

Arizona Health Care Cost Containment System
Proposition 204

A.R.S. § 36-2901

		FY 2001 Actual	FY 2002 Estimate	FY 2003 Approved
OPERATING BUDGET				
Full Time Equivalent Positions	(SM)	0	0	446.0
	(TF)	0	0	892.0
Administration	(SM)	0	0	15,233,100
	(TF)	0	0	30,466,000
Services	(SM)	0	0	183,347,400
	(TF)	0	0	657,910,900
County Hold Harmless	(SM)	0	5,532,500	4,825,600 ^{1/}
	(TF)	0	5,532,500	4,825,600 ^{1/}
Deposit into Budget Neutrality Compliance Fund	(SM)	0	70,055,900	0
	(TF)	0	70,055,900	0
Deposit into Medical Services Stabilization Fund	(SM)	0	13,405,600	0
	(TF)	0	13,405,600	0
TOTAL APPROPRIATIONS	(SM)	0	88,994,000	203,406,100
	(TF)	0	88,994,000	693,202,500^{2/}
FUND SOURCES				
General Fund		0	88,994,000	116,411,300 ^{3/}
<u>Other Appropriated Funds</u>				
Tobacco Settlement Fund		0	0	58,847,000
Federal Title XIX Funds		0	0	489,796,400
Budget Neutrality Compliance Fund		0	0	28,147,800
<i>Subtotal - Other Appropriated Funds</i>		<u>0</u>	<u>0</u>	<u>576,791,200</u>
TOTAL APPROPRIATIONS		0	88,994,000	693,202,500^{4/5/}

SM = State Match, and consists of the state General Fund, Tobacco Settlement and Budget Neutrality Compliance Funds.
 TF = Total Funds, and represents the sum of the State Match and Federal Funds.

COST CENTER DESCRIPTION — *The AHCCCS Proposition 204 program is the medical services component of Arizona's Medicaid Demonstration Project serving adults up to 100% Federal Poverty Level (FPL). This expansion of AHCCCS coverage was approved by Arizona votes in November 2000 and, following federal approval of the expansion waiver, implementation began in April 2001. The Proposition 204 program follows the health maintenance organization (HMO) model similar to the Acute Care program.*

Special Line Items

Administration — This line item funds administrative costs associated with providing health coverage to the Proposition 204 expansion population. Examples of specific administrative functions related to the Proposition 204 expansion include eligibility determination, finance and budgeting, rate negotiations, and financial oversight of

health plans. The approved amount provides \$15,233,100 GF and \$30,466,000 TF for Proposition 204 administrative expenses.

Services — This line item provides funding for the health care costs associated with expanding the eligibility limit for AHCCCS to 100% FPL. The program provides for: 1) monthly capitated payments to health plans; 2) reinsurance

^{1/} Appropriated pursuant to Laws 2001, Chapter 344.

^{2/} General Appropriation Act (Laws 2002, Chapter 327) funds are appropriated by Special Line Items for the Program.

^{3/} These amounts represent direct appropriations. All other expenditures are part of total expenditure authority.

^{4/} Of the \$693,202,500 expenditure authority for Proposition 204 in FY 2003, \$116,411,300 is appropriated from the state General Fund. (General Appropriation Act footnote, adjusted for additional appropriations)

^{5/} Before implementation of any changes in capitation rates, the Arizona Health Care Cost Containment System shall report its plan to the Joint Legislative Budget Committee. (General Appropriation Act footnote)

payments to health plans in the case of catastrophic cases; and, 3) Fee-for-Service coverage for certain individuals. In general, the Proposition 204 program has the same components as the standard Acute Care program, the difference being the population that is served. The individuals served under the Proposition 204 expansion were either: 1) uninsured prior to enrollment; 2) enrolled in a state-only program; or, 3) enrolled in a time limited federally reimbursed program under Title XIX.

The approved amount provides \$96,352,600 GF, \$58,847,000 in Tobacco Settlement revenue, \$28,147,800 from the Budget Neutrality Compliance Fund, and \$657,910,700 TF for Proposition 204 program expenses. *Table 1* provides detail on Proposition 204 enrollment and capitation rates. *Table 2* provides information on the FY 2002 and FY 2003 Proposition 204 expenditures. *Proposition 204 behavioral health costs are funded in the Department of Health Services. Please see Behavioral Health for additional information.*

County Hold Harmless — The implementation of Proposition 204 resulted in revenue losses to some counties. Laws 2001, Chapter 344 provided funding to specified counties to offset losses in revenue due to the

Deposit into Budget Neutrality Compliance Fund — With the implementation of Proposition 204, the former 100% state funded Medically Needy/Medically Indigent (MN/MI) population was converted to coverage under the Proposition 204 expansion. Laws 2001, Chapter 344 directed funding originally allocated in FY 2002 and FY 2003 to the 100% state funded Medically Needy/Medically Indigent (MN/MI) program to the Budget Neutrality Compliance Fund (BNCF). In FY 2003 the transfer was repealed in the Health Omnibus Reconciliation Bill (Laws 2002, Chapter 329) and the funding is now reflected in the General Fund appropriation for the program.

Deposit into Medical Services Stabilization Fund — Laws 2001, Chapter 344 included a technical adjustment to the FY 2001 Disproportionate Share program, which included a \$13,405,600 deposit from the General Fund into the Medical Services Stabilization Fund.

<u>Federally-Eligible Rate Codes</u>	FY 2003 Member Years^{1/}	FY 2003 Capitation Rates^{2/}
TANF	33,960	\$145.19
SSI w/ Medicare	8,880	202.80
SSI w/o Medicare	391	398.32
Medical Spend downs	3,817	218.55
Prop 204 Conversions ^{3/}	31,352	218.55
Prop 204 Newly Eligible ^{4/}	<u>10,318</u>	218.55
TOTAL	88,718	
Hospital Kick ^{5/}	8,054	13,261.60
Deliveries ^{5/}	206	5,044.24

^{1/} Member years are calculated as projected regular member months divided by 12 and do not necessarily indicate actual number of clients enrolled.

^{2/} Capitation rates are set on a Contract Year (CY) basis, which is from October 1 through September 30. For FY 2003, the rates reflect 1 quarter at the CY 2002 level and 3 quarters at the CY 2003 level.

^{3/} Represents the population formerly known as the Medically Indigent who received services under the former 100% state funded MN/MI program. These enrollees are from 0 – 40% FPL.

^{4/} Represents enrollees that mirror the former Medically Indigent population, except their income ranges from 40 - 100% FPL.

^{5/} This is the projection of actual hospital kick payments and birth deliveries to be made by Proposition 204 enrollees in AHCCCS health plans.

	FY 2002	FY 2003
EXPENDITURES		
Administration	\$ 25,795,800	\$ 30,466,000
Services - AHCCCS	467,435,000	657,910,900
Services - DHS - Behv. Health	<u>100,113,700</u>	<u>150,753,100</u>
TOTAL	\$593,344,500	\$839,130,000
FUND SOURCES		
General Fund	\$ 0	\$111,585,700
Tobacco Settlement Fund - AHCCCS	50,172,700	58,847,000
Tobacco Settlement Fund - DHS	100,113,700	46,809,500
Budget Neutrality Compliance Fund	46,736,000	28,147,800
Federal Title XIX Funds	<u>396,322,100</u>	<u>593,740,000</u>
TOTAL	\$593,344,500	\$839,130,000

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implementation of Proposition 204. The primary recipient of the \$4,825,600 GF appropriation is Pima County who received \$3,818,800. The remaining \$1,006,800 is allocated among Graham, Greenlee, La Paz, Santa Cruz, and Yavapai counties.