May 9, 2025

The Honorable Mehmet Oz, M.D.
Administrator
Centers for Medicare and Medicaid Services
7500 Security Boulevard
Baltimore, MD 21244-1850

Submitted electronically via Medicaid.gov

RE: AHCCCS Works Amendment Request

Dear Administrator Oz,

On behalf of Families USA, thank you for the opportunity to comment on the Arizona Section 1115 Waiver Amendment Request pertaining to the proposed *Arizona Health Care Cost Containment System (AHCCCS) Works* program. Families USA is the longtime national, non-partisan voice for health care consumers, dedicated to achieving high-quality, affordable health care and improved health for all by working closely with organizations on the ground in Arizona and across the nation. Families USA greatly appreciates the opportunity to comment on AHCCCS Works, as the proposed amendment will significantly impact the lives of the 414,689 people aged 19-55 who qualify for the state's Medicaid expansion[1]—comprising 56% of all Medicaid-enrolled adults aged 19-55 in Arizona,[2] and 12% of all adults in the state.[3]

Families USA strongly urges the Centers for Medicare and Medicaid Services (CMS) to reject AHCCCS Works and all future attempts from states to adopt work reporting or so called "community engagement" requirements for Medicaid eligible populations. AHCCCS Works, as proposed, remains substantially the same as Arizona's two previous attempts to implement a Medicaid work reporting requirement.[4] Like its failed predecessors, AHCCCS Works establishes onerous and punitive work and community engagement requirements for the Medicaid expansion population and imposes a five-year maximum lifetime coverage limit for members subject to AHCCCS Works requirements. While AHCCCS does not estimate how many Arizonans might see their Medicaid coverage and benefits suspended because of AHCCCS Works, in 2019, researchers estimated that AHCCCS Works would have ***caused up to 103,000 eligible Medicaid enrollees to lose coverage.***[5]

Families USA strongly opposes all work reporting requirement programs including programs disguised as "community engagement" or as "support" programs for able-bodied adults. No matter what you call them, these programs are unnecessary bureaucratic barriers to care and coverage, given that ***92% of Medicaid enrollees across the country are already working or would meet an exemption because they are in school, ill or disabled, or caregiving***.[6] These programs all create an immense administrative hurdle that makes it more difficult for eligible people—including working people, and especially rural Americans, people with disabilities, and veterans—to enroll in or maintain Medicaid coverage, and leave many working families uninsured, living sicker, dying younger, and one emergency from financial ruin.[7] Lifetime coverage limits only exacerbate the many problems caused by work reporting requirements by

permanently barring eligible people and populations from Medicaid. Furthermore, work reporting requirements and coverage limits under AHCCCS Works do not promote Medicaid's primary objective—that is, to "furnish medical assistance."[8]

As we outline in our comments below, AHCCCS Works will only serve to further threaten the financial security of Arizonans, directly undermining the will of the people who just voted in the 2024 national election for greater economic stability. Moreover, by continuing to push its demonstration waiver forward, AHCCCS ignores the overwhelming majority of commenters during the state's waiver development process who stated strong opposition, pointing out, as we do in our comments, that the program will fail to improve employment while driving economic instability for families, putting hospitals and the health system at risk, and causing Arizona to incur significant administrative costs—not to mention costs to the federal government that must finance at least 50% of the program's administrative expenses, totaling millions of dollars in wasteful spending.

Families USA strongly urges CMS to stand with families and consumers who want to protect access to Medicaid, and reject this harmful and economically destructive proposed demonstration waiver.

I. AHCCCS Works does not meet Medicaid's primary objective of furnishing medical assistance; the waiver is contrary to Medicaid goals in that it serves to push eligible people off Medicaid coverage.

AHCCCS states its objective in implementing AHCCCS Works is to "support Arizonans in pursuing their educational goals, building their technical skills, and gaining the income, independence, and fulfillment that come with employment."[9] While every state should be concerned with providing their residents with education and employment opportunities, federal Medicaid law does not allow states to condition Medicaid eligibility on employment status or educational achievement.

The primary objective of Medicaid is to "furnish medical assistance," as required by the Social Security Act.[10] AHCCCS Works stands in direct opposition to this fundamental Medicaid objective, as the program will suspend anyone who cannot meet monthly paperwork burdens to prove their work or exemption status. In addition, the program will indefinitely terminate Medicaid coverage for AHCCCS Works participants after five years. These policies, if implemented, will mean that thousands of otherwise eligible people will have no access to the health care services to which they are entitled. A 2019 estimate of the AHCCCS Works program would have ***caused up to 103,000 AHCCCS Works enrollees to lose Medicaid.***[11] This figure is just an estimate of the work reporting requirement impact and does not account for additional coverage losses resulting from the proposed five-year lifetime coverage limit, which could be substantial.[12]

Arizona has been on notice since at least 2016 that its proposed AHCCCS Works program—and the resulting coverage losses—does not meet Medicaid objectives. When CMS denied Arizona's first attempt at implementing AHCCCS Works in September 2016, it stated:

> *"Consistent with Medicaid law,* ***CMS reviews section 1115 demonstration applications to determine whether they further the objectives of the program, such as by strengthening coverage or health outcomes for low-income individuals in the state or increasing access to providers****. After reviewing Arizona's application to determine whether it meets these standards,* ***CMS is unable to approve the following requests, which could undermine access to care and do not support the objectives of the program****: monthly contributions for*

beneficiaries in the new adult group with incomes up to and including 100 percent of FPL; exclusion from coverage for a period of six months for nonpayment of monthly premium contributions; ***a work requirement****; fees for missed appointments; additional verification requirements; and a* ***time limit on coverage****."*[13]

In January 2019, CMS again rejected AHCCCS' attempt to implement lifetime coverage limits stating these policies do not support the "important objective of the Medicaid program [that] is to furnish medical assistance and other services to vulnerable populations."[14] Then, in October 2019, Arizona halted plans to implement AHCCCS Works, because it saw the litigation risk it would be under if it continued to pursue work reporting requirements, given that courts in other states had struck these harmful policies down for failing to support Medicaid objectives.[15]

By recycling its old waiver amendment, AHCCCS has again put forward a proposal that is not designed to furnish medical assistance; instead, Arizona's program is designed to push people off Medicaid both in the short-term (by suspending them for failure to comply with onerous paperwork burdens), and in the long-term (by terminating enrollment after five years).

II. AHCCCS Works threatens the health and financial stability of working families.

Even if it could make the argument that AHCCCS Works promotes Medicaid objectives, AHCCCS cannot make the argument that this proposed program will achieve the stated goal to "support Arizonans in pursuing…employment."[16] As described above, AHCCCS Works will suspend and disenroll working people from Medicaid, leaving them without access to the health care services they need to stay healthy and working. In addition to coverage losses, work reporting requirements fail to improve employment, place unfair paperwork burdens on enrollees, and drive economic insecurity for working families. Lifetime coverage limits only serve to exacerbate these many problems.

i. Work reporting requirements fail to improve employment or increase access to private health insurance coverage.

No evidence shows that work reporting requirements result in higher employment rates.[17] In fact, multiple government and independent analyses definitively conclude that these programs do *not* result in sustainable employment gains.[18] For example, an evaluation of Arkansas' work reporting requirement program found no evidence that low-income adults had increased their employment activities either in the first year or in the longer term.[19] Requirements to report on work activities could not change the realities of Arkansas' regional labor market, where factors beyond individual control—few job opportunities beyond low-wage retail and fast food, a shrinking labor market, lack of public transportation and employers that offer unpredictable work schedules—made it difficult for people to work more hours or for better pay.[20]

These challenges are not unique, as low-income workers across the country experience similar employment conditions.[21] AHCCCS has first-hand knowledge of Arizona's labor market constraints from its prior attempt at implementing AHCCCS Works. In July 2019, Arizona significantly altered its then-proposed program implementation schedule, acknowledging that it needed time to implement the policy in "regions with limited employment, educational and training opportunities, accessible transportation and child-care services."[22]

There is no reason to conclude that the recycled version of AHCCCS Works will fare any better at combatting difficult labor market forces for low-income AHCCCS Works participants. Furthermore, AHCCCS Works cannot alter the availability of private health insurance for low-income residents. The state argues that AHCCCS Works will encourage people to find employer-sponsored insurance or health insurance through the Federally-Facilitated Marketplace, and, therefore, stop needing Medicaid altogether. However, AHCCCS incorrectly assumes that low-income populations have sufficient access to these insurance markets.

- Medicaid-eligible individuals are more likely to have jobs where health insurance is rarely offered to employees, such as jobs offered by small businesses or in the agricultural and service industries.[23] **In Arizona, fewer than half of private-sector employers offer health insurance.**[24]
- Obtaining insurance through the Federally-Facilitated Marketplace is out of reach for this population: the low-wages offered by many Arizona employers do not give workers enough income to purchase health insurance on their own.[25] By definition, the income levels of those who qualify for AHCCCS mean that an individual is working but making less than $21,597 per year.[26]
- In Arizona, 9.9% of residents are uninsured—health insurance is unaffordable and unavailable to these residents.[27]

AHCCCS Works does not address the wider constraints of the health insurance market, where access to private insurance is unrealistic for low-income residents. Meanwhile, the program as designed will suspend coverage for anyone who fails to meet its paperwork requirements or who needs Medicaid for longer than five years. While AHCCCS argues these policies ensure "greater access to employment,"[28] in fact, the opposite is true: barring otherwise eligible people from the Medicaid program only makes it *more* difficult for working-poor adults to maintain employment.

- Research shows that Medicaid enrollees are *already* motivated to work to make ends meet (e.g., to pay utilities or buy food), and work reporting paperwork and lifetime caps do nothing to provide an additional incentive.[29]
- Having access to Medicaid is in and of itself a job enhancer. When uninsured people obtain Medicaid, they report that the positive impact Medicaid has on their health helps them to do a better job at work and enables them to look for better-paying positions; in turn, better employment leads to health improvement.[30]
- People with disabilities are also more likely to be employed if they have Medicaid, showing the impact access to health care services has on working ability.[31]

In short, because it forces people off Medicaid and does not create access to private health insurance, AHCCCS Works does nothing but add to the rolls of the state's uninsured, with consequences for the health and working ability of its residents. Over time, Arizona's lifetime limit proposal would hurt low-income older residents the most, as they are likely to exhaust their Medicaid coverage in their younger years. AHCCCS Works leaves vulnerable older residents with nowhere to turn for health coverage at a time when their health needs are greater and their out-of-pocket costs for buying coverage in the individual market is the highest.[32]

ii. Work reporting requirements place unfair paperwork burdens on working Medicaid enrollees.

AHCCCS Works, as proposed, will place significant reporting burdens on Medicaid enrollees. While the waiver proposal does not detail the mechanics of how AHCCCS enrollees will report to the state, AHCCCS requests CMS to allow it to significantly modify the data it collects from members:

> "AHCCCS is requesting that CMS allow it to require members to provide, as part of the application process, data necessary to determine both compliance with the AHCCCS Works requirements as well as exemptions. This includes, but may not be limited to, whether an individual: is receiving private disability benefits; is a foster parent, victim of domestic violence, or experiencing homelessness; and whether a person has experienced a catastrophic event. It will also include documenting employment search activities. As discussed below, AHCCCS will also want to offer an opportunity for members to demonstrate whether they are medically frail."[33]

Documentation in any one of these proposed areas may be unreasonably challenging for AHCCCS enrollees. Reporting hours worked can be especially difficult for people with multiple jobs, without internet or computer access, and/or with limited English proficiency.[34] Documenting legitimate exemptions (including mental health conditions and other disabilities) is also a challenge, where individuals are unable to obtain medical records, physician testimony, and other required documentations.[35] Proposed requirements to document domestic abuse are especially concerning, as the act of doing this may put victims at greater risk of harm from their abusers.[36]

What AHCCCS proposes is to construct a reporting barrier so high that program enrollees will be unlikely to meet it despite working more than 20 hours/week or having a valid exemption. Barriers to reporting are not hypothetical: in Arkansas, where Medicaid enrollees were subject to similar onerous data collection, 90% of Medicaid enrollees were unable to document any work activities or exemptions,[37] despite the fact that 95% of people subject to the state's program would have met all program requirements.[38]

iii. Work reporting requirements drive economic instability for Arizona families.

As Arizona Governor Katie Hobbs has stated, "Many hardworking Arizonans struggle under the weight of large medical bills incurred through no fault of their own."[39] In Arizona, one in four residents has medical debt in collections[40] and 14% of adults report delaying or avoiding needed care due to cost.[41] Medicaid is an important way to assure Arizonans do not face the steep economic consequences of medical debt. With Medicaid, families have reduced exposure to medical debt, are better able to put food on the table and are less likely to be evicted from their homes.[42]

Implementing a work reporting requirement and lifetime cap program that is expected to bar thousands from Medicaid coverage only further threatens the financial security of Arizona's most vulnerable residents. These threats are not hypothetical given the experience of impacted residents in other states: Arkansans who erroneously lost coverage because of the state's work requirement program had increased medical debt (averaging over $2,200) and the program roughly doubled the portion of adults who reported having serious problems paying their medical bills, while increasing the portion that delayed needed care because of cost.[43] People who experience Medicaid disenrollment as a result of AHCCCS Works face the same exposure to medical debt, and AHCCCS' proposal does nothing to mitigate these concerns.

III. AHCCCS Works adds strain to the health care system and wasteful expenses to state and federal governments.

In addition to coverage losses and other threats to working families, work reporting requirements put hospitals and the health system at risk and lead to millions of dollars in wasteful administrative spending—both by states and the federal government.

i. Work reporting requirements put hospitals and the health care system at risk.

AHCCCS Works, and accompanying Medicaid disenrollments, will also impact hospitals in Arizona that depend on Medicaid to keep them financially viable. According to a February 2025 analysis, three rural hospitals in Arizona—11% of all rural hospitals in the state—are in danger of shuttering.[44] Arizona has already seen four long-term acute care hospitals close since 2015.[45] Furthermore, behavioral health hospital facilities in Arizona have seen uncompensated care costs (the cost of medical services provided but not reimbursed) nearly double since 2022.[46]

Vulnerable hospitals in the state need support from AHCCCS to remain open and serving the wider community. However, programs like AHCCCS Works put hospitals at *greater* risk. Work reporting requirements drive up uncompensated care.[47] Medicaid is an integral part of addressing these problems: Medicaid provides health coverage for low-income patients and, thus, reduces uncompensated care, lowering the need or demand for hospital charity care and debt expenses for uninsured people.[48] Further, when people lose Medicaid (such as those pushed off Medicaid by work reporting requirements), they are forced to seek care in expensive settings like emergency rooms, further straining hospital workers who are overburdened and understaffed.[49]

ii. Work reporting requirements are expensive—for both states like Arizona to implement as well as for the federal government which would face new and considerable administrative costs.

Work reporting requirements are extremely costly to states.[50] They require substantial financial resources to administer, and place a considerable financial burden on already strained state budgets, like Arizona's.[51] While AHCCCS does not offer a proposed budget for implementing AHCCCS Works, the state's proposal describes the considerable resources needed to effectuate this program change, stating, "[t]his will require an investment to scale existing programs and enhance infrastructure."[52] AHCCCS' proposal states that it will need data and information technology upgrades, infrastructure investments to existing workforce development programs, additional staffing at the Arizona Department of Economic Security to verify employment, and funding for communications to AHCCCS Works beneficiaries to explain to them changes under the program. In addition, the state will have to put in place a system to accurately track, on a monthly basis, all of the circumstances that would exempt people from the lifetime limit, such as status with the following: disability, postpartum, serious mental illness, domestic violence and homelessness. These factors are hard to track in the normal course, let alone to account for over many years as people cycle on and off Medicaid. AHCCCS is setting up for itself an immense and expensive administrative burden.

While AHCCCS has not publicly released program cost estimates, there is ample data to show the costs of programs similar to AHCCCS Works. In a 2019 review of five similar state programs, the Government Accountability Office (GAO) estimated the average administrative cost to be $267 per enrollee.[53] GAO's estimation does not account for all costs, such as increased payments to Medicaid managed care organizations to administer the program, which may be substantial.[54] And actual costs in a given state may be *much* higher: in Georgia, the state spent $2,490 per enrollee in the first year of their work reporting requirement program,[55] with more than 92% of costs paying for program administration.[56]

While GAO's figure does not account for inflation or the particulars of Arizona's system, we can use GAO's estimate to reasonably calculate AHCCCS Works program costs. Let's assume, as AHCCCS does, that 414,689 AHCCCS members will be subject to the program.[57] While AHCCCS assumes that nearly 223,000 of these people will meet exclusionary criteria (and will not be subject to the work reporting requirement), these people still have to "meet" various exclusionary criteria on a monthly basis through the administrative process; administering this paperwork still comes at a cost to AHCCCS, even if enrollees become exempt. Using GAO's average cost of $267 per person, then with 414,689 subject to AHCCCS Works requirements, the program would cost an estimated ***$110.7 million over five years (or $22.1 million annually)***.

This price tag is hard to justify for a program that is unlikely to meet its objective to improve health or employment. What is even more difficult to justify is the opportunity cost, when one considers what these resources could support if deployed differently. With a conservative estimate of $22.1 million in annual administrative costs:

- AHCCCS could instead extend one year of Medicaid to an additional 2,778 uninsured Arizonans (assuming average per year costs for the AHCCCS Medicaid expansion population).[58]
- Arizona could instead support an additional 5,903 families with one year of Supplemental Nutrition Assistance Program (SNAP) benefits.[59] Unlike the proposed AHCCCS Works, SNAP is a highly effective poverty-reduction policy for individuals and families which supports low-wage workers in volatile labor markets to keep them healthy and working.[60]

In addition, it is also hard to justify—to CMS and to taxpayers—the amount of administrative burden that will be paid by the federal government to support Arizona's program. As CMS is aware, administrative costs incurred by states are usually matched by the federal government at 50%. However, some functions such as upgrades to eligibility/enrollment systems or computer and data systems may be eligible for a 75% to 90% federal match (if certain criteria are met).[61] In GAO's 2019 analysis across five state work requirement programs, the federal government paid (or would have paid) between 55% and 87% of program administrative costs.[62]

Arguably, at least some of what AHCCCS proposes could be eligible for a higher match rate. Even assuming the lower (50%) match, that's still an estimated ***$55.4 million in administrative costs to the federal government over five years*** to prop up a program in Arizona that does not improve employment or health and does not meet the basic objectives of the Medicaid statute. At a time when the new Administration is focused on wasteful spending, spending money to get less people covered seems counterproductive.

CMS should scrutinize heavily any proposed demonstration that claims to be budget neutral to the federal government, but where the state has not formed a budget for administrative costs nor estimated how these costs may fall on federal taxpayers.

The bottom line: Medicaid work reporting and community engagement programs do not work for Arizona or for any state Medicaid program.

Families USA strongly urges CMS to consider the economic impact and human toll of AHCCCS' proposed amendment to its Section 1115 Demonstration Waiver. At its core, AHCCCS Works does not promote the objectives of Medicaid as the proposed program is set up to keep low-income adults out of Medicaid, with a hefty price tag for state and federal taxpayers, hospitals and low-income health care consumers.

Weakening the health care system with work reporting requirements and lifetime limits only worsens existing challenges and endangers the financial and physical health of Arizona families. We respectfully ask CMS to reject Arizona's AHCCCS Works amendment.

For questions or comments regarding the recommendations made in this letter, please reach out to Mary-Beth Malcarney, Senior Advisor on Medicaid Policy, Families USA at: mmalcarney@familiesusa.org.

Thank you for your time and consideration.

Sincerely,

Sophia Tripoli
Senior Director of Health Policy

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