beneficiary could continue to use the health savings account through the state's Medicaid third party administrator.</p>
Healthy Behavior Incentives:	<p>If beneficiaries meet one healthy behavior target, they could use their health savings account funds to pay for non-covered services as described above. They also would have the option to reduce their health savings account payments or to roll unused health savings account funds over into the next year. If beneficiaries meet more than one healthy behavior target, they may qualify for incentives that the state is exploring through corporate and philanthropic partnerships.</p> <p>Healthy behavior targets would include activities such as wellness exams, flu shots, glucose screening, mammogram, tobacco cessation, and managing chronic diseases such as diabetes, substance use disorder, and asthma.</p> <p>State will provide education about healthy behavior program to beneficiaries.</p> <p>Medically frail beneficiaries unable to meet a healthy behavior target are exempt, and meeting healthy behavior targets is not a condition of Medicaid eligibility.</p>

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Element	Arizona Waiver Proposal
Delivery System and Benefits:	<p>Mandatory Medicaid MCO enrollment (no changes from AZ's existing Section 1115 waiver).</p> <p>Seeks waiver of non-emergency medical transportation services for new adults from 100-138% FPL from Oct. 1, 2015 through Sept. 30, 2016. State will explore opportunities to exempt medically frail beneficiaries from the non-emergency medical transportation waiver.</p>
Work Incentive Program:	<p>Beneficiaries in the expansion population would comply with the work incentive program by connecting to a state employment supports program, attending a job fair, enrolling in job seeker's assistance, taking a class, or other similar goals.</p> <p>State will provide beneficiary education about work incentive program.</p> <p>Medicaid eligibility is not conditioned on participation in work incentive program, and medically frail beneficiaries are exempt from work incentive program.</p>
Proposed Waiver Provisions That Would Apply to All Able-Bodied Adult Medicaid Beneficiaries:	
Work Requirement:	<p>State legislation requires that all able-bodied adults must work, actively seek work as verified by the state, or attend school or a job training program at least 20 hours/week. Exemptions for full-time high school students age 19 and older, sole caregivers of children under age 6, people receiving temporary or permanent long-term private or government disability benefits, and people determined physically or mentally unfit for work by health care professional according to state rules.</p> <p>Beneficiaries must verify compliance and any change in family income monthly. State must verify changes in income and redetermine eligibility. State may ban beneficiary from enrollment for one year due to knowingly failing to report change in family income or making false statement about work program compliance.</p>
Lifetime Limit on Benefits:	<p>State legislation requires state to seek waiver authority to impose a lifetime limit of 5 years of benefits on all able-bodied adults, to begin when waiver is approved. Exemptions for children, pregnant women, those who are working full-time, full-time high school students age 19 and older, sole caregiver of family member under age 6, and those receiving temporary or permanent long-term private or government disability benefits.</p>
Financing:	<p>State anticipates that expenditures for newly eligible adults will be the same with and without the waiver.</p>
Next Steps:	<p>Waiver application is subject to approval by CMS after a federal public comment period that ends on Dec. 6, 2015.</p>

Endnotes

¹ Arizona Health Care Cost Containment System, *Application for a New Section 1115 Demonstration* (Arizona Health Care Cost Containment System, Sept. 30, 2015), <http://www.medicaid.gov/Medicaid-CHIP-Program-Information/By-Topics/Waivers/1115/downloads/az/az-hccc-pa2.pdf>.

² Kaiser Commission on Medicaid and the Uninsured, *Medicaid Eligibility for Adults as of January 1, 2014* at Table 1 (Washington, DC: Kaiser Commission on Medicaid and the Uninsured, Oct. 2013), <http://kff.org/medicaid/fact-sheet/medicaid-eligibility-for-adults-as-of-january-1-2014/>.

³ In addition, Arizona's current waiver proposal would be voluntary for an additional over 256,000 previously eligible parents from 0-106% FPL (although in some places, the waiver narrative still indicates that participation for this group would instead be required). Arizona Health Care Cost Containment System, *Application for a New Section 1115 Demonstration*, Section 3 - Narrative at 2 (Arizona Health Care Cost Containment System, Sept. 30, 2015), <http://www.medicaid.gov/Medicaid-CHIP-Program-Information/By-Topics/Waivers/1115/downloads/az/az-hccc-pa2.pdf>.

⁴ In February, 2014, Arizona sought waiver authority from CMS to impose premiums up to 2% of income for newly eligible adults from 100-138% FPL; the state later withdrew this request. Letter from Cindy Mann, Director, CMS Center for Medicaid and CHIP Services to Thomas Betlach, Director, Arizona Health Care Cost Containment System at 2 (Dec. 15, 2014), <http://www.medicaid.gov/Medicaid-CHIP-Program-Information/By-Topics/Waivers/1115/downloads/az/az-hccc-ca.pdf>.

⁵ In February, 2014, Arizona sought waiver authority from CMS to impose a \$200 copay for non-emergency use of the emergency room for newly eligible adults from 100-138% FPL. CMS denied this request because it "far exceeds the nominal \$8 co-pay for such services established under Medicaid regulations and would be subject to the provisions under 1916(f) of the Social Security Act, which circumscribes [CMS's] legal authority in waiving cost-sharing under Medicaid." Letter from Cindy Mann, Director, CMS Center for Medicaid and CHIP Services to Thomas Betlach, Director, Arizona Health Care Cost Containment System at 2 (Dec. 15, 2014), <http://www.medicaid.gov/Medicaid-CHIP-Program-Information/By-Topics/Waivers/1115/downloads/az/az-hccc-ca.pdf>; see also Letter from Andrew M. Slavitt, Acting Administrator, CMS to Thomas Betlach, Director, Arizona Health Care Cost Containment System (June 22, 2015), <http://www.medicaid.gov/Medicaid-CHIP-Program-Information/By-Topics/Waivers/1115/downloads/az/Health-Care-Cost-Containment-System/az-hccc-disappvl-ltr-06222015.pdf>.

⁶ Arizona Health Care Cost Containment System, *Application for a New Section 1115 Demonstration* at 6-8 (reproducing Senate Bills 1475 and 1092) (Arizona Health Care Cost Containment System, Sept. 30, 2015), <http://www.medicaid.gov/Medicaid-CHIP-Program-Information/By-Topics/Waivers/1115/downloads/az/az-hccc-pa2.pdf>.

⁷ Arizona Health Care Cost Containment System, *Application for a New Section 1115 Demonstration* at 7-8 (reproducing Senate Bill 1092) (Arizona Health Care Cost Containment System, Sept. 30, 2015), <http://www.medicaid.gov/Medicaid-CHIP-Program-Information/By-Topics/Waivers/1115/downloads/az/az-hccc-pa2.pdf>.

⁸ Arizona Health Care Cost Containment System, *Application for a New Section 1115 Demonstration* (Arizona Health Care Cost Containment System, Sept. 30, 2015), <http://www.medicaid.gov/Medicaid-CHIP-Program-Information/By-Topics/Waivers/1115/downloads/az/az-hccc-pa2.pdf>.

⁹ NH is currently implementing a traditional expansion under state plan authority and will transition to demonstration authority as of 2016.

¹⁰ Prior to the ACA, Arizona covered childless adults from 0-100% FPL but enrollment was capped. Kaiser Commission on Medicaid and the Uninsured, *Medicaid Eligibility for Adults as of January 1, 2014* at Table 1 (Washington, DC: Kaiser Commission on Medicaid and the Uninsured, Oct. 2013), <http://kff.org/medicaid/fact-sheet/medicaid-eligibility-for-adults-as-of-january-1-2014/>.