

# Potential Federal Medicaid Changes

## And their effect on Arizona

June 25, 2025



# What Is Medicaid?

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Public health insurance program for low-income individuals and families

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Jointly funded by federal and state governments

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Covers 1 in 5 Americans, including children, pregnant women, seniors, and people with disabilities

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Each state runs its own program within broad federal guidelines

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Eligibility and benefits vary by state

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Nation's largest source of coverage for long-term services and supports

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# An AHCCCS Snapshot

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Arizona was the **last state in the union** to start a Medicaid program.

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Arizona's Medicaid program is called the Arizona Health Care Cost Containment System, or AHCCCS.

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AHCCCS covers a wide range of services, inc. doctor visits, hospital stays, long-term care, mental health, and prescription drugs.

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AHCCCS contracts with private health insurance companies for most populations





# Who is eligible for AHCCCS?

When it was first established, Medicaid primarily covered moms, children, and people with disabilities.



Over time, Medicaid's role in supporting the health care system and reducing uncompensated care has strengthened, and other populations have been added.



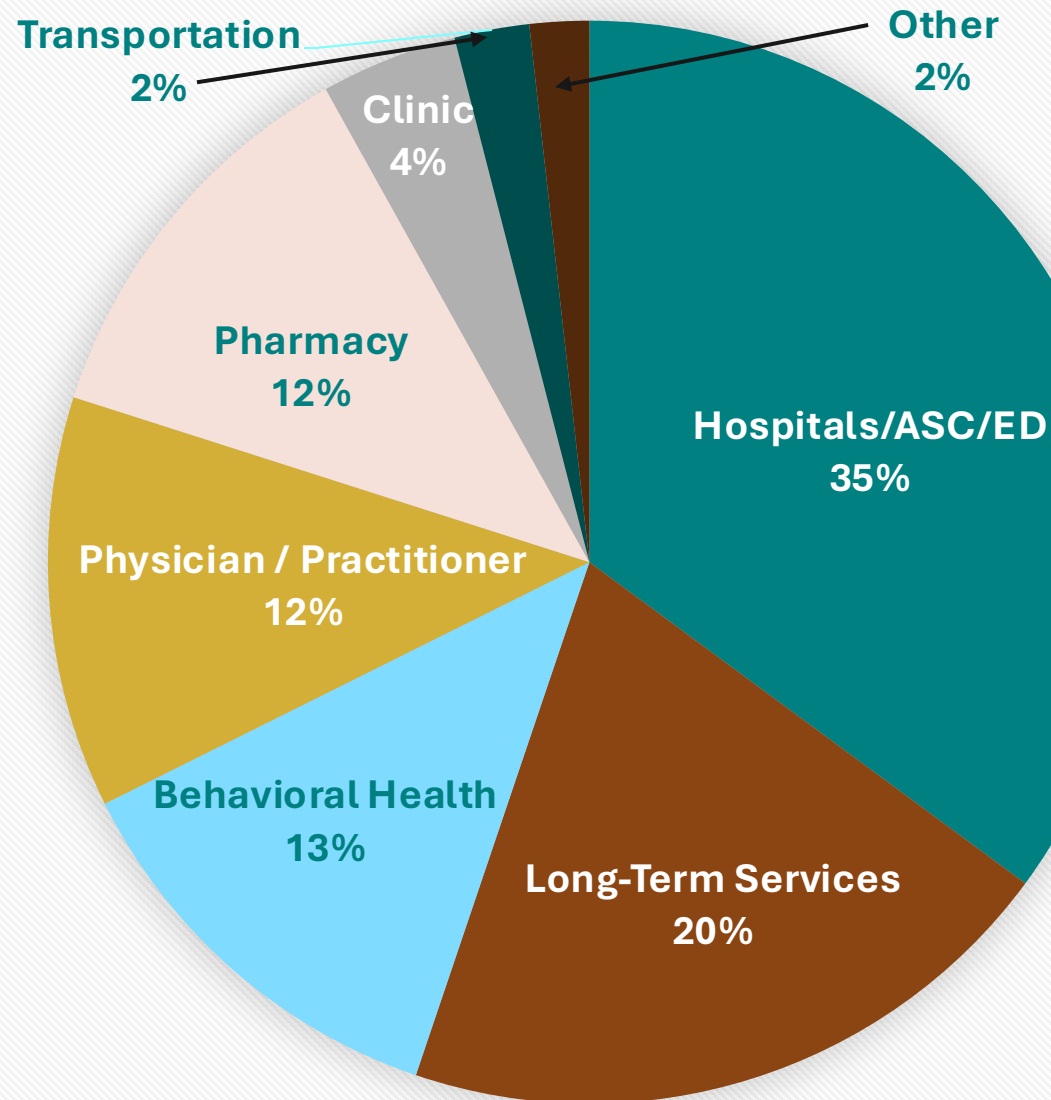
All Arizona citizens with incomes up to ~\$21,000 for a single individual (\$43,000 for a family of 4) are eligible for AHCCCS

- Individuals with slightly lower incomes (\$15,650 for a single individual, \$32,150 for a family of 4) are **voter protected** under Proposition 204.
- Certain populations who need extra supports have higher income limits through the ALTCS program.

# AHCCCS Highlights

2,027,424	Number of people covered by AHCCCS as of 3/1/2025
\$21 Billion	AHCCCS Budget (SFY 2025)
107,396	Number of providers registered with AHCCCS as of 3/1/2025
45,242	Number of individuals that are elderly or physically disabled served by AHCCCS as of 3/1/2025
1 in 2	Proportion of Arizona births covered by AHCCCS in CY 2024
60%	Percent of nursing facility days covered by AHCCCS in CY 2024
40%	Percent of AHCCCS enrollment who are children as of 1/1/2025
8	Number of contracted managed care health plans as of 10/1/2024
64,000	Number of AHCCCS members treated for malignant cancer in FFY 2024
181,000	Number of AHCCCS members treated for Diabetes in FFY 2024
67,500	Number of AHCCCS members treated for opioid-related disorders in FFY 2024

# Where does AHCCCS spend its money?



# Congress is considering changes to Medicaid



Congress is attempting to extend the 2017 tax cuts using budget reconciliation, which requires fewer votes and bypasses the filibuster.



To reduce the budget impact, the extension is packaged with other spending provisions and major reductions to/restructuring of safety net programs.



On May 22, House passed reconciliation bill language by a vote of 215-214.

# Congress is considering changes to Medicaid



CBO estimates that the E&C provisions of the bill produce savings of \$1 trillion between 2025-2034, or which Medicaid savings are \$806 billion.



However, the bill as a whole, will increase the deficit by \$2.4 trillion over 10 years.



Senate leaders hope to pass the bill by July 4, although both conservative and moderate Republicans have expressed concerns about its provisions.



# CBO Estimates of Changes to the Number of Uninsured Americans by 2034 – ACA Marketplace ([healthcare.gov](https://www.healthcare.gov)) and Medicaid

5.1 million

Expiration of the  
expanded premium tax  
credits and marketplace  
rule changes

10.9 million

Medicaid and  
Marketplace changes in  
HR 1



## What does this mean for Arizona?

- Preliminary estimates include:
  - 200-350,000 more uninsured Arizonans
  - \$2-3 billion reduction in federal Medicaid spending in Arizona

# What are Provider Taxes (and Why Does Congress Care)?

- 49 states legally use provider taxes to fund state costs of Medicaid, but some advocates still frame them as “fraud”
- Federal regulations heavily dictate how states can levy provider assessments
- Congress wants to limit or prohibit this mechanism
  - Either prevent new taxes (House); or
  - Roll back existing taxes almost in half, **requiring the state to find new revenue or cut programs** (Senate).
- Arizona has hospital and nursing facility assessments
  - Hospital and NF assessments provide rate support.
  - A portion of the hospital assessment funds coverage for ~500,000 Arizonans

# What are State Directed Payments (and Why Does Congress Care)?

- Typically, providers receive payments for services delivered through managed care insurance companies
- Federal regulations allow for extra payments to providers, as “directed” by states, up to the average amount paid by commercial insurance. Approximately 40 states utilize State Directed Payments (SDPs) and SDPs are one of the fastest growing areas of Medicaid.
- Congress wants to limit the amount providers can be paid to Medicare rates.
- Arizona has various SDPs for hospitals, nursing facilities, FQHCs, and healthcare professionals and new limits could reduce their payments.

# Eligibility Changes: Making it harder to get and retain Medicaid

- Requires certain Medicaid expansion members to prove employment before enrolling or re-enrolling in Medicaid
  - Applies to Prop 204 childless adults and expansion, with exceptions
  - Will exceptions be enough to prevent coverage loss? Experience in other states says *no*
- Requires re-determination of same populations every 6 months
- Repeals Biden rules designed to streamline enrollment
- Requires additional eligibility data checks



# Arizona's Work Requirement Proposal



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Arizona has longstanding statutory requirement to request authority for a work requirement.

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AHCCCS submitted a waiver request to CMS on March 28, 2025

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Arizona's proposal is estimated to impact 190K members.

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Work requirement waivers will cost tens of millions of dollars to implement.

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Congressional proposal is similar to, but will be less flexible than, Arizona's plan.

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What wasn't included

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Changing federal  
match rates (FMAP)

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Per Capita Caps

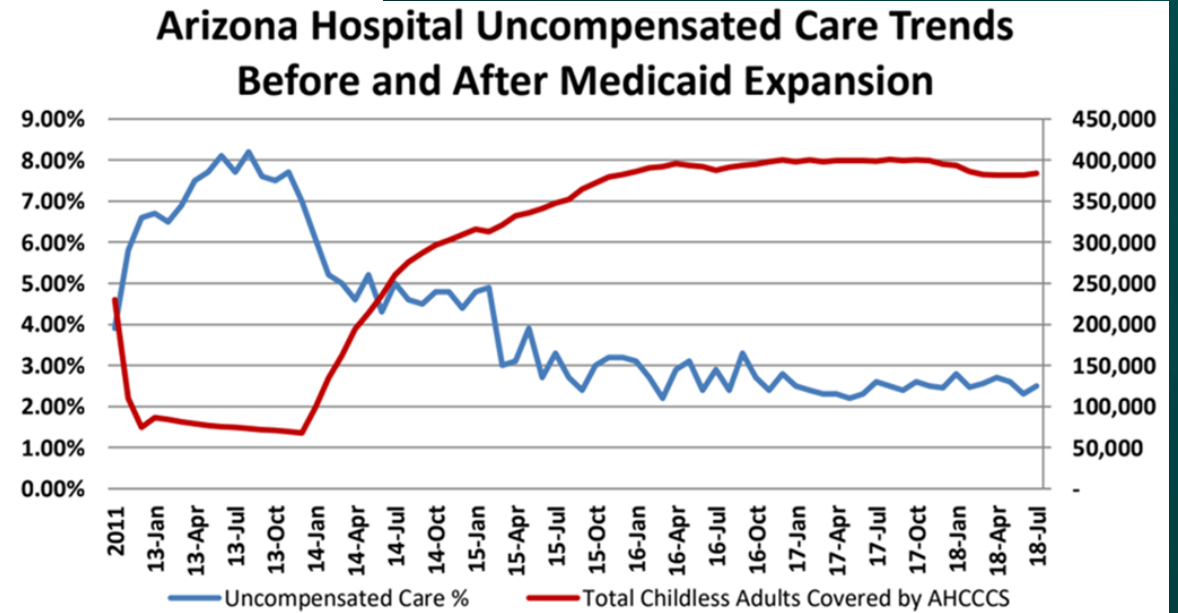
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Real FWA changes



# What happens when coverage is reduced?

- During the Great Recession, Arizona reduced its Medicaid program by hundreds of thousands.
- Hospital **uncompensated care spiked**, and hospitals barely made it through the financial pressures.
- **Providers shifted costs to small businesses and other private sector employers who purchase private insurance.**
- This cost shift — sometimes referred to as the **hidden health care tax** — to Arizona businesses impacts economic competitiveness.



# Why should we all care?



Major AHCCCS reductions will destabilize the entire healthcare sector: The providers who deliver health care to AHCCCS members also deliver health care to Arizonans with private insurance and those on Medicare.



If providers stop providing specific services, or close locations. **all Arizonans will not be able to access needed care.**



These changes have sweeping impacts across Arizona's economy. Hospitals and health care providers are significant economic drivers, especially in rural Arizona. Providers will likely have to cut jobs which will impact our state's broader economic competitiveness.



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Figure 1: Economic Impact of Each \$1.0 Billion Reduction in Medicaid Spending by Arizona County

Note: Estimates represent the number of lost jobs (each county's job loss as a share of its total workforce) and reductions in county-level economic output. Source: Rounds Consulting Group, Inc.

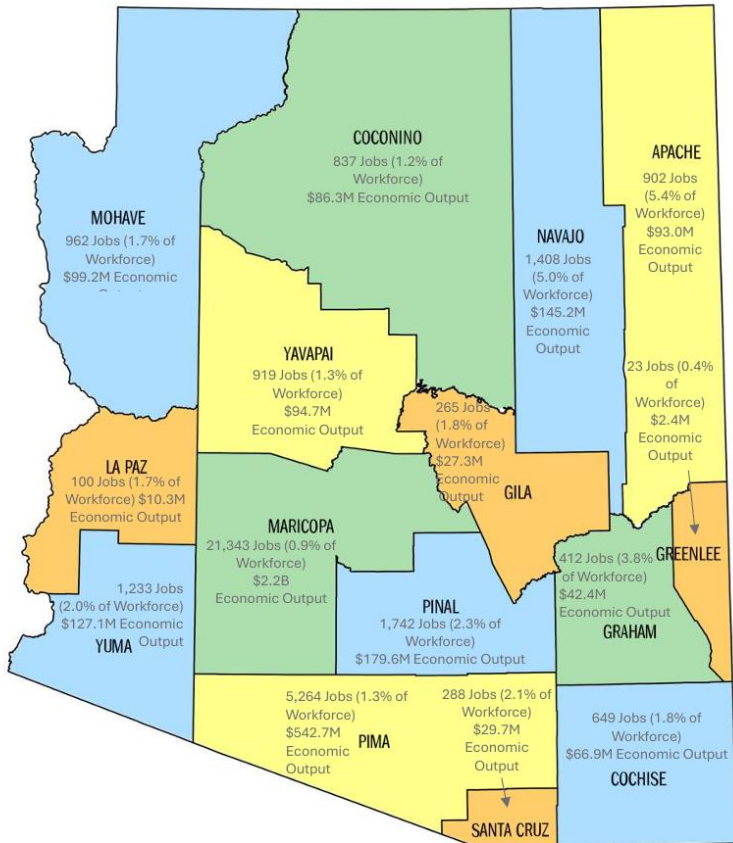


Figure 11: Profile of Arizona's Healthcare Industry

471,600	\$68,300	\$32.2B	\$38.1B
Healthcare Jobs in Arizona	Average Wage of Workers	In Labor Income Across Arizona	In State Gross Domestic Product
Total number of healthcare jobs across the state.	Average annual wage of healthcare workers in Arizona	Total employee-earned wages and salaries.	Total direct economic output produced by the healthcare industry.

Figure 12: Economic Impact of Each 10% Decline in Arizona's Healthcare Industry

105,120	\$7.6B	\$16.9B	\$672.1M
Full-Time Equivalent Job Losses	Reductions in Labor Income	Losses in Economic Activity	State & Local Tax Revenues Losses
Total number of jobs losses across the state.	Total losses in employee-earned wages.	Total losses in state gross domestic product.	Total state, county, and municipal tax revenue losses.

Source: Rounds Consulting Group, Inc.

# Arizona Chamber Foundation Analysis

*While the exact details... remain uncertain, the scale of economic losses is clear – the negative repercussions would reach recession-level impacts.*

Figure 9: Economic Impact of a \$1.9B Reduction in Federal Medicaid Funds

Note: Based on KFF estimates of federal Medicaid funding reductions in Arizona.

130,000	\$5.9B	\$13.1B	\$500.0M
Full-Time Equivalent Job Losses	Reductions in Labor Income	Losses in Economic Activity	State & Local Tax Revenues Losses
Total number of jobs losses across the state.	Total losses in employee-earned wages.	Total losses in state gross domestic product.	Total state, county, and municipal tax revenue losses.

Source: Rounds Consulting Group, Inc.

Figure 10: Economic Impact of a \$7.5B Reduction in Medicaid Spending

Note: Based on KFF estimates of Federal Medicaid spending reduction in Arizona if Medicaid expansion is discontinued.

299,900	\$14.0B	\$30.9B	\$1.1B
Full-Time Equivalent Job Losses	Reductions in Labor Income	Losses in Economic Activity	State & Local Tax Revenues Losses
Total number of jobs losses across the state.	Total losses in employee-earned wages.	Total losses in state gross domestic product.	Total state, county, and municipal tax revenue losses.

Source: Rounds Consulting Group, Inc.

*The impacts would offset much of the economic growth from past tax cuts and the creation of high return-on-investment economic development programs.”*

# Arizona Chamber Foundation Analysis - Scenarios





# But wait, there's more!

HR 1 also:

- Increases state costs for SNAP based on several administrative factors, which could require \$500-600 million in state funds *or risk losing the program entirely*
- Makes other administrative changes that will make it harder for families to maintain SNAP including additional work requirements
- Reduces benefits for low-income families, which will reduce food availability for families and children

# Questions?

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Scan for the full report  
Federal Medicaid Cuts & Arizona's  
Economy



Scan for the  
Arizonaans for Better Healthcare  
Website



Scan for AHCCCS published data  
and information

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