

**Arizona Health Care Cost Containment System**  
**Summary**

A.R.S. § 36-2901

Director: Phyllis Biedess

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		<b>FY 2001</b>	<b>FY 2002</b>	<b>FY 2003</b>
		<b>Actual</b>	<b>Estimate</b>	<b>Approved</b>
<b>COST CENTER SUMMARY</b>				
Administration	(SM)	78,975,100	81,597,900	93,214,000
	(TF)	183,655,500	211,371,700	267,010,800
Acute Care	(SM)	569,523,900	500,957,200	578,195,100
	(TF)	1,590,301,200	1,547,948,500	1,838,911,100
Long-Term Care	(SM)	190,989,500	219,820,900	242,499,700
	(TF)	555,553,500	636,447,600	734,940,800
Proposition 204	(SM)	0	88,994,000	203,406,100
	(TF)	0	88,994,000	693,202,500
<b>TOTAL APPROPRIATIONS</b>	<b>(SM)</b>	<b>839,488,500</b>	<b>891,370,000</b>	<b>1,117,314,900</b>
	<b>(TF)</b>	<b>2,329,510,200</b>	<b>2,484,761,800</b>	<b>3,534,065,200</b>
<b>OPERATING BUDGET</b>				
Full Time Equivalent Positions	(SM)	1,260.4	1,285.4	1,694.9
	(TF)	2,424.5	2,478.8	3,277.8
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
Special Line Items	(TF)	2,270,663,700	2,415,811,100	3,465,940,700
Additional Appropriations	(TF)	0	0	466,700
<b>TOTAL APPROPRIATIONS</b>	<b>(TF)</b>	<b>2,329,510,200</b>	<b>2,484,761,800</b>	<b>3,534,065,200</b> <sup>1/</sup>
<b>FUND SOURCES</b>				
General Fund		506,027,300	534,070,800	687,434,200 <sup>2/</sup>
<u>Other Appropriated Funds</u>				
County Funds		224,320,700	240,084,800	263,147,000
Tobacco Tax Funds		62,558,100	52,038,400	52,847,300 <sup>3/4/</sup>

1/ General Appropriation Act (Laws 2002, Chapter 327) appropriation format varies by program.

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

3/ For FY 2003, the total tobacco tax funding is \$52,847,300. Of this amount, \$500,000 is a direct appropriation for the Ticket to Work program. The remainder is part of total expenditure authority.

4/ For FY 2003, Other Appropriated Funds total \$139,541,300. This includes \$1,717,700 from the Donations Fund, \$500,000 from Tobacco Tax, and \$137,323,600 from the CHIP Fund.

	<b>FY 2001 Actual</b>	<b>FY 2002 Estimate</b>	<b>FY 2003 Approved</b>
Medical Services Stabilization Fund	22,062,200	45,117,400	0
Tobacco Settlement Fund	8,000,000	0	58,847,000
Donations Fund	875,400	1,330,000	1,717,700 <sup>2/4/</sup>
Third Party Collections	882,000	291,500	194,700
Children's Health Insurance Program Fund	59,642,100	82,032,400	137,323,600 <sup>2/4/</sup>
Budget Neutrality Compliance Fund	0	0	28,147,800
Federal Title XIX Funds	1,445,142,400	1,529,796,500	2,304,405,900
<i>Subtotal - Other Appropriated Funds</i>	<u>1,823,482,900</u>	<u>1,950,691,000</u>	<u>2,846,631,000</u>
<b>TOTAL APPROPRIATIONS</b>	<b>2,329,510,200</b>	<b>2,484,761,800</b>	<b>3,534,065,200</b>

SM = State Match, and consists of the state General Fund, Tobacco Tax, Third Party Collections, County, CHIP, Tobacco Settlement, Budget Neutrality Compliance 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 remain eligible for AHCCCS. Low-income pregnant women and children can qualify under a federal "medical assistance only" category. Individuals not qualifying under one of these programs, but with incomes below 100% of the Federal Poverty Level (FPL), can 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.*

<b>PERFORMANCE MEASURES</b>	FY 1999 Est./Actual <sup>1/</sup>	FY 2000 Est. <sup>1/</sup> /Actual	FY 2001 Est. <sup>1/</sup> /Actual	FY 2002-03 Estimate <sup>1/</sup>
• % of people under age 65 that are uninsured	27/22.7	22.7/18	24	24
• % of children (under 18 years) that are uninsured	26/20.6	20.6/12.8	22	22

<sup>1/</sup> The FY 1999 Actual and FY 2000 – FY 2003 estimates were revised downward to reflect updated statistics from the current population survey.

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

**Unfunded FTE Positions** — The approved amount includes a decrease of (113) FTE Positions below FY 2002 due to the statewide elimination of unfunded FTE Positions. For details on the methodology used to calculate the reduction, please see the *General Provisions* section at the front of the *Appropriations Report*.

**Additional Appropriations** — Please see individual program descriptions.

**Additional Legislation** — For legislative changes please see individual program descriptions.

**Other Issues: 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. Please see the Acute Care section for additional information on the use of Tobacco Tax in the AHCCCS program.

**Medically Needy Account**

	<b><u>FY 2001</u></b>	<b><u>FY 2002</u></b>	<b><u>FY 2003</u></b>
<b><u>Medically Needy Account</u></b>			
Balance Forward	\$ 88,328,400	\$ 49,200,600	\$ 43,011,200
Transfer in - Tobacco Tax and Health Care Fund <sup>1/</sup>	77,649,400	76,280,300	75,128,900
Transfer in - Health Education Account	-	10,000,000	5,000,000
Interest and Revertments <sup>2/</sup>	<u>8,248,000</u>	<u>2,509,600</u>	<u>2,462,800</u>
<b>Total Funds Available</b>	<b>\$174,225,800</b>	<b>\$137,990,500</b>	<b>\$125,602,900</b>
<b><u>Allocation</u></b>			
<b>AHCCCS Medically Needy Allocations:</b>			
\$10 M Hospital Reimbursement	10,000,000	10,000,000	10,000,000
Maternity Length of Stay	5,315,500	4,402,000	4,552,400
HIV/AIDS Treatment	384,600	1,349,600	1,349,600
AHCCCS State Match	16,247,200	30,195,800	31,445,300
Transplants	801,400	400,000	320,000
Health Care Group Reinsurance	-	6,000,000	5,000,000
Ticket to Work	-	91,000	500,000
Transfer to Premium Sharing Fund	-	-	10,920,000
Transfer to CHIP Fund	19,833,700	11,170,700	23,577,100
Transfer to CHIP Fund - CHIP Parents	-	-	7,897,400
Transfer to DHS Health Crisis Fund	960,000	1,000,000	1,000,000
Transfer to DES Aging and Adult Administration	500,000	500,000	500,000
Transfer to AHCCCS - FY 2001 Shortfall	29,809,400	-	-
<b>DHS Medically Needy Allocations:</b>			
Primary Care Programs	6,240,000	5,720,000	5,720,000
Qualifying Community Health Centers	5,200,000	4,680,000	4,680,000
Community Health Centers	4,000,000	1,000,000	-
Telemedicine - U of A	-	225,000	-
Telemedicine - DHS	-	260,000	260,000
Mental Health - Non-Title XIX	5,200,000	3,120,000	3,120,000
Behavioral Health Fund Shift	-	-	-
Detoxification Services	-	390,000	390,000
Renal Disease Management	260,000	260,000	260,000
Evaluations	854,200	854,200	854,200
Rural Primary Care Provider Loan Repay Pgm	111,200	111,200	111,200
HIV/AIDS Drug Assistance Program (ADAP)	1,000,000	1,000,000	1,000,000
Nonrenal Disease Management	208,000	72,800	208,000
CHIP Direct Services	1,000,000	-	-
TCE Areas - Health Care Services	-	260,000	-
SMI Non-Title XIX Psychotropic Medications	16,600,000	10,790,000	10,790,000
Emergency Vaccines	500,000	-	-
County Public Health	-	200,000	200,000
Nursing Care Inst. Incentive Grants	-	100,000	-
Az Statewide Immunization Information System	-	477,000	477,000
Hepatitis C Surveillance	-	<u>350,000</u>	<u>350,000</u>
<b>Total Allocation</b>	<b><u>\$125,025,200</u></b>	<b><u>\$94,979,300</u></b>	<b><u>\$125,469,600</u></b>
<b>Balance Forward</b>	<b>\$ 49,200,600</b>	<b>\$43,011,200</b>	<b>\$ 120,700</b>

1/ Revenue estimates assume a decrease of (1.5)%. Revenues actually declined by (1.18)% in FY 1999, (2.65)% in FY 2000, and (0.98)% in FY 2001 .

2/ Revertments include monies transferred pursuant to Laws 2000, Chapter 304 and unexpended DHS allocations that have not yet been reverted by DHS.

**Medical Services Stabilization Fund**

	<b>FY 2001</b>	<b>FY 2002</b>	<b>FY 2003</b>
<b>Funds Available</b>			
Balance Forward	\$ 72,876,000	\$ 25,345,500	\$ 71,300
Transfer In - General Fund	-	13,405,600	-
Transfer In - Health Education Acct		15,000,000	-
Interest Revenue	4,809,400	1,937,600	-
<b>Total Funds Available</b>	<b>\$ 77,685,400</b>	<b>\$ 55,688,700</b>	<b>\$ 71,300</b>
<b>Allocation</b>			
Mental Health Institute, Ch. 273	-	2,500,000	-
FY 2001 Supplementals	52,339,900	-	-
FY 2002 Supplementals	-	45,339,800	-
Transfer Out -SES Program	-	7,777,600	-
<b>Balance Forward</b>	<b>\$ 25,345,500</b>	<b>\$ 71,300</b>	<b>\$ 71,300</b>

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

**Health Education Account**

	<b>FY 2001</b>	<b>FY 2002</b>	<b>FY 2003</b>
<b>Funds Available</b>			
Balance Forward	\$ 39,762,000	\$ 31,118,600	\$ -
Transfer In - Tobacco Tax and Health Care Fund	25,513,400	25,063,500	24,685,200
Transfer Out - Medically Needy Account (Laws 2002, Ch. 329)	-	-	(5,000,000)
Interest Revenue	2,404,600	746,000	393,700
<b>Total Funds Available</b>	<b>\$ 67,680,000</b>	<b>\$ 56,928,100</b>	<b>\$ 20,078,900</b>
<b>Allocation</b>			
Fund Sweep - to MSF	-	15,000,000	-
Fund Sweep - to Medically Needy Account	-	10,000,000	-
DHS Operating Subtotal	36,561,400	28,725,400	15,078,900
Transfer to AHCCCS - SES Dialysis and Chemotherapy	-	2,822,700	-
Biotechnology (Laws 2002, Ch. 320)	-	-	5,000,000
Auditor General Evaluations	-	380,000	-
<b>Balance Forward</b>	<b>\$ 31,118,600</b>	<b>\$ -</b>	<b>\$ -</b>

1/ Assumes DHS will spend all monies remaining in the fund

**Premium Sharing Fund**

	<b>FY 2001</b>	<b>FY 2002</b>	<b>FY 2003</b>
<b>Funds Available</b>			
Balance Forward	\$45,988,700	\$ 27,042,800	\$ 3,959,700
Transfer In - Medically Needy Acct	-		10,920,000
Interest Revenue	2,518,100	1,369,000	376,788
Premiums Collected	1,988,000	1,510,100	810,600
<b>Total Funds Available</b>	<b>\$50,494,800</b>	<b>\$29,921,900</b>	<b>\$16,067,088</b>
<b>Allocation</b>			
Administrative Expenses	635,400	996,000	420,000
Services	22,816,600	24,966,200	10,500,000
<b>Total Allocations</b>	<b>23,452,000</b>	<b>25,962,200</b>	<b>10,920,000</b>
<b>Balance Forward</b>	<b>\$ 27,042,800</b>	<b>\$ 3,959,700</b>	<b>\$ 5,147,088</b>

**Health Crisis Fund**

	<b>FY 2001</b>	<b>FY 2002</b>	<b>FY 2003</b>
<b>Funds Available</b>			
Balance Forward	\$ 40,000	\$ 65,000	\$ -
Transfer In - Tobacco Tax and Health Care Fund	960,000	1,000,000	1,000,000
<b>Total Funds Available</b>	<b>1,000,000</b>	<b>1,000,000</b>	<b>1,000,000</b>
<b>Total Allocations</b>	<b>935,000</b>	<b>1,000,000</b>	<b>1,000,000</b>
<b>Balance Forward</b>	<b>\$ 65,000</b>	<b>\$ -</b>	<b>\$ -</b>

**Health Research Account**

	<b>FY 2001</b>	<b>FY 2002</b>	<b>FY 2003</b>
<b>Funds Available</b>			
Balance Forward	\$7,035,800	\$4,796,800	\$3,401,600
Transfer In - Tobacco Tax and Health Care Fund	5,546,300	5,448,600	5,366,400
Interest Revenue	314,600	256,100	219,200
<b>Total Funds Available</b>	<b>\$12,896,700</b>	<b>\$10,501,500</b>	<b>\$8,987,200</b>
<b>Allocation</b>			
Disease Control Research Comm.	6,099,900	6,099,900	6,099,900
Anticancer Drug Discovery	2,000,000	1,000,000	-
Biotechnology (Laws 2002, Ch. 186)	-	-	500,000
<b>Total Allocations</b>	<b>\$ 8,099,900</b>	<b>\$ 7,099,900</b>	<b>\$ 6,599,900</b>
<b>Balance Forward</b>	<b>\$4,796,800</b>	<b>\$3,401,600</b>	<b>\$2,387,300</b>