

Arizona Health Care Cost Containment System

Administration

JLBC: Tim Sweeney/Beth Kohler

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>	2,477.8	2,385.8	NA	2,230.8
Personal Services	33,207,900	36,090,300	NA	36,090,300
Employee Related Expenditures	8,464,200	8,560,900	NA	7,752,900
Professional and Outside Services	3,662,500	3,559,600	NA	3,559,600
Travel - In State	267,700	266,800	NA	266,800
Travel - Out of State	27,600	30,400	NA	30,400
Other Operating Expenditures	10,963,300	15,878,400	NA	15,944,000
Equipment	5,079,800	3,271,400	NA	3,271,400
OPERATING SUBTOTAL	61,673,000	67,657,800	NA	66,915,400
SPECIAL LINE ITEMS				
ADOA Data Center Charges	4,677,900	5,717,500	NA	5,717,500
Indian Advisory Council	179,700	223,200	NA	222,400
DES Eligibility	42,597,100	44,249,600	NA	41,363,400
DES Title XIX Pass-Through	218,000	310,900	NA	310,900
DHS Title XIX Pass-Through	1,089,500	1,732,400	NA	1,732,400
Health Care Group Administration	912,900	6,717,700	NA	1,709,300
Office of Administrative Hearings	238,800	191,900	NA	191,900
CHIP - Administration	7,483,400	9,360,100	NA	0
CHIP - Services	63,126,100	93,507,100	NA	0
CHIP - Parents	0	34,456,400	NA	0
Finger Imaging	200,000	0	NA	0
PROGRAM TOTAL	182,396,400	264,124,600	308,386,400	118,163,200
FUND SOURCES				
General Fund	53,507,100	52,130,900	53,010,300	51,634,700
<u>Other Appropriated Funds</u>				
Children's Health Insurance Program Fund	70,609,500	137,323,600	177,307,200	0
Donations Fund	912,900	1,717,700	1,711,800	1,709,300
Federal Title XIX Funds	57,366,900	67,952,400	71,357,100	64,819,200
Medically Needy Account	0	5,000,000	5,000,000	0
SUBTOTAL - Other Appropriated Funds	128,889,300	211,993,700	255,376,100	66,528,500
SUBTOTAL - Appropriated Funds	182,396,400	264,124,600	308,386,400	118,163,200
TOTAL - ALL SOURCES	182,396,400	264,124,600	308,386,400	118,163,200

CHANGE IN FUNDING SUMMARY

	FY 2003 to FY 2004 JLBC	
	\$ Change	% Change
General Fund	(496,200)	(1.0%)
Children's Health Insurance Program Fund	(137,323,600)	(100.0%)
Donations Fund	(8,400)	(0.5%)
Federal Title XIX Funds	(3,133,200)	(4.6%)
Medically Needy Account	(5,000,000)	(100.0%)
Total Appropriated Funds	(145,961,400)	(55.3%)

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.

PERFORMANCE MEASURES	FY 2002 Appropriation	FY 2002 Actual	FY 2003 Appropriation	FY 2004 Recommend.
• 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."

RECOMMENDED CHANGES FROM FY 2003

		FY 2004
Standard Changes	GF	\$ (496,200)
	OF	(8,400)
	TF	(751,600)
Federal Funds Reduction	GF	0
	TF	(2,886,200)

The JLBC recommends a Federal Funds decrease to account for the reduction in state match funding for the DES Eligibility Special Line Item (SLI) taken in the 6th Special Session.

Zero-Base CHIP - Services and Administration **OF (102,867,200)**

The JLBC recommends zero-base budgeting the Children's Health Insurance Program (CHIP), including services and administration. During the session, the Appropriations Committees will review the various components of the program for its statutory basis, funding history, appropriateness, and cost-effectiveness and determine a proper funding level for the program. The zero-base budgeting process will allow the Committees to identify spending overlaps and to explore whether an agency is efficiently and effectively meeting its mission and goals.

CHIP provides health insurance coverage to uninsured children whose families have the following incomes: infants, from 140% to 200% of the Federal Poverty Level (FPL); ages 1-5, from 133% to 200% FPL; and ages 6-18, from 100% to 200% FPL. CHIP enrollment is expected to reach approximately 56,000 members per month by the end of FY 2003. The program is funded from the Children's Health Insurance Fund, which consists of approximately 25% state funds and 75% federal matching funds. The state match of \$23,577,100 is funded from the Medically Needy Account of the Tobacco Tax and Health Care Fund. Spending from the Medically Needy Account has exceeded account revenue and the account will not have sufficient monies to maintain current expenditures. The zero-basing of this program will allow the Committee to further explore the Medically Needy Account, and attempt to bring expenditures in line with revenues. (See the AHCCCS Summary section for detail on the Medically Needy Account.)

Eliminate CHIP - Parents **OF (34,456,400)**

The JLBC recommends eliminating coverage of the parents of children enrolled in CHIP. Coverage for this population started in FY 2003, and enrollment is currently capped at 21,250 members. The program is funded from the Children's Health Insurance Fund, which consists of approximately 25% state funds and 75% federal matching funds. The state match of \$7,897,400 is funded from the Medically Needy Account of the Tobacco Tax and Health Care Fund. Spending from the Medically Needy Account has exceeded account revenue and the account will not have sufficient monies to maintain current expenditures. The elimination of the funding for this program will help bring expenditures in line with revenues. (See JLBC Recommended Statutory Changes and the AHCCCS Summary section for detail on the Medically Needy Account.)

Eliminate Premium Sharing Program **OF 0**

The JLBC recommends eliminating the Premium Sharing Program. This program provides health care coverage for individuals with incomes between 100% and 200% FPL, who do not qualify under the CHIP - Parents program. The program also serves certain chronically ill individuals with incomes up to 400% FPL. This program serves approximately 3,500 enrollees, and is funded from the Medically Needy Account of the Tobacco Tax and Health Care Fund. This program receives \$10,920,000 in non-appropriated monies from the Medically Needy Account of the Tobacco Tax and Health Care Fund and therefore is not reflected in the table above. Spending from the Medically Needy Account has exceeded account revenue and the account will not have sufficient monies to maintain current expenditures. The elimination of the funding for this program will help bring expenditures in line with revenues. (See JLBC Recommended Statutory Changes and the AHCCCS Summary section for detail on the Medically Needy Account.)

Eliminate Healthcare Group Subsidy **OF (5,000,000)**

The JLBC recommends eliminating the state subsidy for Healthcare Group's reinsurance costs. This program administers a health insurance program for small businesses and political subdivisions of the state. The program's reinsurance component is funded with \$5,000,000 from the

Medically Needy Account of the Tobacco Tax and Health Care Fund. Spending from the Medically Needy Account has exceeded account revenue and the account will not have sufficient monies to maintain current expenditures. The elimination of the funding for this program will help bring expenditures in line with revenues. The program's administration costs of approximately \$1.7 million will continue to be funded from premiums paid by program participants, which are deposited in the Donations Fund. (See the AHCCCS Summary section for detail on the Medically Needy Account.)

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JLBC RECOMMENDED FORMAT — Detailed Line Item for the Program. (In the FY 2003 budget the program had an Operating Lump Sum with Special Line Items format.)

JLBC RECOMMENDED FOOTNOTES

Standard Footnotes

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.

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.

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

Of the \$118,163,200 expenditure authority for Administration in FY 2004, \$51,634,700 is appropriated from the state General Fund, \$1,709,300 is appropriated from the Donations Fund, and \$_____ is appropriated from the Children's Health Insurance Program Fund.

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.

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.

In implementing any changes to the operating budget or in allocating the lump sum reduction in FY 2004 prescribed by Laws 2002, Chapter 327 the administration shall not take any additional reductions from pass-through allocations provided in special line items.

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.

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 Program established pursuant to Laws 2002, 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 one of these hearings in a county with a population of less than 500,000 persons.

Deletion of Prior Year Footnotes

The JLBC recommends deleting a footnote directing that any lump sum reduction taken in the 2002 Regular Legislative Session not be taken against any pass-through allocations to the Department of Health Services (DHS) provided in Special Line Items. This footnote will no longer be necessary as there remains another footnote directing that any new lump sum reductions not be taken from any pass-through allocations.

The JLBC recommends deleting the 2 footnotes concerning reports on cost sharing measures and the customer eligibility system as the agency has submitted the reports.

JLBC RECOMMENDED STATUTORY CHANGES

The JLBC recommends amending statute to reflect the elimination of the Children's Health Insurance Program's coverage of parents of children enrolled in the Children's Health Insurance Program, and the Premium Sharing Program. (See the CHIP and Premium Sharing policy issues for more information.)

SUMMARY OF FUNDS - SEE AGENCY SUMMARY

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