



Health System Alliance  
of Arizona



August 28, 2020

The Honorable Debbie Lesko  
1113 Longworth House Office Building  
Washington, DC 20515

Dear Representative Lesko:

On behalf of Arizona's hospitals, nurses, behavioral health providers, long-term care facilities, Medicaid health plans, and businesses, we write to respectfully request your immediate assistance with a critical issue that has significant and potentially dire implications for Arizona's state budget and healthcare delivery system.

Late last year, the U.S. Department of Health and Human Services (HHS) Centers for Medicare and Medicaid Services (CMS) proposed the Medicaid Fiscal Accountability Rule (MFAR). The MFAR represents a fundamental reversal in federal policy that essentially prohibits all funding sources for Medicaid programs that do not originate from state and federal dollars. Some may attempt to isolate the resulting cost savings for the federal government and applaud it. What they do not seem to realize or refuse to admit is that **by cost-shifting billions of dollars of health care costs to state budgets with no means to cover them, the MFAR will upend healthcare delivery systems across the country overnight in the midst of a global pandemic without a glidepath to plan for implementation.**

As you know, Arizona is reeling from the economic consequences of the pandemic with no end in sight. If finalized, the MFAR would jeopardize the financial underpinnings of our state's healthcare safety net including the hospital assessment, the nursing facility assessment, and certain Graduate Medical Education and Disproportionate Share Hospital financing arrangements. Quite simply, the MFAR would defund large portions of Arizona's healthcare delivery system with no means for backfilling it. The state would be forced into the untenable position of allowing the ensuing destabilization of the healthcare industry in the midst of a global pandemic or undertaking a massive defunding of other state budget priorities in order to continue operations of the healthcare safety net. Either way, the MFAR represents an unprecedented cost-shift that will only deepen this economic crisis.

Through the public comment process, states and stakeholders have made CMS fully aware of these and other disastrous implications of the MFAR. We appreciate your leadership in joining with the rest of Arizona's delegation earlier this year in signing a letter formally opposing and requesting the withdrawal of the MFAR. Despite the grave concerns communicated to CMS by Members of Congress of both parties, the National Governors Association, and the U.S. Chamber of Commerce – in addition to unified opposition from the county's healthcare industry – CMS has signaled that it intends to finalize this rule in the middle of a global pandemic and even as soon as September. **Even more alarmingly, CMS has taken the position that this rule is not a new promulgation but rather a clarification of existing law, which would allow the MFAR to become effective immediately upon implementation.**

While the Heroes Act included provisions that would block implementation of the MFAR, which we support, these provisions were not included in the HEALS Act. We therefore respectfully request your sponsorship of and advocacy for an MFAR block in the final COVID relief package.

We understand that the legislative process requires adequate time for full deliberation and that the next COVID relief package may not be passed imminently. **Due to the gravity and immediacy of the threat posed by imminent finalization of MFAR, we also request your immediate assistance with communicating directly to President Trump and Vice President Pence the need for HHS/CMS to withdraw this proposed rule. Should CMS proceed with implementation of this rule, we would additionally request that your office intervene with the Office of Management and Budget to ensure that a full accounting of the impact of the rule on both federal and state governments be conducted before the rule is finalized.**

We greatly appreciate your continued leadership and consideration. We are happy to provide any additional information you need or can engage directly with you or your staff to answer any questions.

Respectfully,



Deb Gullett  
Executive Director  
Arizona Association of Health Plans



Glenn Hamer  
President and Chief Executive Officer  
Arizona Chamber of Commerce and Industry



Candy Espino  
President and Chief Executive Officer  
Arizona Council Human Service Providers



David Voepel  
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Jennifer A. Carusetta  
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Robert Meyer  
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cc: Christina Corieri, Senior Policy Advisor to Governor Doug Ducey  
Jami Snyder, Director, Arizona Health Care Cost Containment System