SUMMARY OF AHCCCS IMPACTS
AMERICAN HEALTH CARE ACT (HOUSE) AND BETTER CARE RECONCILIATION ACT (SENATE)

The Arizona Health Care Cost Containment System (AHCCCS) has compiled an analysis of the American Health Care Act (as passed by the U.S. House of Represntatives) and the Better Care Reconciliation Act (as released by the U.S. Senate on June 22, 2017). This analysis is based on a preliminary review of the BCRA and is subject to revision.

High-Level BCRA Overview FY 2018-FY 2026

Impacts	
Federal Match Change (includes early-expansion penalty)	$2.9 billion
Hospital Assessment Replacement (2022-2026)	$2.0 billion
Potential Per Capita Cap Inflation Impacts (2020-2026)	$2.2 billion
Potential Total State Impacts	**$7.1 billion**

Comparison of the Estimated Coverage-Related Impacts of the House and Senate Legislation

The AHCA (House bill) results in increased costs for Arizona of over $3.3 billion between FY 2018 and FY 2026. The proposed Senate legislation (BCRA) increases costs for Arizona by $2.9 billion over the same time period.

- Both the AHCA (House bill) and the BCRA (Senate bill) make changes to the enhanced federal funding provided for almost 320,000 Proposition 204 Childless Adults (with incomes up to 100% FPL) as well as 82,000 Expansion Adults (with incomes 100-133% FPL).[1]
- The BCRA phases-out enhanced funding for both the 0-100% FPL and 100-133% FPL populations beginning in 2021 ultimately reducing the rate to a traditional match by 2024.[2] For more information about the AHCA, see AHCCCS's AHCA impact analysis published March 17, 2017.
- The following estimated increases in Medicaid costs assume Arizona freezes enrollment for the 82,000 adults between 100-133% FPL beginning January 1, 2020.

[1] Proposition 204 population includes childless adults, parents, and those eligible for Supplemental Security Income with income up to the federal poverty level. Adults with incomes 100-133% of the FPL were added as part of the Affordable Care Act.

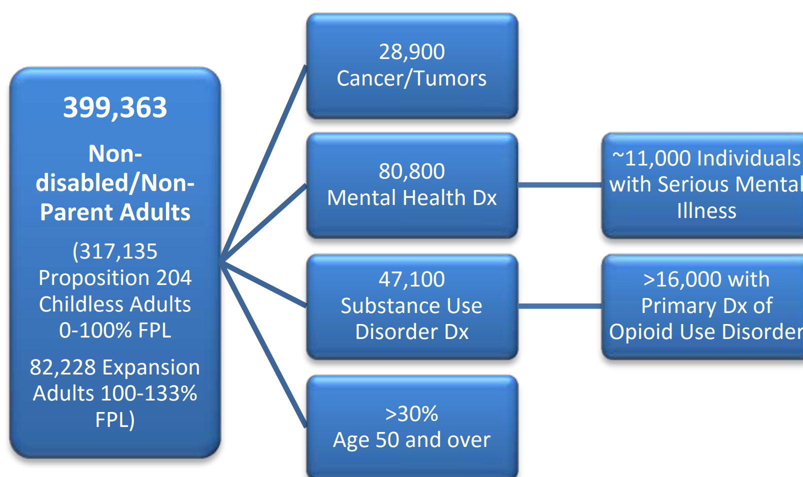
[2] For the 0-100% population, the federal match was scheduled to increase in 2018 and 2019; the BCRA freezes the formula for calculating the federal match rate for this population at 2017 rates through December 31, 2023 and then reduces it to the state's regular Federal Medical Assistance Percentage (FMAP). For the 100-133% population, the federal match phase down is as follows: 2021 – 85%, 2022 – 80%, 2023 – 75%, 2024 – regular FMAP.

	AHCA (House)	BCRA (Senate)
FY 2018	$30 M	$30 M
FY 2019	$92 M	$92 M
FY 2020	$148 M	$113 M
FY 2021	$319 M	$146 M
FY 2022	$409 M	$270 M
FY 2023	$478 M	$402 M
FY 2024	$562 M	$537 M
FY 2025	$621 M	$621 M
FY 2026	$652 M	$652 M
Total	**$3.3B**	**$2.9B**

In addition to the changes in the enhanced FMAP for the ACA Medicaid expansion, both the AHCA and the BCRA include a reduction in federal matching funds for early-expansion states such as Arizona. ***This early-expansion penalty is included in the figures above and adds additional state costs from FY 2018-FY2024 totalling $356.3 million in the AHCA and $480.3 million in the BCRA.***

The state costs for both the Proposition 204 Childless Adults and the Expansion Adults are funded through an assessment on hospitals, which currently totals $290 million per year.[3] The statutory authority for the hospital assessment includes a triggered repeal if the federal match rate for either population is below 80%. The BCRA triggers this repeal as of Calendar Year 2022. The additional costs to replace that funding are not included in the above estimate but could be in excess of $2.0 billion from FY 2022 through FY 2026.

Select Demographics of Adult Population



[3] The hospital assessment also funds costs for parents with incomes up to 100% FPL (as required by Proposition 204) that are not covered by other funding sources.

Impact of Per Capita Cap Inflation Factor

Both the AHCA and BCRA would limit federal payments to states for Medicaid to a fixed amount per eligible enrollee starting in Federal Fiscal Year (FFY) 2020.

Under the BCRA, the caps are inflated through FFY 2024 by the Consumer Price Index, Medical Care Component (CPI-Medical) for children and non-elderly adults without disabilities and the CPI-Medical +1 for individuals who are elderly, blind or have a disability.

Beginning in FFY 2025, the inflation factor used for all enrollees will be the Consumer Price Index for All Urban Consumers (CPI-U). The CPI-U measures the rate of inflation for a number of items like energy costs and food that bear no relationship to health care costs for a program like Medicaid. This rate is also substantially lower than CPI-Medical. From FFY 2012 to FFY 2016, the CPI-Medical rate of growth averaged 3.2%, while CPI-U averaged only 1.3% for the same period. The potential impact of applying a severely-reduced growth rate to federal funding for the Medicaid program could be dramatic. For example, if AHCCCS expenditures increased by just 0.5% more than the applicable growth rate from 2020 through 2026, AHCCCS's costs would increase by over $2.0 billion to maintain the current program.

Proposed BCRA Disproportionate Share Hospital (DSH) Payment Reductions

The ACA included reductions to DSH payments because the Medicaid expansion was intended to reduce hospital uncompensated care, thus theoretically reducing the need for DSH. Both the BCRA and the AHCA would alter Medicaid expansion funding, while the BCRA would propose that the current scheduled DSH reductions remain in place for states that have expanded Medicaid. This is different from the AHCA, in which the DSH reductions are ended beginning in FFY 2020. The difference between the BCRA and AHCA for Arizona is projected to be $350 million from FFY 2020 through 2026. This will have a direct impact on the General Fund.