

**Arizona Health Care Cost Containment System
Administration**

A.R.S. § 36-2901

		FY 2002 Actual	FY 2003 Estimate	FY 2004 Approved
OPERATING BUDGET				
Full Time Equivalent Positions	(SM)	1,227.5	1,076.3	921.3 ^{1/}
	(TF)	2,477.8	2,264.5	2,109.5 ^{1/}
Personal Services	(SM)	14,400,500	14,163,500	14,163,500
	(TF)	33,207,900	33,242,700	33,242,700
Employee Related Expenditures	(SM)	3,987,400	3,510,800	3,003,000
	(TF)	8,464,200	7,888,700	7,080,700
Professional and Outside Services	(SM)	1,255,700	1,340,800	1,340,800
	(TF)	3,662,500	3,282,700	3,282,700
Travel - In State	(SM)	130,100	130,300	130,300
	(TF)	267,700	266,800	266,800
Travel - Out of State	(SM)	10,600	13,500	13,500
	(TF)	27,600	30,400	30,400
Other Operating Expenditures	(SM)	5,005,500	4,695,900	4,709,600
	(TF)	10,963,300	14,520,900	14,586,500
Equipment	(SM)	3,754,700	1,880,500	1,880,500
	(TF)	5,079,800	2,375,800	2,375,800
OPERATING SUBTOTAL	(SM)	28,544,500	25,735,300	25,241,200
	(TF)	61,673,000	61,608,000	60,865,600
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ADOA Data Center Charges	(SM)	1,376,900	1,724,700	1,724,700 ^{2/}
	(TF)	4,677,900	5,717,500	5,717,500 ^{2/}
Indian Advisory Council	(SM)	92,500	101,800	99,700
	(TF)	179,700	200,900	200,100
DES Eligibility	(SM)	22,615,200	20,701,900	20,701,900 ^{3/}
	(TF)	42,597,100	44,249,600	44,249,600 ^{3/}
DES Title XIX Pass-Through	(SM)	130,000	133,000	133,000 ^{3/}
	(TF)	218,000	310,900	310,900 ^{3/}
DHS Title XIX Pass-Through	(SM)	548,000	960,200	960,200 ^{4/}
	(TF)	1,089,500	1,732,400	1,732,400 ^{4/}
Health Care Group Administration	(SM)	912,900	6,717,700	5,772,700
	(TF)	912,900	6,717,700	5,772,700
Office of Administrative Hearings	(SM)	0	0	0
	(TF)	238,800	191,900	191,900
Finger Imaging	(SM)	200,000	0	0 ^{5/6/}
	(TF)	200,000	0	0 ^{5/6/}
Trauma Centers	(SM)	0	0	5,000,000 ^{7/}
	(TF)	0	0	5,000,000 ^{7/}
CHIP - Administration	(SM)	1,850,200	2,150,000	1,397,600
	(TF)	7,483,400	9,360,100	6,121,300
CHIP - Services	(SM)	16,875,200	13,804,100	15,227,700
	(TF)	63,126,100	60,247,900	66,438,300
CHIP - Parents	(SM)	0	6,038,300	9,200,000
	(TF)	0	26,345,200	40,139,600
PROGRAM TOTAL	(SM)	73,145,400	78,067,000	85,458,700
	(TF)	182,396,400	216,682,100	236,739,900 ^{8/9/}

	FY 2002 Actual	FY 2003 Estimate	FY 2004 Approved
FUND SOURCES			
General Fund	53,507,100	49,356,900	78,686,000
<u>Other Appropriated Funds</u>			
Children's Health Insurance Program Fund	70,609,500	95,953,200	86,873,900
Donations Account	912,900	1,717,700	1,772,700
Emergency Health Services Account	0	0	5,000,000
Medically Needy Account	0	5,000,000 ^{10/}	0
SUBTOTAL - Other Appropriated Funds	71,522,400	102,670,900	93,646,600
<u>Other Expenditure Authority Funds</u>			
Federal Title XIX Funds	57,366,900	64,654,300	64,407,300 ^{10/}
SUBTOTAL - Other Expenditure Authority Funds	57,366,900	64,654,300	64,407,300
PROGRAM TOTAL	182,396,400	216,682,100	236,739,900 ^{11/12/}

SM = State Match, and consists of the state General Fund, Emergency Health Services Account, Medically Needy Account, and the Donations Fund

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

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.*

^{1/} Includes 472.6 SM and 1,015.1 TF FTE Positions funded from Special Line Items in FY 2004.

^{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 the 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/} Of the \$5,000,000 appropriation for trauma centers, \$2,000,000 shall be directed to a University Level 1 Trauma Center in Southern Arizona and \$3,000,000 shall be deposited in the Trauma and Emergency Services Fund established in A.R.S. § 36-2903.07. (General Appropriation Act footnote)

^{8/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Program.

^{9/} Of the \$236,653,100 expenditure authority for Administration in FY 2004, \$78,686,000 is appropriated from the state General Fund, \$1,772,700 is appropriated from the Donations Fund, \$86,873,900 is appropriated from the Children's Health Insurance Program Fund and \$5,000,000 is appropriated from the Tobacco Products Tax Fund Emergency Health Services Account. (General Appropriation Act footnote as adjusted for statewide allocations)

^{10/} These amounts are included in 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/} 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)

PERFORMANCE MEASURES	FY 2002	FY 2002	FY 2003	FY 2004
	Appropriation	Actual	Appropriation	Appropriation
• Cost avoidance from Fraud and Abuse Prevention Program (\$ in millions)	7.0	6.7	7.0	7.0
• % of enrollees filing a grievance	0.4	0.2	0.4	0.2
• % of eligibility accuracy as measured by quality control sample	97	97	97	97
• % of AHCCCS employee turnover	11.5	14.6	11.5	12
• Administration as a % of total cost	4.4	1.7	4.4	1.7
• Customer satisfaction rating for eligibility determination clients (Scale 1-8)	6.0	NA	6.0	6.0

Comments: The agency did not submit information for any measure labeled as “NA.”

Technical Adjustments — The FY 2004 approved amounts include technical adjustments for Employee Related Expenditures, Other Fund health and dental insurance changes, Other Fund retirement changes, and Other Fund AFIS charges. *(Please see the General Provisions section at the end of this Appropriations Report for further details on these changes.)*

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. The approved amount is unchanged from FY 2003.

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. The approved amount is unchanged from FY 2003, except for technical changes. The line item includes 4 FTE Positions, of which 2 are funded from the General Fund and 2 from 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. The approved amount is unchanged from FY 2003. The line item includes 1,043.2 FTE Positions, of which 521.6 are funded from the General Fund and 521.6 from 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. The approved amount is unchanged from FY 2003. The line item includes 4.5 FTE Positions, of which 1.8 are funded from the General Fund and 2.7 from Federal Funds.

DHS Title XIX Pass-Through — This Special Line Item contains funding for 3 programs administered by DHS through an intergovernmental service agreement: DHS Licensure, DHS PASARR, and 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. The approved amount is unchanged from FY 2003. The line item includes 26.5 FTE Positions, of which 13.3 are funded from the General Fund and 13.2 from 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 approved amount is unchanged from FY 2003, except for technical adjustments. This line item includes 21 FTE Positions funded from the Donations Fund.

In prior years, reinsurance for this program was paid for with non-appropriated monies from the Medically Needy Account of the Tobacco Tax and Health Care Fund. The approved amount in FY 2004 includes a General Fund

increase of \$4,000,000 to pay for the reinsurance portion of this program and a corresponding Medically Needy Account decrease of \$(5,000,000) relative to FY 2003.

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 Children's Health Insurance Program (CHIP) Fund. The approved amount is unchanged from FY 2003. This line item includes 3 FTE Positions funded from Federal Funds.

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, this program has not been implemented and funding for this line item was eliminated in FY 2002.

Trauma Centers — The approved amount for this line item includes a \$5,000,000 increase above FY 2003, from the Proposition 303 Emergency Health Services Account, for Trauma Centers. Of the total approved amount, \$2,000,000 shall be directed to the University of Arizona Trauma Center, and the remaining \$3,000,000 shall be deposited into the Trauma and Emergency Services Fund.

Children's Health Insurance Program

The Children's Health Insurance Program (CHIP), also referred to as KidsCare, 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.

The KidsCare Program receives federal Title XIX monies at approximately a 3 to 1 match rate, which is higher than the regular Title XIX portion of AHCCCS. Because of this enhanced match rate for Title XIX, state CHIP programs do not receive the temporary 2.95% enhancement to the federal matching rate granted to the Title XIX portion of Medicaid. (See *AHCCCS Summary section for more information on the enhanced federal match for Title XIX.*)

Beginning in FY 2004, General Fund monies are being used as the state match for the KidsCare program, replacing the Medically Needy Account monies that had previously been used. These monies will be used to draw

in Federal Title XXI monies, which will continue to be spent from the CHIP Fund.

Funding for the CHIP program is divided into 3 Special Line Items: CHIP Administration, CHIP Services, and CHIP Parents. 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 State Match and Total Funds decreases of \$(752,400) and \$(3,241,700) below FY 2003, respectively. These decreases serve to align the administration appropriation with the 10% federal cap on the administration dollars available.

The approved amount includes a General Fund increase of \$1,397,600 above FY 2003 for shifting State Match funding responsibility from the Medically Needy Account to the General Fund.

CHIP - Services — This line item includes funding for health insurance coverage for children enrolled in the CHIP program. The approved amount includes State Match and Total Funds increases of \$1,423,600 and \$6,190,400 above FY 2003, respectively. This includes the following adjustments from the FY 2003 appropriation:

- \$2,955,800 SM and \$12,875,400 TF for annual enrollment based on 53,239 member years and inflationary growth of 5.0% above FY 2003.
- \$(1,783,500) SM and \$(7,781,400) TF below FY 2003, for the implementation greater cost-sharing strategies. The Health Omnibus Reconciliation Bill (ORB) (Laws 2003, Chapter 265) allows AHCCCS to charge enrollment fees, and to increase monthly premiums and co-payment amounts charged to members. *Table 1* summarizes the new cost-sharing requirements and the original amounts. (See *AHCCCS Summary section for more information.*)
- \$251,300 SM and \$1,096,400 TF above FY 2003, for expected capitation rate increases as a result of the elimination of the Medicaid Special Exemption to the 2.0% insurance premium tax, pursuant to Laws 2003, Chapter 136. (See *the Additional Legislation section in the AHCCCS Summary for more information.*)

The approved amount includes a General Fund increase of \$15,227,700 above FY 2003 for shifting State Match funding responsibility from the Medically Needy Account to the General Fund.

CHIP - Parents — This line item includes funding for health insurance coverage for parents of children enrolled in the CHIP Program. In FY 2004, this line will also fund some single adults and childless couples who would otherwise receive coverage under Proposition 204. The approved amount includes State Match and Total Funds

increases of \$3,161,700 and \$13,794,400 above FY 2003, respectively. This includes the following adjustments from the FY 2003 appropriation:

- \$4,961,700 SM and \$21,647,800 TF for enrollment and inflationary growth.
- \$(1,800,000) SM and \$(7,853,400) TF below FY 2003 for the implementation of increased cost-sharing strategies. The Health ORB allows AHCCCS to charge enrollment fees, and to increase monthly premiums and co-payment amounts charged to members.

The approved amount includes a General Fund increase of \$9,200,000 above FY 2003 for shifting State Match funding responsibility from the Medically Needy Account to the General Fund.

The current KidsCare waiver establishes a priority for the CHIP dollars: 1) CHIP – Kids; 2) CHIP – Parents; and, 3) single adults and childless couples (covered in the Proposition 204 program). Current surpluses in the federal Title XXI allotment allow for the use of some CHIP dollars on this population, producing \$(14,000,000) in savings in the Proposition 204 program. (The federal match rate for Proposition 204 is lower than the CHIP match rate.) These surplus funds will only be available for one more year, therefore, the CHIP – Parents program is repealed at the end of FY 2004. *(See AHCCCS Proposition 204 section and Additional Legislation in this section for more information.)*

Additional Legislation: Budget Reconciliation: Health and Welfare (Chapter 265) — Allows General Fund monies to be deposited into the Children’s Health Insurance Program (CHIP) Fund. Repeals coverage for the CHIP – Parents population, effective June 30, 2004.

Table 1	Cost Sharing – FY 2003			Cost Sharing – FY 2004		
	Co-Payments	Premiums	Enrollment Fees	Co-Payments	Premiums	Enrollment Fees
100-150% FPL						
One child	\$5 non-emergent ER visit	\$0/month	none	\$10 non-emergent ER visit; \$5 prescriptions, non-emergent transportation, all other services.	\$10/month	\$15
Two or more	\$5 non-emergent ER visit	\$0/month	none	\$10 non-emergent ER visit; \$5 prescriptions, non-emergent transportation, all other services.	\$15/month	\$15
150-175% FPL						
One child	\$5 non-emergent ER visit	\$10/month	none	\$30 non-emergent ER visit; \$10 non-emergent transportation; \$5 prescriptions and all other services.	\$20/month	\$25
Two or more	\$5 non-emergent ER visit	\$15/month	none	\$30 non-emergent ER visit; \$10 non-emergent transportation; \$5 prescriptions and all other services.	\$30/month	\$25
175-200% FPL						
One child	\$5 non-emergent ER visit	\$15/month	none	\$30 non-emergent ER visit; \$10 non-emergent transportation; \$5 prescriptions and all other services.	\$25/month	\$25
Two or more	\$5 non-emergent ER visit	\$20/month	none	\$30 non-emergent ER visit; \$10 non-emergent transportation; \$5 prescriptions and all other services.	\$35/month	\$25

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