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April 22, 2016

The Honorable Andy Biggs
President of the Senate
Arizona State Senate
1700 West Washington
Phoenix, AZ 85007

Dear Senator Biggs,

I appreciate your work on behalf of the people of Arizona to develop a budget that adequately funds needed programs in our state. I am writing to address concerns you raised regarding funds available for Arizona's Children's Health Insurance Program (CHIP), known as KidsCare.

Currently Arizona is the *only* state in the country without a functioning CHIP program. Since the 2010 enrollment freeze, a once fully functional program that served 46,000 kids now provides needed care to less than 1,000. As a result, Arizona ranks 49th in the nation for its rate of uninsured children, and the rate of uninsurance among the former KidsCare income eligibility range is a striking 16.5 percent.

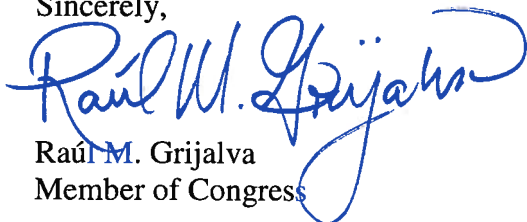
Recently, you suggested that ending the enrollment freeze on KidsCare could pose a cost to the state, specifically in fiscal year 2017. However, in a letter from March 2016, Center for Medicare and Medicaid Services (CMS) states that: "federal matching funds would be available for all eligible expenditures associated with reopening enrollment in KidsCare for FY 2016 and FY 2017, including expenditures exceeding the CHIP allotment." They go on to say: "Based on current amounts available for FY 2016 and FY 2017, CMS anticipates that contingency fund and/or redistribution payments would be sufficient to provide federal matching funds for any CHIP shortfall that may result from reopening KidsCare enrollment for these fiscal years, including expenditures eligible for the 100 percent EFMAP." For your convenience the letter in its entirety is enclosed.

Ending the enrollment freeze on KidsCare is not only an economic win for the state, but a win for those families that are now forced to pay higher cost to afford insurance elsewhere. According to Georgetown University Center for Children and Families: "Children with significant health care needs will face substantially higher out-of-pocket costs in the marketplace, as well as limits on benefits, which will be especially difficult for lower income families who cannot afford to pay for non-covered services."

Despite Marketplace plans and Medicaid, one in ten children in Arizona are uninsured. This reality is both an ethical and economic concern, as those without insurance are more likely to need care in an expensive emergency setting.

While the program will receive 100 percent federal coverage, this should not be a requirement to having a Children's Health Insurance Program. Forgoing any amount of federal matching dollars harms the state economy, and a recent Grand Canyon Institute report found that under a worst case scenario, in which the state receives the normal matching rate, the total economic benefit to Arizona would still be around \$60 million. Even before the Affordable Care Act passed and provided additional federal funding, operating a CHIP program was beneficial to our state. Ending the freeze on KidsCare will bring in a needed infusion of federal funding, and it is time for Arizona to enjoy the benefits that every other state receives.

Sincerely,

A handwritten signature in blue ink that reads "Raúl M. Grijalva". The signature is fluid and cursive, with a large, sweeping flourish at the end.

Raúl M. Grijalva
Member of Congress

Enclosure: March 2, 2016 CMS Letter



March 2, 2016

The Honorable Raul Grijalva
U.S. House of Representatives
Washington, DC 20515

Dear Representative Grijalva:

Thank you for your letter to Secretary Burwell regarding children's coverage in the State of Arizona. The Secretary has asked that I respond on her behalf. The Department of Health and Human Services (HHS) shares your interest in reducing the rate of uninsured children and improving access to quality healthcare for children and families in Arizona and across the United States.

You requested information with regard to federal financing for children's coverage should Arizona elect to reopen enrollment in Arizona's Title XXI separate Children's Health Insurance Program (CHIP) program, known as KidsCare. As you know, enrollment in the program was initially frozen in January 2010, and after being temporarily reopened in 2012, sunset on January 31, 2014, when coverage through the Marketplace became available and children ages 6 through 18 with incomes up to 133 percent of the poverty level became eligible for Medicaid.

The Centers for Medicare & Medicaid Services (CMS) anticipates that federal matching funds would be available for all eligible expenditures associated with reopening enrollment in KidsCare for FY 2016 and FY 2017, including expenditures exceeding the CHIP allotment. For these fiscal years, Arizona's enhanced federal medical assistance percentage (EFMAP), including the 23 percent increase under section 2105(b) of the Social Security Act (the Act), is 100 percent for eligible CHIP expenditures. Arizona recently reported in the CMS Statistical Enrollment Data System that as of the end of the first quarter of FY 2016, it covers approximately 77,000 children in its Medicaid expansion CHIP, and approximately 800 children remain in its separate CHIP.

As you know, under the law, CHIP financing provides for contingency fund payments and redistribution payments to states that face shortfalls in their allotments. Contingency fund payments are made to allotment shortfall states whose target average CHIP enrollment for the fiscal year is in excess of the statutory target average enrollment. Redistribution payments are available to any state whose projected expenditures for a fiscal year exceed the sum of total available CHIP allotment and contingency fund payments for that fiscal year. To ensure that the state would have sufficient federal funding available in advance of an actual CHIP shortfall, CMS would make this additional funding available soon after the state demonstrates a projected shortfall to CMS. CMS finalizes initial payments once actual shortfall information becomes available.

Contingency fund and redistribution payments are also subject to availability under statute. Based on current amounts available for FY 2016 and FY 2017, CMS anticipates that contingency fund and/or redistribution payments would be sufficient to provide federal matching funds for any CHIP shortfall that may result from reopening KidsCare enrollment for these fiscal years, including expenditures eligible for the 100 percent EFMAP.

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HHS appreciates your interest in health care coverage for children. Should you have additional questions, please contact the CMS Office of Legislation at 202-690-8220.

Sincerely,

A handwritten signature in black ink, appearing to read "Vikki Wachino". The signature is written in a cursive style with a large initial "V".

Vikki Wachino
Director