

Department of Economic Security
Long Term Care

A.R.S. § 41-1954

JLBC Analyst: Stefan Shepherd

		FY 2002 Actual	FY 2003 Estimate	FY 2004 Approved
OPERATING BUDGET				
<i>Full Time Equivalent Positions</i>	(GF)	339.1	355.1	381.9 ^{1/}
	(TF)	1,278.4	1,311.2	1,393.4 ^{1/2/}
Personal Services	(GF)	2,677,700	2,553,900	2,668,100
	(TF)	9,212,700	9,472,900	9,846,800
Employee Related Expenditures	(GF)	627,000	612,700	626,500
	(TF)	2,157,200	2,473,400	2,465,700
Professional and Outside Services	(GF)	719,600	1,568,100	3,393,500
	(TF)	2,476,000	2,124,600	7,697,900
Travel - In State	(GF)	136,100	73,200	74,500
	(TF)	468,300	284,100	290,900
Travel - Out of State	(GF)	0	0	0
	(TF)	0	400	400
Other Operating Expenditures	(GF)	750,600	301,400	213,900
	(TF)	2,582,300	1,166,400	877,900
Equipment	(GF)	278,600	963,100	986,000
	(TF)	958,700	2,798,400	2,867,400
OPERATING SUBTOTAL	(GF)	5,189,600	6,072,400	7,962,500
	(TF)	17,855,200	18,320,200	24,047,000 ^{3/4/5/}
SPECIAL LINE ITEMS				
Case Management	(GF)	5,662,000	7,468,100	8,535,600
	(TF)	17,373,700	22,511,300	25,600,800
Home and Community Based Services	(GF)	101,220,000	105,383,100	115,299,400
	(TF)	244,186,800	314,748,000	355,019,300
Institutional Services	(GF)	3,379,000	4,017,500	4,012,100
	(TF)	12,072,300	12,156,700	12,117,900
Medical Services	(GF)	16,758,200	19,280,300	21,278,500
	(TF)	52,731,500	60,361,500	66,453,400
Arizona Training Program at Coolidge	(GF)	2,970,800	3,813,800	3,700,500
	(TF)	11,243,100	11,690,900	11,252,900
PROGRAM TOTAL	(GF)	135,179,600	146,035,200	160,788,600
	(TF)	355,462,600	439,788,600	494,491,300
FUND SOURCES				
General Fund		135,179,600	146,035,200	160,788,600
<u>Other Expenditure Authority Funds</u>				
Long Term Care System Fund		220,283,000	293,753,400	333,702,700 ^{6/}
SUBTOTAL - Other Expenditure Authority Funds		220,283,000	293,753,400	333,702,700
PROGRAM TOTAL		355,462,600	439,788,600	494,491,300

GF = General Fund

TF = Total Funds, and represents the sum of General Fund and Federal Funds

^{1/} Includes 309.3 GF and 1,087.9 TF FTE Positions funded from Special Line Items in FY 2004.

^{2/} A.R.S. § 36-2953 establishes a Long Term Care System Fund. Subject to legislative appropriation, this fund consists of all AHCCCS monies, state appropriations and other grants used to finance long term care to developmentally disabled clients. The above chart displays the Total Expenditure Authority (TF) of the Long Term Care System Fund, but does not include costs expended in the Administration cost center from this fund.

^{3/} All monies in the Long Term Care System Fund unexpended and unencumbered at the end of FY 2004 revert to the state General Fund, subject to approval by the Arizona Health Care Cost Containment System. (General Appropriation Act footnote)

^{4/} Before implementation of any changes in capitation rates for the Long Term Care program, the Department of Economic Security shall report its expenditure plan to the Joint Legislative Budget Committee for its review. (General Appropriation Act footnote)

^{5/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items for the Program.

^{6/} These amounts are included in total expenditure authority.

COST CENTER DESCRIPTION — *The Long Term Care (LTC) Program provides services to individuals with mental retardation, cerebral palsy, autism, and epilepsy, who are eligible for the federal Title XIX Program. Title XIX is an entitlement program in which any individual meeting the financial and functional requirements must receive assistance. To qualify for federal funding, an individual must have an income below 300% of the Supplemental Security Income (SSI) eligibility limit and have certain functional needs. Clients not eligible for the federal program can receive services funded through the 100% state-funded Developmental Disabilities (DD) Program. Besides contracting for services, the program: a) operates the Arizona Training Program at Coolidge (ATP-C), and smaller state-operated group homes, and b) provides case management services to recipients.*

PERFORMANCE MEASURES	FY 2002 Appropriation	FY 2002 Actual	FY 2003 Appropriation	FY 2004 Recommend.
• % of consumer satisfaction with case management services	90	90	95	95
• Cost per member year at Arizona Training Program – Coolidge (in \$)	93,700	105,500	93,700	108,500
• Average number of Arizona Training Program – Coolidge clients	175	154	175	152

Funding Sources — The LTC cost center is funded from 2 sources: the General Fund (GF) and federal Title XIX capitation revenues received from the Arizona Health Care Cost Containment System (AHCCCS). The LTC appropriation includes the appropriation of GF monies and Total Fund (TF) expenditure authority, which includes both the GF and the Title XIX capitation revenues. As the AHCCCS-authorized provider of DD services, DES receives federal monies through prepaid monthly capitation payments based on rates for types of clients.

The approved amounts reflect the estimated FY 2004 capitation rate, which is based on actual FFY 2003 and estimated Federal Fiscal Year (FFY) 2004 capitation rates. The estimated FY 2004 capitation rate assumes 3% growth above the FY 2003 rate.

The state is required to contribute about one-third of the cost of the Long Term Care program. The estimated FY 2004 Federal Matching Assistance Percentage (FMAP), which blends the FFY 2003 and FFY 2004 rates, is estimated to be 32.74%. In addition to this amount, the Federal Jobs and Growth Tax Relief Reconciliation Act of 2003 included a temporary increase of 2.95% in FMAP for the last quarter of FY 2003 and all of FY 2004. This increase was expected to reduce General Fund costs to the department by a total of \$(14,906,000). These savings, allocated in a separate line item outside of this cost center,

were vetoed by the Governor. The Governor’s intent was to increase the appropriation by a corresponding amount. The Appropriations Report has incorporated a reference to the veto without making an assessment of its legality. As of this writing, there is pending litigation concerning the legality of this particular veto. *(Please see the Summary section for further details.)*

The GF appropriation and TF expenditure authority do not include funds passed through to the Division of Administration. The approved amounts assume that \$8,847,900 TF will be spent in FY 2004 within the Administration Division.

Table 1 summarizes the funding for this program.

Administrative Adjustments — The approved amount includes 2 policy changes from FY 2003 in the division’s operating budget:

- **Administrative Reduction:** A General Fund decrease of \$(303,600) and (3) FTE Positions and a Total Fund decrease of \$(927,400) and (9) FTE Positions for a 5% reduction in administrative staff.
- **Unspecified Decrease:** A General Fund decrease of \$(681,200) and a Total Fund decrease of \$(2,080,600) for general administrative reductions.

Caseload Growth — The approved amount includes a

Capitation Category	Member Years	Monthly Capitation Rate	Title XIX Share	State GF Match	Total
FY 2004					
Enrolled	15,466	\$ 2,618.77	\$326,887,600	\$ 159,135,500	\$ 486,023,100
Ventilator Dependent	72	\$10,371.76	6,027,100	2,934,100	8,961,200
Total	15,538		332,914,700	162,069,600	494,984,300
Division of Administration (Pass-through)			(5,899,800)	(2,948,100)	(8,847,900)
Other Adjustments			6,687,800	1,667,100	8,354,900
FY 2004 LTC Total			\$333,702,700	\$160,788,600	\$494,491,300

General Fund increase of \$483,200 and 8.9 FTE Positions and a Total Fund increase of \$1,476,000 and 28.2 FTE Positions above FY 2003 for additional administrative staff associated with caseload growth. This amount includes \$236,100 for one-time equipment.

Technical Adjustments — The FY 2004 approved amounts include technical adjustments for Employee Related Expenditures. *(Please see the General Provisions section at the end of this Appropriations Report for further details on these changes.)*

The approved amount includes a General Fund increase of \$1,601,900 and 0.3 FTE Positions and a Total Fund increase of \$4,835,100 and 1 FTE Position above FY 2003 for technical realignments in the department, primarily in the Home and Community Based Services line item. *(Please see the Home and Community Based Services narrative below and the Summary section for further details.)*

Medicaid Special Exemption — The approved amount includes a General Fund increase of \$2,647,100 and a Total Fund increase of \$8,082,900 above FY 2003 in Professional and Outside Services for expected capitation rate increases related to the new 2% insurance premium tax. Because DES contracts with AHCCCS to provide Title XIX long term care services to DD clients, the department will be required to pay a 2% tax on the payments it pays to providers. Laws 2003, Chapter 136 eliminated the exemption to the statewide insurance provider tax that applied to AHCCCS contractors. *(See the Additional Legislation section in the AHCCCS Summary for more information on this issue.)*

Member Year Estimates — Table 2 summarizes the average monthly caseload estimates for the Special Line Items. FY 2004 caseloads are estimated to increase 9.5% from June 2003 to June 2004. Please note that all clients receive Case Management and are eligible for Medical Services, but not all clients access other services in any particular month.

<u>Special Line Item</u>	<u>Clients</u>
Home and Community Based Services	13,142
Institutional Services	333
Arizona Training Program at Coolidge	112
Subtotal	13,587
Case Management / Medical Services only	1,951
TOTAL	15,538

Special Line Items

Case Management — Monies in this line item fund case management services to clients in the DD program. In addition to technical adjustments, the approved amount includes an increase of \$1,078,100 GF and \$3,292,800 TF above FY 2003 for 20.6 GF and 63 TF FTE Positions for

additional case management personnel to address increased caseloads. Of these amounts, \$162,200 GF and \$495,300 TF are for one-time equipment expenditures. This line item includes a total of 173 GF and 575.5 TF FTE Positions.

Home and Community Based Services (HCBS) — Monies in this line item fund residential programs, day programs, and support services for clients in a broad range of settings, from those living independently at home to those living in group homes.

The approved amount includes a General Fund increase of \$12,463,500 and a Total Fund increase of \$44,537,300 above FY 2003 for expected overall caseload growth of 9.5%. There are also technical adjustments of \$1,927,700 GF and \$5,784,100 TF, primarily for shifting Employment Support Services here from the Division of Employment and Rehabilitation Services.

The approved amount also includes a General Fund decrease of \$(1,412,500) and a Total Fund decrease of \$(859,200) for the imposition of cost sharing in the Long Term Care program. The Health Omnibus Reconciliation Bill (ORB) (Laws 2003, Chapter 265) amended statute to require families above 400% of the Federal Poverty Level (FPL), approximately \$74,000 for a family of 4, to pay an annual deductible before the LTC program picks up program costs. The deductible will be 2% for families between 400% and 500% FPL, and 4% above 500% FPL (about \$92,000 for family of 4). The deductible is capped at the cost of care and is based on adjusted gross income.

Table 3 indicates how estimated caseloads are expected to be allocated among HCBS settings:

<u>HCBS Setting</u>	<u>Clients</u>
At Home With Family	9,546
Adult Developmental Foster Home	515
Group Home	2,779
Child Developmental Foster Home	246
Independent Living	4
State-Operated Group Home	52
TOTAL	13,142

This line item includes 18.6 GF and 99.2 TF FTE Positions. The positions represent division employees in state-operated facilities.

Institutional Services — Monies in this line item fund residential and day programs to clients with more severe developmental disabilities. These clients reside in Intermediate Care Facilities for the Mentally Retarded (ICF/MRs) or other nursing facilities. The FY 2004 approved amount is unchanged from FY 2003 except for technical changes.

This line item includes 14.6 GF and 77.7 TF FTE Positions. The positions represent division employees in state-operated facilities.

Medical Services — Monies in this line item fund Acute Care services to clients enrolled in the LTC program. In addition to technical adjustments, the FY 2004 approved amount includes an increase of \$2,000,000 GF and \$6,108,700 TF above FY 2003 for expected caseload growth of 9.5%.

This line item includes 5 GF and 36.7 TF FTE Positions. The positions represent division employees in the Managed Care unit.

Arizona Training Program at Coolidge — Monies in this line item fund an entire range of services for DD clients residing at the ATP-C campus, either in ICF/MRs or state-operated group homes (SOGHs). The approved amount does not include costs associated with case management, certain occupancy-related costs, other indirect administration, and Stipends and Allowances. The approximate blended cost per DD client at ATP-C (excluding these other costs) will be \$108,500 in FY 2004.

The approved amount is unchanged from FY 2003 except for technical adjustments and is expected to provide a total of 112 member years of service in FY 2003, 90 in ICF/MRs and 22 in SOGHs. The total population at ATP-C, including clients funded through the LTC program, is estimated to be 152 in FY 2004.

This line item includes 98.1 GF and 298.8 TF FTE Positions. The positions represent ATP-C employees.

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