

**Arizona Health Care Cost Containment System**  
**Administration**

A.R.S. § 36-2901

		<b>FY 2001 Actual</b>	<b>FY 2002 Estimate</b>	<b>FY 2003 Approved</b>
<b>OPERATING BUDGET</b>				
Full Time Equivalent Positions	(SM)	1,260.4	1,285.4	1,248.9 <sup>1/</sup>
	(TF)	2,424.5	2,478.8	2,385.8 <sup>1/</sup>
Personal Services	(SM)	14,563,600	16,408,500	17,509,800
	(TF)	32,343,100	35,968,400	38,349,300
Employee Related Expenditures	(SM)	3,317,700	4,543,600	4,871,500
	(TF)	7,360,800	9,757,500	10,486,800
Professional and Outside Services	(SM)	1,813,300	1,501,603	1,497,100
	(TF)	4,459,300	4,108,803	4,137,400
Travel - In State	(SM)	107,200	125,300	124,900
	(TF)	219,500	256,300	255,300
Travel - Out of State	(SM)	24,100	12,500	12,400
	(TF)	52,300	24,400	24,300
Other Operating Expenditures	(SM)	6,266,400	6,865,897	6,826,400
	(TF)	12,109,600	14,995,797	13,669,400
Equipment	(SM)	1,107,900	1,613,100	1,540,000
	(TF)	2,301,900	3,839,500	3,360,300
Lump Sum Reduction	(SM)	0	0	(2,625,000)
	(TF)	0	0	(2,625,000)
<i>Operating Subtotal</i>	(SM)	27,200,200	31,070,500	29,757,100
	(TF)	58,846,500	68,950,700	67,657,800
ADOA Data Center Charges	(SM)	1,980,100	1,545,800	1,590,400 <sup>2/</sup>
	(TF)	6,574,600	5,534,100	5,717,500 <sup>2/</sup>
Indian Advisory Council	(SM)	88,300	106,300	107,000
	(TF)	173,000	216,200	223,200
DES Eligibility	(SM)	21,952,800	22,071,000	22,533,100 <sup>3/</sup>
	(TF)	44,640,000	45,115,500	47,135,800 <sup>3/</sup>
DES Title XIX Pass-Through	(SM)	43,300	125,400	124,700 <sup>3/</sup>
	(TF)	109,700	305,200	310,900 <sup>3/</sup>
DHS Title XIX Pass-Through	(SM)	494,800	911,800	904,800 <sup>4/</sup>
	(TF)	1,007,500	1,697,400	1,732,400 <sup>4/</sup>
Health Care Group Administration	(SM)	12,251,300	7,330,000	6,717,700
	(TF)	12,251,300	7,330,000	6,717,700
Office of Administrative Hearings	(SM)	0	0	0
	(TF)	210,300	190,200	191,900
CHIP - Administration	(SM)	2,215,000	2,904,300	2,150,000
	(TF)	6,873,900	8,719,100	9,360,100
CHIP - Services	(SM)	12,548,800	15,532,800	21,431,800
	(TF)	52,768,200	73,313,300	93,507,100
CHIP - Parents	(SM)	0	0	7,897,400
	(TF)	0	0	34,456,400
Finger Imaging	(SM)	0	0	0 <sup>5/6/</sup>
	(TF)	0	0	0 <sup>5/6/</sup>
Navajo and Apache County Claims	(SM)	200,500 <sup>7/</sup>	0	0
	(TF)	200,500 <sup>7/</sup>	0	0
<b>TOTAL APPROPRIATIONS</b>	(SM)	<b>78,975,100</b>	<b>81,597,900</b>	<b>93,214,000</b>
	(TF)	<b>183,655,500</b>	<b>211,371,700</b>	<b>267,010,800</b> <sup>8/9/</sup>

	FY 2001 Actual	FY 2002 Estimate	FY 2003 Approved
<b>FUND SOURCES</b>			
General Fund	51,973,800	55,830,800	55,017,100 <sup>10/</sup>
<u>Other Appropriated Funds</u>			
Donations Fund	875,400	1,330,000	1,717,700 <sup>10/</sup>
Tobacco Tax Funds		6,000,000	5,000,000
Medical Services Stabilization Fund	3,362,100	0	0
Tobacco Settlement Fund	8,000,000	0	0
Children's Health Insurance Program Fund	59,642,100	82,032,400	137,323,600 <sup>10/</sup>
Federal Title XIX Funds	59,802,100	66,178,500	67,952,400
<i>Subtotal - Other Appropriated Funds</i>	131,681,700	155,540,900	211,993,700
<b>TOTAL APPROPRIATIONS</b>	<b>183,655,500</b>	<b>211,371,700</b>	<b>267,010,800</b> <sup>11/12/13/ 14/15/</sup>

SM = State Match, and consists of the state General Fund, Tobacco Tax, Third Party Collections, County Funds, and Donations Fund.

TF = Total Funds, and represents the sum of the State Match and Federal Funds.

- 1/ Includes 744.6 SM and 1,314.2 TF FTE Positions funded from Special Line Items in FY 2003.
- 2/ It is the intent of the Legislature that the appropriation for the Department of Administration Data Center charges be used only for the payment of charges incurred by the department for the use of computing services provided by the Department of Administration Data Center. (General Appropriation Act footnote)
- 3/ The amounts appropriated for the Department of Economic Security Eligibility Special Line Item shall be used for intergovernmental agreements with the Department of Economic Security for the purpose of eligibility determination and other functions. The General Fund share may be used for eligibility determination for other programs administered by the Division of Benefits and Medical Eligibility based on the results of the Arizona Random Moment Sampling Survey. (General Appropriation Act footnote)
- 4/ The amounts appropriated for the Department of Health Services Title XIX Pass-Through Special Line Item shall be used for intergovernmental agreements with the Department of Health Services for the purpose of Medicaid-related licensure, certification and registration, and other functions. (General Appropriation Act footnote)
- 5/ If federal matching monies are received for the Finger Imaging Enrollment Program, the Arizona Health Care Cost Containment System shall revert the portion of the state General Fund appropriation received equal to the federal dollars received for this program in the year that federal monies are received. (General Appropriation Act footnote)
- 6/ The Arizona Health Care Cost Containment System Administration is exempt from the rule making requirements of Title 41, Chapter 6, Arizona Revised Statutes, for the purposes of implementing the Finger Imaging Enrollment Program established pursuant to Laws 2000, Chapter 378. It is the intent of the Legislature that the Administration shall hold hearings to give a public an opportunity to comment on the proposed rules. The Administration shall hold at least 1 of these hearings in a county with a population of less than 500,000 persons. (General Appropriation Act footnote)
- 7/ Represents FY 2001 expenditures from the non-lapsing General Fund appropriation provided by Laws 1997, Chapter 7, 1<sup>st</sup> Special Session.
- 8/ General Appropriation Act (Laws 2002, Chapter 327) funds are appropriated as an Operating Lump Sum with Special Line Items for the Program.
- 9/ Of the \$267,010,800 expenditure authority for Administration in FY 2003, \$55,017,100 is appropriated from the state General Fund, \$1,717,700 is appropriated from the Donations Fund and \$137,323,600 is appropriated from the Children's Health Insurance Program Fund. (General Appropriation Act footnote, as adjusted for statewide allocations.)
- 10/ These amounts represent direct appropriations. All other expenditures are part of total expenditure authority.
- 11/ The Arizona Health Care Cost Containment System Administration shall report to the Joint Legislative Budget Committee by January 1 of each year on the agency's use of the cost savings that results from entering into an agreement with another state as outlined in Laws 1999, Chapter 313, Section 27. The report shall also include detail on the source of all revenues and expenditure of monies from the Intergovernmental Service Fund. (General Appropriation Act footnote)
- 12/ Before the expenditure of any monies for the Arizona Health Care Cost Containment System Administration Customer Eligibility System, the Arizona Health Care Cost Containment System Administration shall submit a report to the Joint Legislative Budget Committee for its review. The report shall discuss how the automation improvements are compatible with the No Wrong Door initiative. (General Appropriation Act footnote)
- 13/ The Arizona Health Care Cost Containment System shall report by September 30 of each year to the Joint Legislative Budget Committee on the services that receive reimbursement from the federal government under the Medicaid in Public School initiative. The report shall include information on the type of services, how those services meet the definition of medical necessity, and the total amount of federal dollars that the schools have received under the Medicaid in Public School initiative. (General Appropriation Act footnote)
- 14/ In implementing any changes to the operating budget or in allocating the lump sum reduction in FY 2003, the Administration shall not take any additional reductions from pass-through allocations provided in special line items. (General Appropriation Act footnote)
- 15/ The Arizona Health Care Cost Containment System shall report to the Joint Legislative Budget Committee by October 1, 2002 on the savings that could be achieved in programs if application fees and other cost sharing measures are implemented. The report shall detail the savings associated with each option broken out by program along with any administrative costs associated with implementing each option. (General Appropriation Act footnote)

**COST CENTER DESCRIPTION** — Administration responsibilities related to health plan contracting include rate negotiations, health plan auditing and financial oversight, and assisting with the formulation of new health plans. Other major Administration responsibilities include the development and maintenance of the management information system, policy development and research, and agency finance and accounting. Additionally, the program provides funding for eligibility determinations.

<b>PERFORMANCE MEASURES</b>	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Est./Actual	Estimate
• Cost avoidance from Fraud and Abuse Prevention Program (\$ in millions)	2/4.2	6/7.4	7/7.6	7
• % of enrollees filing a grievance	NA/0.67	0.7/0.5	0.5/0.2	0.4
• % of eligibility accuracy as measured by quality control sample	95/97	95/97	97/97	97
• % of AHCCCS employee turnover	NA/11.4	11/11.9	11.7/14.4	11.5
• Administration as a % of total cost	NA	4.6/NA	4.5/3.3	4.4
• Customer satisfaction rating for eligibility determination clients (Scale 1-8)	NA	NA	NA	6.0

**Special Line Items**

**ADOA Data Center Charges** — This Special Line Item reflects costs associated with the agency’s usage of mainframe computing services provided by the Arizona Department of Administration (ADOA). This Special Line Item is funded by the General Fund and Federal Funds.

**Indian Advisory Council** — The Advisory Council on Indian Healthcare assists in developing a comprehensive healthcare delivery system for Arizona’s Native American population. This Special Line Item is funded by the General Fund and Federal Funds.

**DES Eligibility** — The Department of Economic Security (DES), through an intergovernmental agreement, performs eligibility determinations for the Acute Care program. This Special Line Item is funded by the General Fund and Federal Funds

**DES Title XIX Pass-Through** — This Special Line Item contains funding for both the DES Disability Determination Services Administration (DDSA) and the DES Preadmission Screening and Annual Resident Review (PASARR) programs, which are administered by DES through an intergovernmental agreement. DES - DDSA determines disability entitlement for the Arizona Long-Term Care System and the Federal Emergency Services program. DES - PASARR screens all individuals with developmental disabilities before they enter the Long-Term Care program to determine the appropriate level and types of specialized services needed. This Special Line Item is funded by the General Fund and Federal Funds.

**DHS Title XIX Pass-Through** — This Special Line Item contains funding for 3 programs administered by DHS through an intergovernmental service agreement: 1) DHS Licensure; 2) DHS PASARR; and, 3) DHS Indirect Cost

Licensure. DHS Licensure is responsible for federally required inspection and licensure of Title XIX-certified nursing care facilities. DHS PASARR conducts Level II psychiatric evaluations of Title XIX-certified nursing facility patients who have been identified through a Level I screening as potentially having a mental illness. Finally, DHS Indirect Costs Licensure represents the cost of administrative functions performed by non-Licensure Division staff in support of the Licensure Division. This Special Line Item is funded by the General Fund and Federal Funds.

**Healthcare Group Administration** — This Special Line Item contains funding for Healthcare Group’s administration costs. This program administers a health insurance program for small businesses and political subdivisions of the state. Its administration funding comes from premiums paid by program participants, which is deposited in the AHCCCS Donations Fund.

The Health Omnibus Reconciliation Bill (Laws 2002, Chapter 329) modified the work requirement for participation in Healthcare Group from 32 hours to 20 hours, allows AHCCCS to establish premiums and provides the agency with the authority to adjust premiums following an actuarial analysis provided that participating employers receive 60 days notice prior to the adjustment. Chapter 329 also shifts administrative functions from the health plans to AHCCCS; therefore, the approved amount includes an increase of \$350,000 and 7 FTE in FY 2003 from the Donations Fund. In addition, the approved amount includes \$5,000,000 for Healthcare Group reinsurance from the Medically Needy Account of the Tobacco Tax and Health Care Fund.

**Office of Administrative Hearings** — This Special Line Item contains the federal expenditure authority associated with hearing and grievance activities. Laws 1998, Chapter

57 transferred the hearing and grievance function to the Office of Administrative Hearings (OAH). However, AHCCCS retains the associated federal funding, which is transferred to OAH based on the cases reviewed. In addition, monies are received from the CHIP Fund.

### **Children's Health Insurance Program**

The Children's Health Insurance Program (CHIP) provides health insurance coverage to uninsured children whose families have an income less than 200% of the Federal Poverty Level (FPL). Pursuant to the provisions of the Health Insurance Flexibility and Accountability Act (HIFA), this program was expanded to include coverage for the parents of children enrolled in CHIP beginning October 1, 2002. Coverage for both children and parents is funded from the Children's Health Insurance Fund, which consists of approximately 25% state funds and 75% federal matching funds. The Medically Needy Account of the Tobacco Tax and Healthcare Fund provides the monies for the state share of the program.

The Health Omnibus Reconciliation Bill (Laws 2002, Chapter 329) expands health coverage to parents of children enrolled in CHIP and SOBRA women from 133% to 140% FPL under the HIFA waiver effective October 1, 2002. This population is referred to as HIFA II or CHIP Parents. The legislation directs AHCCCS to perform eligibility for the HIFA II population and repeals CHIP family coverage provisions, which are no longer needed with the implementation of HIFA II. (*Please see the Acute Care Additional Appropriations for further discussion of SOBRA women.*)

Funding for the CHIP program is divided into 3 Special Line Items: CHIP Administration, CHIP Services, and HIFA II. The following sections provide a description of these 3 components of CHIP.

**CHIP Administration** — The administrative component of the CHIP program includes both direct and indirect costs and is capped by federal law at 10% of program costs. The approved amount includes an increase of \$641,000 above FY 2002 and is funded from the CHIP Fund.

**CHIP Services** — This line item includes funding for health insurance coverage for children enrolled in the CHIP program. The approved amount includes a CHIP Fund increase of \$20,193,800 above FY 2002. This increase includes \$5,899,000 from the Medically Needy Account of the Tobacco Tax and Health Care Fund and \$14,294,800 from Federal Funds. The approved amount is based on a total of 67,824 member years, or enrolled children, and assumes growth of 2.7% for medical inflation.

**HIFA II** — This population is also referred to as CHIP Parents. This line item includes funding for health

insurance coverage for parents of children enrolled in the CHIP Program. This expansion of the CHIP Program will be implemented on October 1, 2002, pursuant to the provisions of the HIFA waiver. The approved amount includes \$34,456,400 from the CHIP Fund. This includes \$7,897,400 from the Medically Needy Account of the Tobacco Tax and Health Care Fund and \$26,559,000 from Federal Funds. The approved amount anticipates reaching the program cap for enrollment of 21,250 parents in the last quarter of FY 2003.

**Finger Imaging** — This Special Line Item contained funding for the Finger Imaging Program, which would have captured selected AHCCCS recipients' finger images at the point of enrollment. The Center for Medicare and Medicaid Services (CMS) has not provided approval for the Finger Imaging Program as a condition of eligibility. Therefore, during the 2002 Legislative Session the funding was eliminated.

**Navajo and Apache County Claims** — This Special Line Item includes funding originally appropriated pursuant to Laws 1997, Chapter 7, 1<sup>st</sup> Special Session for outstanding medical claims for Apache and Navajo counties related to on-reservation Native Americans for FY 1996. Subsequent legislation has allowed for the appropriation to cover claims for additional fiscal years. The claims charged against this funding source for FY 2001 were \$200,500. Of this amount, \$102,300 was for Apache County claims and \$98,200 was for Navajo County claims. Laws 2001, 2<sup>d</sup> Special Session, Chapter 7 limits the appropriation to claims for dates of service through September 30, 2001 and directs the remaining funds to revert to the General Fund. The FY 2002 reversion amount is anticipated to be \$600,000.

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