Arizona Health Care Cost Containment System

A.R.S. § 36-2901

Summary

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		FY 2000 Actual	FY 2001 Estimate	FY 2002 Approved	FY 2003 Approved
COST CENTER SUMMARY					
Administration	(SM)	66,285,700	80,550,100	85,579,900	83,508,000
	(TF)	148,269,400	200,006,600	202,682,400	216,163,400
Acute Care	(SM)	413,457,100	472,418,100	446,617,000	469,055,000
	(TF)	1,247,622,300	1,498,961,500	1,529,709,600	1,630,224,500
Long-Term Care	(SM)	19,738,100	35,014,600	48,318,100	58,554,700
	(TF)	499,027,900	568,248,800	633,178,600	694,877,600
TOTAL APPROPRIATIONS	**(SM)**	**499,480,900**	**587,982,800**	**580,515,000**	**611,117,700**
	(TF)	**1,894,919,600**	**2,267,216,900**	**2,365,570,600**	**2,541,265,500**
OPERATING BUDGET					
Full Time Equivalent Positions	(SM)	1,212.1	1,260.4	1,285.4	1,298.4
	(TF)	2,408.0	2,424.5	2,478.8	2,491.8
Personal Services	(SM)	13,771,300	15,086,200	16,178,600	17,042,600
	(TF)	30,990,200	33,004,100	35,450,200	37,166,800
Employee Related Expenditures	(SM)	3,145,000	3,551,100	4,229,600	4,082,100
	(TF)	6,977,100	7,541,100	9,050,600	8,678,500
Professional and Outside Services	(SM)	1,781,200	2,167,400	2,167,400	2,167,400
	(TF)	4,241,300	4,459,300	4,459,300	4,459,300
Travel - In State	(SM)	138,800	123,800	125,300	125,300
	(TF)	278,400	253,300	256,300	256,300
Travel - Out of State	(SM)	24,200	25,000	25,000	25,000
	(TF)	44,900	46,900	46,900	46,900
Other Operating Expenditures	(SM)	6,615,200	7,001,500	7,767,500	7,673,500
	(TF)	12,572,300	12,391,300	15,897,400	16,129,800
Equipment	(SM)	1,204,100	973,100	1,613,100	1,594,600
	(TF)	2,521,100	2,203,700	3,839,500	4,611,600
Operating Subtotal	(SM)	26,679,800	28,928,100	32,106,500	32,710,500
	(TF)	57,625,300	59,899,700	69,000,200	71,349,200
Special Line Items	(TF)	1,837,294,300	2,241,105,400	2,272,651,600	2,490,225,900
Additional Appropriations	(TF)	0	(33,788,200)	23,918,800	(20,309,600)
TOTAL APPROPRIATIONS	**(TF)**	**1,894,919,600**	**2,267,216,900**	**2,365,570,600** 1/	**2,541,265,500** 1/
FUND SOURCES					
General Fund 2/		483,289,800	509,123,100	549,374,000	582,758,700
Other Appropriated Funds					
County Funds		221,493,500	224,104,700	235,449,200	245,569,100
Tobacco Tax Funds		32,039,300	60,947,300	48,247,900 3/	42,329,100 3/
Medical Services Stabilization Fund		4,637,900	23,144,000	0	0
Tobacco Settlement Fund		0	8,000,000	0	0
Donations Fund 2/		867,500	1,283,200	1,336,700 4/	1,364,800 4/

1/ General Appropriation Act appropriation format varies by program.

2/ These amounts represent direct appropriations. All other expenditures are part of total expenditure authority.

3/ For FY 2002, the total tobacco tax funding is $48,247,900. Of this amount, $7,000,000 is a direct appropriation to Healthcare Group. For FY 2003, the total tobacco tax funding is $42,329,100.

4/ For FY 2002, Other Appropriated Funds total $83,597,500. This includes $1,336,700 from the Donations Fund, $11,391,000 from tobacco tax, and $70,869,800 from the CHIP Fund. For FY 2003, Other Appropriated Funds total $93,859,100. This includes $1,364,800 from the Donations Fund, and $5,000,000 from tobacco tax, and $87,494,300 from the CHIP Fund.

	FY 2000 Actual	FY 2001 Estimate	FY 2002 Approved	FY 2003 Approved
Third Party Collections	1,124,800	882,000	291,500	194,700
Children's Health Insurance Program Fund [2/]	35,596,400	79,696,400	70,869,800 [4/]	87,494,300 [4/]
Federal Title XIX Funds	1,115,870,400	1,360,036,200	1,460,001,500	1,581,554,800
Subtotal - Other Appropriated Funds	1,411,629,800	1,758,093,800	1,816,196,600	1,958,506,800
TOTAL APPROPRIATIONS	**1,894,919,600**	**2,267,216,900**	**2,365,570,600**	**2,541,265,500**

SM = State Match, and consists of the state General Fund, Tobacco Tax, Third Party Collections, County, CHIP, Tobacco Settlement, and Donations Funds.
TF = Total Funds, and represents the sum of the State Match and Federal Funds.

AGENCY DESCRIPTION — *The Arizona Health Care Cost Containment System (AHCCCS) is Arizona's alternative to a traditional fee-for-service Medicaid system. Started in 1982, AHCCCS operates on a health maintenance organization model in which contracted providers receive a predetermined monthly capitation payment for the medical services cost of enrolled members. AHCCCS members gain eligibility through a variety of federal and state programs. In some cases, eligibility based on federal programs is tied to the applicant also being eligible for a cash assistance program, such as Supplemental Security Income (SSI). Although another cash assistance program, Aid to Families with Dependent Children (AFDC), was replaced and its automatic link to eligibility severed, citizens who meet AFDC eligibility criteria as of July 16, 1996 will remain eligible for AHCCCS. Low-income pregnant women and children can qualify under a federal "medical assistance only" category. Prior to the enactment of Proposition 204, other individuals not meeting federal eligibility requirements but either indigent or having catastrophic medical expenses qualified for state-supported assistance in the Medically Needy/Medically Indigent (MN/MI) program or other state-only eligibility programs. Now these individuals, and all Arizonans up to 100% of the Federal Poverty Level (FPL), will qualify for health coverage under Proposition 204. In addition to an acute medical services program, AHCCCS also operates the Arizona Long-Term Care System (ALTCS), a Medicaid program that provides long-term nursing care in nursing facilities or home and community based settings.*

PERFORMANCE MEASURES	FY 1999 Est./Actual	FY 2000 Est./Actual	FY 2001 Estimate	FY 2002-03 Estimate
• % of people under age 65 that are uninsured[1/]	27/24	24	24	24
• % of children (under 18 years) that are uninsured[2/]	26/22	22	22	22
• AHCCCS enrollment[3/]	508,514/457,663	521,005/515,795	544,024	583,364/622,705
• Children's Health Insurance Program (CHIP) enrollment[4/]	15,805/15,015	35,095/35,025	37,539	45,627/54,558
• Premium Sharing enrollment[5/]	4,110/4,480	7,000/6,552	7,000	7,000

1/ Of the total 1999 population of Arizonans under age 65 (4,303,000), there are approximately 1,034,000 (24%) that are uninsured.
2/ Of the total 1999 population of Arizona children (1,398,000), there are approximately 308,000 (22%) that are uninsured.
3/ AHCCCS enrollment estimates assume participation of 10.5% of the state's population.
4/ CHIP enrollment estimates as provided by the agency.
5/ Premium Sharing enrollment is capped at 7,000 participants. The estimates above assume that the program will continue; however, under current law the program will sunset on September 30, 2001.

Program Change Description — Unless otherwise stated, all descriptions of funding changes in the individual program descriptions represent Total Funds.

Overall Funding Changes — The approved AHCCCS budget includes an increase of $98,353,700 TF, or 4.3%, in FY 2002 and an increase of $274,048,600 TF, or 12.1%, in FY 2003 above FY 2001. Funding for the Administration program includes an increase of $2,675,800 TF, or 1.3%, in FY 2002 and an increase of $16,156,800 TF, or 8.1%, in FY 2003 above the FY 2001 estimated amount. Caseload growth in ALTCS results in an increase of $64,929,800 TF, or 11.4%, in FY 2002 and an increase of $126,628,800 TF, or 22.3%, above FY 2001. Caseload projections and medical inflation are expected to result in an increase of $30,748,100 TF, or 2.1%, in FY 2002 and $131,263,000, or 8.8% in FY 2003, above FY 2001 in the Acute Care program. Overall, the net General Fund impact of program changes results in an increase of $40,250,800, or 7.9%, in FY 2002 and $73,635,500, or 14.5%, in FY 2003 above FY 2001. The county contribution required for the Acute and Long-Term Care programs increases by $11,344,500,

or 7.2%, in FY 2002 and $21,464,400, or 13.6%, in FY 2003 above FY 2001. Finally, expenditures from the Tobacco Tax and Health Care Fund decreases $(12,699,400), or (20.8)%, in FY 2002 and $(18,618,200), or (30.5)%, in FY 2003 below FY 2001 Tobacco Tax expenditures.

Additional Appropriations — Please see individual program descriptions.

Additional Legislation — Please see individual program descriptions.

Other Issues: Proposition 204 — Proposition 204 expands eligibility for the AHCCCS program to individuals with incomes up to 100% of the Federal Poverty Level and specifies monies received from the state's settlement with tobacco companies as the funding source for the program. In addition, tobacco settlement monies are identified to fund 6 public health programs. *(See the Acute Care section for further detail.)*

FY 2001 Supplemental — At the May 2001 JLBC meeting, the Committee approved a transfer of $20,527,000 from the Medical Services Stabilization Fund (MSSF) for FY 2001 enrollment and inflationary increases beyond budgeted amounts. While the agency experienced a FY 2001 shortfall totaling $75,225,500 state match (SM) and $161,354,500 TF, the amount authorized for withdrawal from the MSSF is less than the total shortfall due to a number of transfers and offsets within the agency budget. *(See the Acute Care section for further detail.)*

Tobacco Tax Distribution — Although tobacco tax revenues derived from the voter-approved 40 cents per pack cigarette/tobacco tax increase are spent by several agencies, a consolidated statement is presented on the following page.

Tobacco Tax and Health Care Fund - Medically Needy Account

Funds Available	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	Percentage Allocation 1/
Balance Forward	$ 71,581,200	$ 78,579,200	$ 54,993,600	$ 32,171,100	$ -	$ 30,009,400	$ 32,042,700	$ 34,101,400	
Transfer in - Tobacco Tax and Health Care Fund 2/	78,418,600	76,645,600	75,104,200	73,593,700	72,121,800	70,679,400	69,265,800	67,880,500	
Transfer in - Medical Services Stabilization Fund	-	-	-	-	28,000,000	-	-	-	
Interest and Revertments 3/	13,568,400	24,360,800	3,204,600	3,326,300	2,503,000	2,517,200	2,532,700	2,549,500	
Total Funds Available	$ 163.568.200	$ 179.585.600	$ 133.302.400	$ 109.091.100	$102.624.800	$103.206.000	$103.841.200	$104.531.400	
Allocation									
AHCCCS Medically Needy Allocations:									
Offset Loss in Federal Funding	$ 1,020,800	$ 4,542,200	$ 4,542,200	$ 4,542,200	$ -	$ -	$ -	$ -	0%
Phase-Down of Quick Pay Discount	6,794,600	8,206,700	10,377,600	11,627,100	8,972,000	8,792,500	8,616,700	8,444,300	12.44%
$10 M Hospital Reimbursement	10,000,000	10,000,000	10,000,000	10,000,000	7,717,000	7,562,700	7,411,400	7,263,200	10.70%
Maternity Length of Stay	4,545,900	2,572,800	4,402,000	4,552,400	3,512,300	3,442,100	3,373,200	3,305,800	4.87%
HIV/AIDS Treatment	1,205,600	1,349,600	1,349,600	1,349,600	1,038,600	1,017,800	997,400	977,500	1.44%
FY 2000 Medical Inflation	8,472,400	5,276,000	5,276,000	5,276,000	-	-	-	-	0%
Transplants	454,300	1,165,600	400,000	520,000	403,900	395,800	387,900	380,100	0.56%
Health Care Group Reinsurance (Ch. 374) 4/	-	-	7,000,000	-	-	-	-	-	0%
Ticket to Work (Ch. 385) 4/	-	-	91,000	500,000	-	-	-	-	0%
Prescription Medication Program (Ch. 347) 4/	-	-	4,300,000	4,500,000	-	-	-	-	0%
Transfer to Premium Sharing Fund (Ch. 385)	400,000	-	6,000,000	21,000,000	16,051,400	15,730,400	15,415,800	15,107,500	21.40%
Transfer to CHIP Fund (includes Ch. 360)	15,172,000	19,833,700	10,190,900	22,304,000	16,934,200	16,595,500	16,263,600	15,938,300	23.48%
Transfer to DHS Health Crisis Fund	29,000	960,000	1,000,000	1,000,000	771,700	756,300	741,100	726,300	1.07%
Transfer to DES Aging and Adult Administration	500,000	500,000	500,000	500,000	381,200	373,600	366,100	358,800	0.53%
Transfer to AHCCCS - FY 2001 Shortfall	-	29,000,000	-	-	-	-	-	-	0%
DHS Medically Needy Allocations:	-	-	-	-	-	-	-	-	0%
Primary Care Programs	5,215,600	6,240,000	6,240,000	6,240,000	4,817,700	4,721,400	4,627,000	4,534,400	6.68%
Qualifying Community Health Centers (Ch. 374)	3,874,500	5,200,000	5,200,000	4,929,600	3,808,000	3,731,900	3,657,200	3,584,100	5.28%
Community Health Centers	2,167,400	4,000,000	1,000,000	-	-	-	-	-	0%
Telemedicine (Ch. 374) 5/	250,300	-	485,000	260,000	-	-	-	-	0%
Mental Health - Non-Title XIX (Ch. 374)	5,150,000	5,200,000	5,200,000	5,200,000	-	-	-	-	0%
Children's Beh. Health Non-Title XIX (Ch. 374) 4/	-	-	1,500,000	1,500,000	-	-	-	-	0%
Detoxification Services (Ch. 374)	517,100	-	390,000	390,000	-	-	-	-	0%
Renal Disease Management	237,200	260,000	260,000	260,000	201,900	197,900	193,900	190,100	0.28%
Evaluations (Ch. 313)	366,200	366,200	300,000	300,000	281,300	275,600	270,100	264,700	0.39%
Rural Primary Care Provider Loan Repay Pgm	111,200	111,200	111,200	111,200	86,500	84,800	83,100	81,500	0.12%
Primary Care Capital Construction (Ch. 384) 4/	2,500,000	-	3,000,000	3,000,000	-	-	-	-	0%
HIV/AIDS Drug Assistance Program (ADAP)	1,000,000	1,000,000	1,000,000	1,000,000	771,700	756,300	741,100	726,300	1.07%
Nonrenal Disease Management (Ch. 374)	29,700	208,000	72,800	72,800	57,700	56,500	55,400	54,300	0.08%
CHIP Direct Services	-	1,000,000	-	-	-	-	-	-	0%
Ajo Health Services	95,000	-	-	-	-	-	-	-	0%
TCE Areas - Health Care Services (Ch. 374)	-	-	260,000		-	-	-	-	0%
SMI Non-Title XIX Psychotropic Medications	8,000,000	16,600,000	8,000,000	8,000,000	6,173,600	6,050,200	5,929,200	5,810,600	8.56%
Emergency Vaccines (Ch. 374 and Ch. 284) 4/	-	1,000,000	-	-	-	-	-	-	0%
County Public Health (Ch. 374) 4/	-	-	200,000	200,000	-	-	-	-	0%
Nursing Care Inst. Incentive Grants (Ch. 365)	-	-	1,500,000	-	-	-	-	-	0%
Az Statewide Immunization Information System	-	-	477,000	477,000	367,800	360,500	353,300	346,200	0.51%
Hepatitis C Surveillance	-	-	350,000	350,000	266,900	261,500	256,300	251,200	0.37%
Health Service Districts (Ch. 384)	-	-	156,000	156,000	-		-	-	0%
Total Allocation	$ 78,108,800	$ 124,592,000	$ 101,131,300	$ 120,117,900	$ 72,615,400	$ 71,163,300	$ 69,739,800	$ 68,345,200	99.83%
Balance Forward	$ 85,459,400	$ 54,993,600	$ 32,171,100	$ (11,026,800)	$ 30,009,400	$ 32,042,700	$ 34,101,400	$ 36,186,200	

1/ Pursuant to Laws 2001, Chapter 374, the annual deposit into the Medically Needy Account shall be distributed based on the displayed percentages beginning in FY 2004.

2/ Revenue estimates assume a decrease of (2.0)%. Revenues actually declined by (1.18)% in FY 1999 and (2.65)% in FY 2000.

3/ Revertments include monies transferred pursuant to Laws 2000, Chapter 304 and unexpended DHS allocations.

4/ Represents an appropriated amount.

5/ In FY 2002 only, $225,000 is appropriated. In addition, $260,000 is allocated in FY 2002 and FY 2003 to this line item.

Other Tobacco Tax Accounts

Medical Stabilization Fund	FY 2000	FY 2001	FY 2002	FY 2003
Funds Available				
Balance Forward	$ 76,528,700	$ 75,717,200	$24,546,200	$37,349,400
Transfer In - Medically Needy Acct	-	-	-	-
Transfer In - General Fund	-	-	13,405,600	-
Interest Revenue	3,826,400	3,785,900	1,897,600	1,867,500
Total Funds Available	$ 80,355,100	$ 79,503,100	$39,849,400	$39,216,900
Allocation				
Healthcare Group Appropriation	4,637,900	-	-	-
Mental Health Institute, Ch. 273	-	-	2,500,000	2,500,000
FY 2001 Supplementals	-	52,339,900	-	-
F 2001 Supplemental Contingency	-	2,617,000	-	-
Balance Forward	$ 75,717,200	$ 24,546,200	$37,349,400	$36,716,900 1/

1/ Pursuant to Laws 2001. Chapter 385 in FY 2004 the ending balance is transferred to the Medically Needy Account

Premium Sharing Fund	FY 2000	FY 2001	FY 2002	FY 2003
Funds Available				
Balance Forward	$58,398,600	$45,988,700	$ 23,635,450	$ 6,552,350
Transfer In - Medically Needy Acct	400,000	-	6,000,000	21,000,000
Interest Revenue	3,075,000	2,458,300	1,369,000	1,061,800
Premiums Collected	1,384,900	1,923,000	1,510,100	1,621,200
Total Funds Available	$63,258,500	$50,370,000	$32,514,550	$30,235,350
Allocation				
Administrative Expenses	593,800	615,550	996,000	779,700
Services	16,676,000	26,119,000	24,966,200	26,886,100
Total Allocations	17,269,800	26,734,550	25,962,200	27,665,800
Balance Forward	$ 45,988,700	$ 23,635,450	$ 6,552,350	$ 2,569,550

Health Education Account				
Funds Available				
Balance Forward	$42,677,900	$35,832,700	$29,437,400	$21,823,300
Transfer In - Tobacco Tax and Health Care Fund	25,766,100	25,183,500	24,677,100	24,180,800
Interest Revenue	2,606,000	2,421,200	2,088,800	1,695,700
Total Funds Available	71,050,000	63,437,400	56,203,300	47,699,800
Allocation				
DHS Operating Subtotal	35,217,300	34,000,000	34,000,000	34,000,000
Auditor General Evaluations	0	0	380,000	0
Balance Forward	$35,832,700	$29,437,400	$21,823,300	$13,699,800

Health Research Account				
Funds Available				
Balance Forward	$9,501,100	$7,035,800	$4,723,400	$3,240,300
Transfer In - Tobacco Tax and Health Care Fund	5,601,300	5,474,700	5,364,600	5,256,700
Interest Revenue	33,300	312,800	252,200	212,400
Total Funds Available	$15,135,700	$12,823,300	$10,340,200	$8,709,400
Allocation				
Disease Control Research Comm.	6,099,900	6,099,900	6,099,900	6,099,900
Anticancer Drug Discovery	2,000,000	2,000,000	1,000,000	0
Total Allocations	$ 8,099,900	$ 8,099,900	$ 7,099,900	$ 6,099,900
Balance Forward	$7,035,800	$4,723,400	$3,240,300	$2,609,500

Health Crisis Fund				
Funds Available				
Balance Forward	$ 971,000	$ 40,000	$ -	$ -
Transfer In - Tobacco Tax and Health Care Fund	29,000	960,000	1,000,000	1,000,000
Total Funds Available	1,000,000	1,000,000	1,000,000	1,000,000
Total Allocations	960,000	1,000,000	1,000,000	1,000,000
Balance Forward	$ 40,000	$ -	$ -	$ -

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