

Arizona Health Care Cost Containment System

Acute Care

JLBC: Tim Sweeney

OSPB: Derik Leavitt

Subcommittee: Health & Welfare

DESCRIPTION	FY 2002	FY 2003	FY 2004	
	ACTUAL	ESTIMATE	OSPB	JLBC
OPERATING BUDGET				
<i>Full Time Equivalent Positions</i>	0.0	0.0	0.0	0.0
SPECIAL LINE ITEMS				
Capitation	1,015,221,100	1,192,628,300	NA	1,320,818,500
Fee-For-Service	269,598,100	324,831,300	NA	358,836,300
Reinsurance	49,689,600	65,632,100	NA	77,760,200
Medicare Premiums	29,093,900	36,696,700	NA	38,883,400
Disproportionate Share Payments	87,623,900	179,651,100	NA	148,077,300
Graduate Medical Education	18,585,000	22,528,100	NA	20,476,900
Critical Access Hospitals	186,000	1,700,000	NA	0
Breast and Cervical Cancer	14,300	2,275,000	NA	0
Ticket to Work	0	1,346,400	NA	0
PROGRAM TOTAL	1,470,011,900	1,827,289,000	1,971,868,400	1,964,852,600
FUND SOURCES				
General Fund	313,589,000	428,894,200	460,408,700	408,019,200
<u>Other Appropriated Funds</u>				
County Funds	70,191,500	73,189,500	73,189,500	73,189,500
Emergency Health Services Account	0	0	0	26,222,800
Federal Title XIX Funds	996,221,700	1,265,064,700	1,379,328,200	1,377,239,400
Medical Services Stabilization Fund	43,984,000	0	0	0
Medically Needy Account	45,457,000	59,945,900	58,747,300	79,987,000
Third Party Collections	568,700	194,700	194,700	194,700
SUBTOTAL - Other Appropriated Funds	1,156,422,900	1,398,394,800	1,511,459,700	1,556,833,400
SUBTOTAL - Appropriated Funds	1,470,011,900	1,827,289,000	1,971,868,400	1,964,852,600
TOTAL - ALL SOURCES	1,470,011,900	1,827,289,000	1,971,868,400	1,964,852,600

CHANGE IN FUNDING SUMMARY

	FY 2003 to FY 2004 JLBC	
	\$ Change	% Change
General Fund	(20,875,000)	(4.9%)
Emergency Health Services Account	26,222,800	100.0%
Federal Title XIX Funds	112,174,700	8.9%
Medically Needy Account	20,041,100	33.4%
Total Appropriated Funds	137,563,600	7.5%

COST CENTER DESCRIPTION — *The AHCCCS Acute Care program is the medical services component of Arizona's Medicaid Demonstration Project. The program is based on prepaid monthly capitation payments to contracted providers for the full range of authorized medical services. The program follows a health maintenance organization (HMO) model in which capitated providers accept a predetermined rate and are responsible for managing patient utilization and cost through a system of prior authorization and utilization review, coordinated by a primary care physician or practitioner.*

PERFORMANCE MEASURES	FY 2002 Appropriation	FY 2002 Actual	FY 2003 Appropriation	FY 2004 Recommend.
• % of 2-year-old children enrolled in AHCCCS who have received age appropriate immunizations	83	79	83	83
• % of well child visits in the first 15 months of life (EPSDT)	75	58	75	75
• % of children's access to primary care provider	83	75	83	83
• % of women receiving annual cervical screening	46	NA	46	46
• Member satisfaction as measured by percentage of enrollees that choose to change health plans	4	4	4	4

Comment: The agency did not submit information for any measure labeled as "NA."

RECOMMENDED CHANGES FROM FY 2003

	FY 2004
Population and Inflationary Increases	GF 58,403,100 TF 201,844,500

The JLBC recommends a General Fund and Total Funds increase to address enrollment and inflationary increases in the Capitation, Fee-For-Service, and Reinsurance Special Line Items in the Acute Care program.

Enrollment

The JLBC estimates that Acute Care enrollment will increase by 33,662 member months, or 5.8% from June 2003 to June 2004, resulting in approximately 606,087 member years in FY 2004.

From June 2001 to June 2002, total acute care enrollment increased by 81,918 member months, or 19.2%. Some of this enrollment increase is attributable to the "woodwork effect" from the Proposition 204 expansion. This program began in FY 2001, and provides health insurance to persons with incomes up to 100% of the Federal Poverty Level (FPL). Many of those who apply to this expansion program are actually eligible to receive benefits under the regular Acute Care program.

Inflation

Capitation payments are made on a per member per month basis to health plans under contract with AHCCCS, for the cost of care provided to enrolled members. Because factors such as age and gender can impact utilization and costs, capitation payments are broken down into rate codes.

The JLBC recommendation allows for medical inflation of 5% in Contract Year 2004 for all populations.

Federally-Eligible Rate Codes	FY 2004 * Capitation Rates
TANF <1	\$ 369.27
TANF 1-13	85.45
TANF 14-44 Female	154.33
TANF 14-44 Male	110.18
TANF 45+	301.94
SSI w/ Medicare	207.10
SSI w/o Medicare	430.27
Family Planning	21.50
Deliveries	5,293.55

* These capitation rates would be effective Oct. 1, 2003.

Disproportionate Share Payments **GF (21,120,800)**
TF (31,573,800)

The JLBC recommends a General Fund and Total Funds decrease in the Disproportionate Share Payments Special Line Item (SLI). This decrease represents the elimination of one-time disproportionate share payments.

Graduate Medical Education **GF 215,800**
TF (2,051,200)

The JLBC recommends a General Fund increase to account for medical inflation and a Total Funds decrease to reflect the elimination of excess Federal Fund authority. This Special Line Item provides reimbursement to hospitals that have a Graduate Medical Education (GME) program. Statute requires that GME program reimbursement be adjusted annually by the change in the Data Resource Incorporated hospital market basket index.

County Acute Care Contribution **GF 0**
TF 0

The JLBC recommendation maintains the county contribution to the Acute Care program at the current level of \$73,189,500. The county contribution is set annually in a session law provision in the Omnibus Reconciliation Bill. This amount continues a \$6,500,000 county contribution that previously went to the Disproportionate Uncompensated Care (DUC) Pool, which was part of the

Emergency Health Services	GF	(26,222,800)
Account Increase	OF	26,222,800
	TF	0

The JLBC recommends using \$26,222,800 from Tobacco Products Tax Fund Emergency Health Services Account in FY 2004 to offset Acute Care caseload and inflationary growth. Proposition 303 establishes this account, which is subject to legislative appropriation, to fund primary care and other services. In addition to the FY 2004 recommendation, \$16,032,800 is available from this account in FY 2003. The JLBC recommends using this money to offset AHCCCS General Fund costs in FY 2003. *(For more detail on Proposition 303, please see Agency Summary for more information.)*

Hospital Reimbursement	GF	0
Program	TF	0

The JLBC recommends making the hospital reimbursement pilot program a permanent program. This program began in FY 1998, and requires hospitals and health plans in Maricopa and Pima counties to negotiate contracts establishing reimbursement levels based on market forces. Hospitals that do not negotiate contracts with health plans receive only 95% of the standard reimbursement rates. On average, reimbursement rates set in these contracts have been approximately 97% of the standard reimbursement level. Continuing this program does not produce savings below the FY 2003 appropriation, but eliminating this program would produce a FY 2004 General Fund cost of approximately \$4,179,600 (\$12,762,000 Total Funds). *(See JLBC Recommended Statutory Changes for more information.)*

JLBC RECOMMENDED FORMAT — Special Line Items for the Program

JLBC RECOMMENDED FOOTNOTES

Standard Footnotes

The FY 2004 Disproportionate Share Payment of \$_____ is based on federal FY 2004 authorized expenditure level of \$_____. If the final federal expenditure authorization is an amount different from the estimate, the Governor shall direct the Arizona Health Care Cost Containment System Administration, subject to the availability of monies and subject to review of the Joint Legislative Budget Committee, to proportionately adjust authorization amounts among the identified recipients of disproportionate share hospital payment. Before the final payment, the Governor shall provide notification to the President of the Senate, the Speaker of the House of Representatives, the Chairmen of the House and Senate Appropriations Committees and the Staff Director of the Joint Legislative Budget Committee of the adjusted federal authorized expenditure level and the proposed distribution plan for these monies.

The appropriation for Disproportionate Share Payments for FY 2004 made pursuant to A.R.S. § 36-2903.01P, includes for private qualifying disproportionate share hospitals and \$_____ for deposit in the Arizona State Hospital Fund. Of the \$1,964,852,600 expenditure authority for Acute Care in FY 2004, \$408,019,200 is appropriated from the state General Fund, and \$79,987,000 is from the Tobacco Tax Medically Needy Account, AND \$26,222,800 IS APPROPRIATED FROM THE TOBACCO TAX EMERGENCY HEALTH SERVICES ACCOUNT.

Before making fee-for-service program or rate changes that pertain to hospital, nursing facility, or home and community based services rates or for any of the other fee-for-service rate categories that have increases that, in the aggregate, are 2% above and \$1,500,000 from the state General Fund greater than budgeted medical inflation in FY 2004, the Arizona Health Care Cost Containment System Administration shall report its EXPENDITURE plan to the Joint Legislative Budget Committee for review.

Before implementation of any changes in capitation rates, the Arizona Health Care Cost Containment System Administration shall report its EXPENDITURE plan to the Joint Legislative Budget Committee for review.

JLBC RECOMMENDED STATUTORY CHANGES

The JLBC recommends:

- 1) Amending statutes to reflect the elimination of the Ticket to Work, Critical Access Hospitals, Breast and Cervical Cancer, and Young Adult Transitional Insurance programs.
- 2) Amending statutes to change the eligibility redetermination period from 1 year to 6 months.
- 3) Authorizing AHCCCS in FY 2004 to use the Medically Needy Account of the Tobacco Tax and Health Care Fund for state matching monies for the acute care population, for a \$10,000,000 reduction in hospital bills, extended maternity length of stay, and HIV/AIDS treatment.
- 4) Repealing the current versions of statute governing the distribution of the monies in the Medically Needy Account of the Tobacco Tax and Health Care Fund and amending statute to allow the account monies to be used for health care services in AHCCCS and DHS as specified in the General Appropriation Act.
- 5) Setting the FY 2004 county Acute Care contribution at \$73,189,500, the same level as FY 2003.
- 6) Amending statute to allow for increased co-payments to be charged.
- 7) Amending statute to make the hospital reimbursement pilot program a permanent program for FY 2004.

SUMMARY OF FUNDS - SEE AGENCY SUMMARY

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