

Arizona Health Care Cost Containment System
Summary

A.R.S. § 36-2901

Director: Anthony D. Rodgers

JLBC Analyst: Tim Sweeney

	FY 2002 Actual	FY 2003 Estimate	FY 2004 Approved
PROGRAM BUDGET			
Administration	182,396,400	216,682,100	236,739,900
Acute Care	1,470,011,900	1,827,289,000	1,985,076,100
Long-Term Care	624,388,200	734,940,800	825,404,400
Proposition 204	704,523,100	766,065,100	965,241,800
Federal Match Rate Change	0	0	0 ^{1/2/}
AGENCY TOTAL	2,981,319,600	3,544,977,000	4,012,462,200

OPERATING BUDGET

<i>Full Time Equivalent Positions</i>	3,266.8	3,125.8	2,970.8
Personal Services	33,207,900	33,242,700	33,242,700
Employee Related Expenditures	8,464,200	7,888,700	7,080,700
Professional and Outside Services	3,662,500	3,510,800	3,282,700
Travel - In State	267,700	266,800	266,800
Travel - Out of State	27,600	30,400	30,400
Other Operating Expenditures	10,963,300	14,520,900	14,586,500
Equipment	5,079,800	2,375,800	2,375,800
Operating Subtotal	61,673,000	61,608,000	60,865,600
Special Line Items (SLI)	2,919,646,600	3,483,369,000	3,951,596,600
AGENCY TOTAL	2,981,319,600	3,544,977,000	4,012,462,200^{3/}

FUND SOURCES

General Fund	500,273,500	611,332,000	679,335,100
<u>Other Appropriated Funds</u>			
Budget Neutrality Compliance Fund	46,736,000 ^{4/}	23,319,900 ^{4/}	5,324,600
Children's Health Insurance Program Fund	70,609,500	95,953,200	86,873,900
County Contribution Fund	0	0	7,446,500
Donations Fund	912,900	1,717,700	1,772,700
Emergency Health Services Account	0	16,032,800	26,222,800
Medically Needy Account	45,457,000 ^{4/}	89,878,700 ^{5/}	79,987,000
SUBTOTAL - Other Appropriated Funds	163,715,400	226,902,300	207,627,500
<u>Other Expenditure Authority Funds</u>			
County Funds	240,084,800	263,147,000	252,640,500 ^{4/}
Federal Title XIX Funds	1,875,113,600	2,343,449,300	2,758,549,600 ^{4/}
Federal Title XXI Funds	0	0	14,000,000 ^{4/}
Medical Services Stabilization Fund	44,288,200	0	0
Other State Match	0	1,296,300	0 ^{6/}
Proposition 204 Protection Account	0	33,699,000	55,067,800 ^{4/}
Third Party Collections	568,700	194,700	194,700 ^{4/}
Tobacco Settlement Fund	157,275,400	64,956,400	45,047,000 ^{4/}
SUBTOTAL - Other Expenditure Authority Funds	2,317,330,700	2,706,774,200	3,125,499,600
AGENCY TOTAL	2,981,319,600	3,544,977,000	4,012,462,200

1/ The reduction associated with the federal match rate change represents a reduction in the state General Fund appropriation associated with temporary changes to the federal matching assistance percentage designed to give fiscal relief to states. There shall be a corresponding \$73,094,500 increase in federal expenditure authority to the agency.

2/ The FY 2004 amount includes \$(73,094,500) from the General Fund and \$73,094,500 in Federal Title XIX Funds that are not included in the individual cost centers.

3/ General Appropriation Act appropriation format varies by program.

4/ These amounts are included in total expenditure authority.

5/ In FY 2003, \$500,000 from the Medically Needy Account was directly appropriated for the Ticket to Work Program, the remaining monies in FY 2003 are non-appropriated and are included in total expenditure authority.

6/ In FY 2003 surplus monies from the Breast and Cervical Cancer program were used as state match in the Proposition 204 program. These monies are no longer available in FY 2004.

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.*

PERFORMANCE MEASURES	FY 2002	FY 2002	FY 2003	FY 2004
	Appropriation	Actual	Appropriation	Appropriation.
• % of people under age 65 that are uninsured	24	24	24	24
• % of children (under 19 years) that are uninsured	22	22	22	22

Federal Match Rate Change — The Federal Jobs and Growth Tax Relief Reconciliation Act of 2003 included a temporary increase of 2.95% in the federal matching assistance percentage (FMAP) for the last quarter of FY 2003 and all of FY 2004. Under the Title XIX program, state monies provide approximately a 33% match to the Federal Funds received. The federal legislation increases the federal share by 2.95%, providing more Federal Funds for each state dollar spent and generating General Fund savings. For AHCCCS, this FMAP increase is estimated to save \$(79,094,500) GF, including savings in the ALTCS program. These savings were assumed in the General Appropriation Act. The department was given the discretion to allocate the monies among its non-ALTCS Title XIX programs, with the expected distribution as follows: Acute Care: \$(47,797,800); ALTCS: \$(6,000,000); and Proposition 204: \$(25,296,700). The ALTCS savings is incorporated in the ALTCS appropriation, and additional county savings of \$(18,000,000) is also built into the ALTCS appropriation.

Additional Legislation: Removal of Medicaid Special Exemption (Chapter 136) — Requires AHCCCS contractors to pay the 2% insurance premium tax required of all private health care plans. Prior to this legislation, AHCCCS contractors were exempt from this tax. Additional state and federal funding is provided in the Acute Care, Proposition, ALTCS, and KidsCare programs to cover additional costs to the AHCCCS Health Plans.

Budget Reconciliation: Health and Welfare (Chapter 265) — Shortens the redetermination period for AHCCCS members in Acute Care and Proposition 204 from 1 year to 6 months. Gives AHCCCS statutory authority to charge monthly premiums and enrollment fees, and to increase co-payment amounts in all AHCCCS programs, as permitted by federal law. Makes the Hospital Reimbursement Pilot Program permanent. Directs the FY 2004 county contributions to the Disproportionate Uncompensated Care

(DUC) pool for use as AHCCCS state-match funding. Authorizes the withholding of \$78,041,900 in county Transaction Privilege Tax revenue to reimburse the state for indigent health care costs. Eliminates the Premium Sharing Program. Continues the County Acute Care contribution at the FY 2003 level of \$66,689,500. Increases the length of time, from 6 to 12 months, a non-profit hospital, on private land next to a reservation, in a county with a population less than \$500,000, has to submit claims for Title XIX services to AHCCCS qualified members who have received a covered prescription drug from the hospital.

Vetoes: Budget Reconciliation: Health and Welfare (Chapter 265) — The Governor line item vetoed the elimination of the statutory authority for emergency dental coverage for adult AHCCCS members in the Acute and Proposition 204 programs. General Fund savings of \$(1,200,000) in the General Appropriation Act were associated with the elimination of adult emergency dental coverage. The veto does not add back this funding to the appropriation. This Appropriations Report has incorporated the veto without making an assessment of its legality. As of this writing, there is pending litigation concerning the legality of this particular veto.

The Governor line item vetoed the elimination of the statutory authority for the state Emergency Services Program. The Appropriations Act included \$(4,800,000) of savings for this elimination, which was not affected by the veto. After transmitting her veto message to the Legislature, the Governor communicated that this particular veto was in error.

Additionally, provisions were vetoed that would have converted the Medically Needy Account of the Tobacco Tax and Health Care Fund and the Budget Neutrality Compliance Fund to appropriated funds. The General Appropriation Act appropriates these funds for FY 2004,

and the vetoes do not affect these appropriations. (*See Other Issues in the Acute Care section for more information.*)

Other Issues: Tobacco Tax Distribution — Proposition 303, passed by the voters in the 2002 General Election, increased the cigarette tax by \$0.60 per pack and also increased the tax on other tobacco products. This additional tax is expected to generate \$131,113,800 in FY 2004 revenue. Of this total, \$115,437,500 will be used as a Title XIX General Fund offset in AHCCCS and the Department of Health Services (from the Proposition 204 Protection Account, Emergency Health Services Account, and the Medically Needy Account). In addition, \$5,000,000 is appropriated from the Emergency Health Services Account for Trauma Centers.

These new taxes are deposited into the Tobacco Products Tax Fund and distributed to the following accounts:

- Proposition 204 Protection Account (42%)
- Medically Needy Account (27%)
- Emergency Health Services Account (20%)
- Health Research Account (5%)
- Health Education Account (2%)
- Health Care Adjustment Account (4%)

This increase brings the total cigarette tax to \$1.18 per pack. In addition to the new tax and the \$0.18 per pack that is distributed to the Corrections Fund and the General Fund, there is a \$0.40 per pack that is deposited into the Tobacco Tax and Health Care Fund. That fund is distributed to the following accounts:

- Medically Needy Account (70%)
- Health Education Account (23%)
- Health Research Account (5%)
- Corrections Fund (2%)

Although tobacco tax revenues are spent by several agencies, a consolidated statement is presented on the following pages. (*Please see the Acute Care and Proposition 204 sections for additional information on the use of Tobacco Tax in the AHCCCS program.*)

Medically Needy Account

	FY 2002 Actual	FY 2003 Estimate	FY 2004
AHCCCS Medically Needy Account			
Balance Forward	\$ 43,221,700	\$ 43,789,900	\$ 109,900
Transfer in - Tobacco Tax and Health Care Fund ^{1/}	76,975,500	75,128,900	68,809,300
Transfer in - Tobacco Products Tax Fund	-	22,515,900	39,146,900
Transfer in - Health Education Account	10,000,000	5,000,000	-
Interest and Revertments ^{2/}	6,102,900	5,211,100	1,775,600
Total Funds Available	\$136,300,100	\$151,645,800 ^{3/}	\$109,841,700
Allocations:			
AHCCCS State Match	45,457,000	84,378,700 ^{3/}	79,987,000
Other AHCCCS Programs			
Health Care Group Reinsurance	4,335,500	5,000,000	- ^{4/}
Ticket to Work	-	500,000	- ^{5/}
Transfer to Premium Sharing Fund	-	10,920,000	-
Transfer to CHIP Fund	10,384,600	9,454,100 ^{6/}	- ^{5/}
Transfer to CHIP Fund - CHIP Parents	-	6,038,300	- ^{5/}
Transfer to DES Aging and Adult Administration	500,000	500,000	-
Transfer to DHS Programs	31,417,400	34,424,800	30,424,800
Transplants	415,700	320,000	320,000
Total Allocations	\$92,510,200	\$151,535,900	\$110,731,800
Ending AHCCCS Balance	\$43,789,900	\$ 109,900	\$ (890,100)
DHS Medically Needy Distributions			
Transfer In - AHCCCS Medically Needy Account	31,417,400	34,424,800	30,424,800
Allocations:			
FY 2003 DHS Supplemental	-	5,000,000	-
Proposed Behavioral Health GF Offset	-	-	29,424,800
DHS Health Crisis Fund	897,800	1,000,000	1,000,000 ^{7/}
Primary Care Programs	5,538,400	5,720,000	- ^{5/}
Qualifying Community Health Centers	4,626,600	4,680,000	- ^{5/}
Community Health Centers	988,100	-	-
Telemedicine - U of A	43,300	-	-
Telemedicine - DHS	-	260,000	- ^{5/}
Mental Health - Non-Title XIX	3,068,600	3,120,000	- ^{8/}
Detoxification Services	375,000	390,000	-
Renal Disease Management	254,700	260,000	- ^{5/}
Evaluations	632,000	854,200	-
Rural Primary Care Provider Loan Repay Pgm	111,200	115,600	-
HIV/AIDS Drug Assistance Program (ADAP)	1,000,000	1,000,000	- ^{5/}
Nonrenal Disease Management	70,000	208,000	- ^{5/}
TCE Areas - Health Care Services	250,000	-	-
SMI Non-Title XIX Psychotropic Medications	10,790,000	10,790,000	- ^{5/}
County Public Health	200,000	200,000	- ^{5/}
Az Statewide Immunization Information System	445,000	477,000	- ^{5/}
Hepatitis C Surveillance	293,400	350,000	- ^{5/}
Prior Year Expenditures	1,833,300	-	-
Total Allocation	\$31,417,400	\$34,424,800	\$30,424,800
Ending DHS Balance	\$ -	\$ -	\$ -
Balance Forward	\$43,789,900	\$ 109,900	\$ (890,100)

^{1/} Revenue estimates assume a decrease of (1.5)%. Revenues actually declined by an average of (1.41)% over the past 6 years. Uses the Executive revenue estimates for FY 2003.

^{2/} Includes interest earnings and monies reverted by DHS.

^{3/} FY 2003 revenue estimate reflects the expected revenues as of the most recent FY 2003 budget (enacted in March 2003). Actual revenues are expected to be lower than these estimates. However, AHCCCS caseloads (and therefore state match spending) are also lower than budgeted, and therefore, the account is expected to remain balanced in FY 2003.

^{4/} Funded at \$4 million from the General Fund in FY 2004.

^{5/} Funding shifted to the General Fund in FY 2004.

^{6/} Assumes AHCCCS will spend \$6.5 million in FY 2003 from prior year CHIP appropriations before the expenditure of these monies.

^{7/} The Health ORB as originally passed suspended the transfer of monies into the Health Crisis Fund. The Governor line item vetoed this provision and thus \$1,000,000 will be transferred into the fund for FY 2004, pursuant to A.R.S. § 36-797.

^{8/} Funded at \$1.5 million from the General Fund in FY 2004.

Health Research Account

	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>
<u>Funds Available</u>			
Balance Forward	\$4,022,300	\$4,022,800	\$1,226,300
Transfer In - Tobacco Tax and Health Care Fund	5,227,600	5,155,300 ^{1/}	4,915,700
Transfer In - Proposition 303 Tax	-	4,171,800 ^{1/}	6,823,200
Interest Revenue	137,200	166,900	162,100
Total Funds Available	\$9,387,100	\$13,516,800	\$13,127,300
<u>Allocation</u>			
DCRC PS/ERE	122,400	205,400	205,400
Disease Control Research Comm.	4,241,900	9,085,100	5,500,600
Anticancer Drug Discovery	1,000,000	-	-
Alzheimer's Research	-	-	1,000,000
Biotechnology (Laws 2002, Ch. 186)	-	500,000	500,000
Biotechnology (Laws 2002, Ch. 320)	-	2,500,000	5,000,000
Total Allocations	\$5,364,300	\$12,290,500	\$12,206,000
Balance Forward	\$4,022,800	\$1,226,300	\$ 921,300

^{1/} FY 2003 revenue estimate reflects the expected revenues as of the most recent FY 2003 budget (enacted in March 2003). Actual revenues are expected to be lower than these estimates and FY 2003 expenditures will be adjusted accordingly.

Health Education Account

	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>
<u>Funds Available</u>			
Balance Forward	\$31,130,600	\$4,250,700	\$2,143,000
Transfer In - Tobacco Tax and Health Care Fund	25,387,900	23,707,700	22,605,900
Transfer In - Prop. 303 Tax	-	2,355,800	3,853,100
Interest Revenue	986,100	432,100	384,300
Total Funds Available	\$57,504,600	\$30,746,300	\$28,986,300
<u>Allocation</u>			
Fund Sweep - to Medical Services Stabilization Fund	15,000,000	-	-
Fund Sweep - to Medically Needy Account	10,000,000	5,000,000	-
DHS Operating Subtotal	25,431,900	19,500,000	24,478,000
Leading Causes of Death - Prevention and Detection	-	1,603,300	2,622,300
Biotechnology	-	2,500,000	-
Transfer to AHCCCS - SES Dialysis and Chemo.	2,822,000	-	-
Total Allocations	53,253,900	28,603,300	27,100,300
Balance Forward	\$4,250,700	\$2,143,000	\$1,886,000

Proposition 204 Protection Account

	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>
<u>Funds Available</u>			
Balance Forward	\$ -	\$ -	\$ -
Transfer In - Prop. 303 Tax	-	33,669,000	55,067,800
Total Funds Available	\$ -	\$33,669,000	\$55,067,800
<u>Allocation</u>			
AHCCCS State Match	\$ -	33,669,000	55,067,800
Total Allocations	\$ -	\$33,669,000	\$55,067,800
Balance Forward	\$ -	\$ -	\$ -

Emergency Health Services Account

	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>
<u>Funds Available</u>			
Balance Forward	\$ -	\$ -	\$ -
Transfer In - Prop. 303 Tax	-	16,032,800	26,222,800
Total Funds Available	\$ -	\$16,032,800	\$26,222,800
<u>Allocation</u>			
AHCCCS State Match	\$ -	\$16,032,800	\$21,222,800
Trauma Centers	-	-	5,000,000
Total Allocations	\$ -	\$16,032,800	\$26,222,800
Balance Forward	\$ -	\$ -	\$ -

<u>Premium Sharing Fund</u>			
	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>
<u>Funds Available</u>			
Balance Forward	\$27,042,800	\$ 8,314,000	\$5,649,800
Transfer In - Medically Needy Account	-	10,920,000	-
Interest Revenue	746,400	376,800	-
Premiums Collected	2,330,700	810,600	-
Total Funds Available	\$30,119,900	\$20,421,400	\$5,649,800
<u>Allocation</u>			
Administrative Expenses	738,000	420,000	-
Services	21,067,900	14,351,600	-
Total Allocations	\$21,805,900	\$14,771,600	\$ - ^{1/}
Balance Forward	\$ 8,314,000	\$ 5,649,800	\$5,649,800

^{1/} Program repealed by Laws 2003, Chapter 265.

<u>Health Crisis Fund</u>			
	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>
<u>Funds Available</u>			
Balance Forward	\$ 65,000	\$ -	\$ 70,000
Transfer In - Tobacco Tax and Health Care Fund	935,000	1,000,000	930,000
Total Funds Available	1,000,000	1,000,000	1,000,000
Total Allocations	1,000,000	930,000	1,000,000
Balance Forward	\$ -	\$ 70,000	\$ -

[Click here to return to the Table of Contents](#)