

HEALTH MANAGEMENT ASSOCIATES

– Evaluation of Impact of Federal Medicaid Proposals on AHCCCS – **ELIMINATE THE ENHANCED FMAP FOR EXPANSION POPULATIONS**

SUMMARY OF IMPACT TO ARIZONA

If the enhanced federal matching rate for expansion populations is eliminated, Arizona will have to choose between backfilling federal funds, eliminating coverage, or some combination of these options.

- Maintaining current AHCCCS coverage would increase state costs by more than \$1.9 billion.
 - Eliminating coverage for populations currently receiving the enhanced federal matching rate would result in 500,000 Arizonans losing health insurance, including about 433,000 individuals covered by 2000's voter-approved Proposition 204 and 67,000 individuals covered through the 2014 Medicaid expansion. In federal fiscal year 2024, spending on healthcare services for these populations totaled \$5.8 billion, more than 30 percent of all AHCCCS spending.
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BACKGROUND

The cost of Medicaid services is shared between the federal government and the states.

- The federal share of Medicaid service costs for most eligible populations is called the federal medical assistance percentage (FMAP), which varies based on each state's per capita income.
- Arizona's standard FMAP in federal fiscal year 2026 will be 64.34 percent.

In 2010, Congress established a special enhanced 90 percent federal matching rate to assist states to expand Medicaid coverage to previously uninsured individuals.

- The enhanced federal matching rate applies to non-disabled, non-pregnant adults (commonly referred to as "childless adults") with incomes below 138 percent of the federal poverty level.

Arizona was one of the initial states to expand its Medicaid program (called AHCCCS) in 2014.

- In Arizona, the enhanced FMAP applies to certain adults with incomes less than 100 percent of the FPL who were already eligible through 2000's voter-approved Proposition 204 as well as newly eligible adults with incomes between 100 and 138 percent of the FPL.
- As of February 2025, 41 states have expanded their Medicaid programs.

Arizona statute includes "trigger" language repealing the AHCCCS expansion if the enhanced federal matching rate declines below 80 percent.

- If the enhanced FMAP is reduced below 80 percent, state statute would eliminate coverage for the newly eligible population (adults with incomes between 100 and 138 percent of the FPL). The trigger language does not apply to the Prop 204 population.
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FEDERAL PROPOSAL

Congress proposes to eliminate the enhanced federal matching rate for the expansion population.

- The federal matching rate for the expansion population would be reduced to the standard FMAP.
- The proposal does not change eligibility standards, covered services, or payment rates. However, if states are unable to replace the lost federal funds, they will be forced to reduce program spending.