



## **Reforming Proposition 204 Coverage for Adults without Dependent Children**

The Arizona Hospital and Healthcare Association (AzHHA), Arizona Association of Health Plans (AAHP) and Arizona Health Care Association (AHCA) have come together to support a package of reforms to the Proposition 204 program in an effort to (1) maintain the financial viability of the program and (2) protect coverage for as many Proposition 204-eligible adults without dependent children as possible.

The reforms would limit enrollment and program costs to available dedicated funding and increase cost-sharing and personal financial responsibility to the extent practical. Specific proposed reforms are as follows.

### **Program Size**

Pending Centers for Medicare and Medicaid (CMS) approval, enrollment would be frozen July 1, 2011. Beginning January 1, 2012, a membership cap would be implemented based on the enrollment in effect on December 31, 2011.

### **Program Funding**

- The Arizona Health Care Cost Containment System (AHCCCS) coverage for childless adults would be funded from a set of new healthcare assessments on hospitals, AHCCCS health plans, and nursing home providers. The assessments would be designed so that the costs would not be passed on to patients or businesses. These funding sources would create a dedicated revenue stream for the program.
- Funding for the program would not exceed these dedicated funds.
- The healthcare assessments would generate revenue for the childless adult program on an annualized basis in amounts up to:
  - Hospital Assessment: \$360 million
  - AHCCCS Health Plan Assessment: \$100 million
  - Nursing Home Assessment \$5 million
- Enrollment would be linked to the dedicated funds. Therefore, the assessment amounts above could be reduced to levels needed to fund enrollment.

### **Personal Responsibility & Cost-Sharing**

- Each enrollee would be required to pay an enrollment fee. AHCCCS would be directed to explore options with CMS to increase copayments charged to the childless adult and spend-down populations. Copayments could be based on an enrollee's income level.

- AHCCCS also would explore with CMS copayments such as the following:
  - *Non-emergency use of the emergency department (ED)*. This copayment could be increased by \$10 to \$15 in an effort to better manage ED utilization and expanded to apply to all ED visits. Enrollees could be exempted from the copayment if they are admitted to the hospital.
  - *Urgent Care*. AHCCCS also could consider implementing a copayment for urgent care visits.
  - *Doctor office visits*. Several states charge higher copayments than Arizona for office visits. AHCCCS could explore increasing this copayment slightly from the current \$5.

### **Benefit Redesign**

In addition to applying the traditional AHCCCS exclusions, the AHCCCS Administration would explore new options with CMS to implement exclusions that were previously disallowed by CMS, such as:

- Non-emergency transportation
- Gastric by-pass surgery
- Selected durable medical equipment.

### **Program Termination**

- The healthcare assessments and funded coverage would terminate on December 31, 2013.

### **Other Considerations**

- During the period when the healthcare assessments are in place, payments to providers subject to the assessment would not be reduced.
- AHCCCS would work with providers and health plans on delivery system reforms to improve patient outcomes and maximize federal funds and that result in efficiency savings.

### **Items for Discussion**

In an effort to build consensus around this proposal, policymakers could consider reinstating funding for KidsCare and/or transplants from the assessments. For example, the freeze on KidsCare could be lifted and enrollment capped at the level in effect at the time the freeze was implemented.