

Arizona Health Care Cost Containment System

Summary

JLBC: Tim Sweeney/Beth Kohler
 OSPB: Derik Leavitt

Subcommittee: Health & Welfare

| DESCRIPTION | FY 2002 | FY 2003 | FY 2004 | |
|-------------------------------|----------------------|----------------------|----------------------|----------------------|
| | ACTUAL | ESTIMATE | OSPB | JLBC |
| PROGRAM BUDGET | | | | |
| Administration | 182,396,400 | 264,124,600 | 308,386,400 | 118,163,200 |
| Acute Care | 1,470,011,900 | 1,827,289,000 | 1,971,868,400 | 1,964,852,600 |
| Long-Term Care | 624,388,200 | 734,940,800 | 808,973,900 | 813,351,300 |
| Proposition 204 | 704,523,100 | 734,220,100 | 1,038,762,000 | 942,836,100 |
| 6th SS Lump Sum Reduction SLI | 0 | (4,016,000) | (4,016,000) | (4,016,000) |
| AGENCY TOTAL | 2,981,319,600 | 3,556,558,500 | 4,123,974,700 | 3,835,187,200 |

OPERATING BUDGET

| | | | | |
|-----------------------------------|----------------------|----------------------|-----------|----------------------|
| Full Time Equivalent Positions | 3,265.8 | 3,125.8 | NA | 2,970.8 |
| 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 (SLI) | 2,919,646,600 | 3,488,900,700 | NA | 3,768,271,800 |
| AGENCY TOTAL | 2,981,319,600 | 3,556,558,500 | NA | 3,835,187,200 |

FUND SOURCES

| | | | | |
|--|----------------------|----------------------|----------------------|----------------------|
| General Fund | 500,273,500 | 630,532,000 | 796,568,300 | 703,151,300 |
| <u>Other Appropriated Funds</u> | | | | |
| Budget Neutrality Compliance Fund | 46,736,000 | 28,147,800 | 0 | 0 |
| Children's Health Insurance Program Fund | 70,609,500 | 137,323,600 | 177,307,200 | 0 |
| County Funds | 240,084,800 | 263,147,000 | 280,455,400 | 281,987,000 |
| Donations Fund | 912,900 | 1,717,700 | 1,711,800 | 1,709,300 |
| Emergency Health Services Account | 0 | 0 | 0 | 26,222,800 |
| Federal Title XIX Funds | 1,875,113,600 | 2,333,801,400 | 2,703,259,200 | 2,641,820,300 |
| Medical Services Stabilization Fund | 44,288,200 | 0 | 0 | 0 |
| Medically Needy Account | 45,457,000 | 64,945,900 | 63,747,300 | 79,987,000 |
| Proposition 204 Protection Account | 0 | 37,901,400 | 62,617,900 | 55,067,800 |
| Third Party Collections | 568,700 | 194,700 | 194,700 | 194,700 |
| Tobacco Settlement Fund | 157,275,400 | 58,847,000 | 38,112,900 | 45,047,000 |
| SUBTOTAL - Other Appropriated Funds | 2,481,046,100 | 2,926,026,500 | 3,327,406,400 | 3,132,035,900 |
| SUBTOTAL - Appropriated Funds | 2,981,319,600 | 3,556,558,500 | 4,123,974,700 | 3,835,187,200 |
| Other Non-Appropriated Funds | 57,285,300 | 63,018,900 | NA | 48,247,300 |
| Federal Funds | 1,037,700 | 451,000 | NA | 0 |
| TOTAL - ALL SOURCES | 3,039,642,600 | 3,620,028,400 | NA | 3,883,434,500 |

CHANGE IN FUNDING SUMMARY

| | FY 2003 to FY 2004 JLBC | |
|--|-------------------------|----------|
| | \$ Change | % Change |
| General Fund | 72,619,300 | 11.5% |
| Budget Neutrality Compliance Fund | (28,147,800) | (100%) |
| Children's Health Insurance Program Fund | (137,323,600) | (100%) |
| County Funds | 18,840,000 | 7.2% |
| Donations Fund | (8,400) | (0.5%) |
| Emergency Health Services Account | 26,222,800 | 100.0% |
| Federal Title XIX Funds | 308,018,900 | 13.2% |
| Medically Needy Account | 15,041,100 | 23.2% |
| Proposition 204 Protection Account | 17,166,400 | 45.3% |
| Tobacco Settlement Fund | (13,800,000) | (23.5%) |
| Total Appropriated Funds | 278,628,700 | 7.8% |

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 | Recommend. |
| • % of people under age 65 that are uninsured | 24 | 24 | 24 | 24 |
| • % of children (under 19 years) that are uninsured | 22 | 22 | 22 | 22 |

| RECOMMENDED CHANGES FROM FY 2003 | | | Transitional Insurance (YATI) | TF | (429,100) |
|----------------------------------|----|---------------|-------------------------------|----|--------------|
| | | | Shorten Redetermination | GF | (5,600,000) |
| | | | Period to 6 Months | TF | (17,103,100) |
| Standard Changes | GF | \$ (496,200) | Expansion of Cost Sharing | GF | (499,000) |
| | OF | (8,400) | Measures | TF | (1,524,000) |
| | TF | (751,600) | Tobacco Tax Funding | GF | (46,763,900) |
| | | | Increases | TF | 0 |
| ADMINISTRATION | | | LONG TERM CARE | | |
| Federal Funds Reduction | GF | 0 | ALTCS Growth | GF | 0 |
| | TF | (2,886,200) | | TF | 84,048,400 |
| Eliminate CHIP – Administration | OF | (137,323,600) | Expansion of Cost Sharing | GF | (1,846,000) |
| and Services – Incl. Parents | | | Measures | TF | (5,637,900) |
| Eliminate Premium | OF | 0 | Replace One-Time Funding | GF | 304,200 |
| Sharing Program | | | | TF | 0 |
| Eliminate Healthcare Group | OF | (5,000,000) | PROPOSITION 204 | | |
| Administration | | | Population and | GF | 85,906,500 |
| ACUTE CARE | | | Inflationary Increases | TF | 244,990,800 |
| Population and Inflationary | GF | 58,403,100 | County Hold Harmless | GF | (4,825,600) |
| Increases | TF | 201,844,500 | | TF | (4,825,600) |
| Disproportionate Share | GF | (21,120,800) | Expansion of Cost Sharing | GF | (8,130,000) |
| Payments | TF | (31,573,800) | Measures | TF | (24,830,100) |
| Graduate Medical | GF | 215,800 | Shorten Redetermination | GF | (2,200,000) |
| Education | TF | (2,051,200) | Period to 6 Months | TF | (6,719,100) |
| County Acute Care | GF | 0 | Budget Neutrality Compliance | GF | 28,147,800 |
| Contributions | TF | 0 | Fund Decrease | OF | (28,147,800) |
| Medicare Premiums | GF | 3,022,200 | | TF | 0 |
| | TF | 2,186,700 | Tobacco Settlement Funding | GF | 13,800,000 |
| Eliminate Critical Access | GF | (591,900) | Decrease | TF | 0 |
| Hospitals Special Line Item | TF | (1,700,000) | Proposition 204 Protection | GF | (17,166,400) |
| Eliminate Breast and Cervical | GF | (1,300,000) | Account Increase | TF | 0 |
| Cancer Special Line Item | TF | (2,275,000) | | | |
| Eliminate Ticket to Work | GF | (500,000) | | | |
| | TF | (1,346,400) | | | |
| Eliminate SES Dr./Clinic | GF | (4,800,000) | | | |
| Reimbursement | TF | (4,800,000) | | | |
| Eliminate Adult Emergency | GF | (1,200,000) | | | |
| Dental Care | TF | (3,665,000) | | | |
| Eliminate Young Adult | GF | (140,500) | | | |

* * *

JLBC RECOMMENDED FORMAT — Format Varies by Program

JLBC RECOMMENDED FOOTNOTES

Standard Footnotes

In implementing the Lump Sum Reductions prescribed above, only \$_____ may be reduced from pass-through allocations and special line items to the Department of Economic Security in FY 2004.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Proposition 303

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. The proposition allocated the revenue generated by the tax increase to 6 accounts with the following distribution: 42% to the Proposition 204 Protection Account (to be spent prior to the expenditure of tobacco settlement monies on the AHCCCS expansion approved by voters), 27% to the Medically Needy Account, 20% to the Emergency Health Services Account for reimbursement of uncompensated care, primary care services, and trauma readiness costs, 5% to the Health Research Account, 2% to the Health Education Account for early detection programs for the 4 leading causes of death in Arizona, and 4% to the Health Care Adjustment Account to compensate the Tobacco Tax and Health Care Fund accounts for loss of revenue as a result of the decrease in consumption resulting from the new tax. The table below shows the JLBC estimated deposits into each account:

The detail for these accounts is shown along with the Tobacco Tax and Health Care Fund accounts in the Summary of Funds section.

FY 2003 Emergency Health Services Account

The JLBC recommends appropriating \$15,000,000 in FY 2003 from the Tobacco Products Tax Fund – Emergency Health Services Account to offset AHCCCS General Fund spending. This account is subject to legislative appropriation, and is available to fund primary care, uncompensated care, and trauma center readiness costs.

Medically Needy Account

FY 2003 Supplemental

The JLBC projects that the Proposition 204 program will require a FY 2003 supplemental appropriation of between \$12 million and \$16 million in state funds. The JLBC recommends funding this from the \$17.8 million in unused monies that have been set-aside in the Medically Needy Account of the Tobacco Tax and Health Care Fund. Of these unallocated monies, \$7.6 million is from new Proposition 303 monies (*see AHC – 5 for more detail on the Medically Needy Account*).

In the 6th Special Session, \$37,901,400 was allocated from the Proposition 204 Protection account, which also receives new Proposition 303 monies. The JLBC Staff has since revised the revenue estimates for the tobacco tax levied under Proposition 303. The JLBC now recommends funding \$33,699,000 from the Proposition 204 Protection Account and \$4,202,400 from the Medically Needy Account for FY 2003. Including the \$12,068,900 in new revenue that was used to offset AHCCCS General Fund spending in the 6th Special Session, this increase would bring the total FY 2003 allocation of the new Proposition 303 Medically Needy Account monies to \$16,271,300.

| Proposition 303 - Tobacco Products Tax Fund | | |
|--|------------------------|------------------------|
| | <u>FY 2003 Revenue</u> | <u>FY 2004 Revenue</u> |
| Proposition 204 Protection Account (42%) | \$33,669,000 | \$55,067,800 |
| Medically Needy Account(27%) | 21,644,400 | 35,400,600 |
| Trauma Centers/Emergency Services (20%) | 16,032,800 | 26,222,800 |
| Health Research Account Adjustment (5%) | 4,008,200 | 6,555,700 |
| Health Education Account (2%) | 1,603,300 | 2,622,300 |
| HealthCare Adjustment Account (4%) | | |
| Medically Needy Account | 2,290,500 | 3,746,300 |
| Health Education Account | 752,500 | 1,230,800 |
| Health Research Account | 163,600 | 267,500 |
| <i>Subtotal - Health Care Adjustment Account</i> | <u>3,206,600</u> | <u>5,244,600</u> |
| Total | \$80,164,300 | \$131,113,800 |

FY 2004 Medically Needy Account Expenditures

The JLBC recommendations in the Administration, Acute Care section and in the Department of Health Services include various changes to the programs funded from the Medically Needy Account of the Tobacco Tax and Health Care Fund. The JLBC recommends 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. The table on the following page is a consolidated statement of those recommendations. *(Please see the Administration, Acute Care and Department of Health Services sections for more information.)*

Medicaid in Public Schools

The JLBC recommendation includes a provision to withhold 15% of federal Medicaid in Public School (MIPS) monies received by the state. Currently, school districts participating in the MIPS program receive Federal reimbursement for “medically necessary” services provided to special needs children in public schools. The FY 2004 General Fund revenue estimate includes \$1,800,000 of the MIPS withholding.

| <u>Medically Needy Account</u> | | | |
|--|-----------------------|-----------------------|-----------------------|
| | <u>FY 2002</u> | <u>FY 2003</u> | <u>FY 2004</u> |
| <u>AHCCCS Medically Needy Account</u> | | | |
| Balance Forward | \$ 43,221,700 | \$ 43,789,900 | \$ - |
| Transfer in - Tobacco Tax and Health Care Fund ^{1/} | 45,558,100 | 42,738,500 | 39,384,500 |
| Transfer in - Health Education Account | 10,000,000 | 5,000,000 | - |
| Interest and Revertments ^{2/} | <u>6,102,900</u> | <u>5,211,100</u> | <u>1,775,600</u> |
| Total Funds Available | \$104,882,700 | \$96,739,500 | \$41,160,100 |
| <u>Allocations:</u> | | | |
| <u>AHCCCS GF Offsets</u> | | | |
| Hospital Reimbursement | 10,000,000 | 10,000,000 | 10,000,000 |
| Maternity Length of Stay | 4,402,000 | 4,552,400 | 4,552,400 |
| HIV/AIDS Treatment | 859,200 | 1,349,600 | 1,349,600 |
| AHCCCS State Match | 30,195,800 | 31,445,300 | 24,938,100 |
| Proposed FY 2003 Contingency | - | 10,159,800 | - |
| <u>Other AHCCCS Funding</u> | | | |
| Health Care Group Reinsurance | 4,335,500 | 5,000,000 | - |
| Ticket to Work | - | 500,000 | - |
| Transfer to Premium Sharing Fund | - | 10,920,000 | - |
| Transfer to CHIP Fund | 10,384,600 | 15,954,100 | - |
| Transfer to CHIP Fund - CHIP Parents | - | 6,038,300 | - |
| Transfer to DES Aging and Adult Administration | 500,000 | 500,000 | - |
| Transplants | <u>415,700</u> | <u>320,000</u> | <u>320,000</u> |
| Total Allocations | \$61,092,800 | \$ 96,739,500 | \$ 41,160,100 |
| Balance Forward | \$43,789,900 | \$ - | \$ - |
| <u>DHS Medically Needy Distributions</u> | | | |
| Transfer In - AHCCCS Medically Needy Account | \$ 31,417,400 | \$ 29,424,800 | \$ 29,424,800 |
| <u>Allocations:</u> | | | |
| Proposed Behavioral Health GF Offset | - | - | 29,424,800 |
| DHS Health Crisis Fund | 897,800 | 1,000,000 | - |
| Primary Care Programs | 5,538,400 | 5,720,000 | - |
| Qualifying Community Health Centers | 4,626,600 | 4,680,000 | - |
| Community Health Centers | 988,100 | - | - |
| Telemedicine - U of A | 43,300 | - | - |
| Telemedicine - DHS | - | 260,000 | - |
| Mental Health - Non-Title XIX | 3,068,600 | 3,120,000 | - |
| Detoxification Services | 375,000 | 390,000 | - |
| Renal Disease Management | 254,700 | 260,000 | - |
| 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 | - |
| Nonrenal Disease Management | 70,000 | 208,000 | -- |
| TCE Areas - Health Care Services | 250,000 | - | - |
| SMI Non-Title XIX Psychotropic Medications | 10,790,000 | 10,790,000 | - |
| County Public Health | 200,000 | 200,000 | - |
| Az Statewide Immunization Information System | 445,000 | 477,000 | - |
| Hepatitis C Surveillance | 293,400 | 350,000 | - |
| Prior Year Expenditures | <u>1,833,300</u> | <u>-</u> | <u>-</u> |
| Total Allocation | \$31,417,400 | \$29,424,800 | \$29,424,800 |
| Ending Balance | \$ - | \$ - | \$ - |

(Continued)

| | <u>FY 2002</u> | <u>FY 2003</u> | <u>FY 2004</u> |
|---|----------------|----------------|-------------------------|
| <u>Proposition 303 Medically Needy Account</u> | | | |
| Transfer In - Proposition 303 Monies | \$ - | \$23,934,900 | \$39,146,900 |
| <u>Allocations:</u> | | | |
| Prop 303 6th SS Offset - AHCCCS State Match | \$ - | \$12,098,600 | \$32,639,700 |
| Proposed Additional FY 2003 Offset | - | 4,202,400 | - |
| Proposed FY 2003 Contingency | - | 7,633,900 | - |
| Replace Base AHCCCS State Match Funding | - | - | 6,507,200 ^{3/} |
| Total Allocation | \$ - | \$ 23,934,900 | \$39,146,900 |
| Ending Balance | \$ - | \$ - | \$ - |

1/ Revenue estimates assume a decrease of (1.5)%. Revenues actually declined by an average of (1.41)% over the past 6 years.
2/ Includes interest earnings and monies reverted by DHS. Includes \$3.4 M not yet reverted by DHS.
3/ AHCCCS Medically Needy Account does not have sufficient monies to maintain base AHCCCS spending. Prop 303 monies are used to replace base AHCCCS state match funding.
4/ The CHIP program would require \$18,157,500, and CHIP parents would require \$21,023,000 if continued in FY 04.

| SUMMARY OF FUNDS | FY 2002 Actual | FY 2003 Estimate |
|---|---------------------------|-----------------------------|
| Budget Neutrality Compliance (HCA2478/A.R.S. § 36-2928) | | Non-Appropriated |
| Source of Revenue: Appropriations, third party liability recoveries, and county contributions. | | |
| Purpose of Fund: To provide funding to comply with the provisions of budget neutrality as specified in the federal waiver to expand the AHCCCS program to 100% of the Federal Poverty Level. | | |
| Funds Expended | 46,736,000 | 28,147,000 |
| Year-End Fund Balance* | 22,638,700 | (5,509,100) |
| Children's Health Insurance Program (HCA2409/A.R.S. § 36-2995) | | Appropriated |
| Source of Revenue: Includes Federal State Children's Health Insurance Program (SCHIP) funding (75% of fund) and state matching funds from the Medically Needy Account of the Tobacco Tax and Health Care Fund (25% of fund). | | |
| Purpose of Fund: To provide health insurance for low-income children 19 years of age and under. The eligibility limit for the program has been set at 200% of the Federal Poverty Level (FPL), which is \$34,100 for a family of 4. | | |
| Funds Expended | 70,609,500 | 137,323,600 |
| Year-End Fund Balance | 3,340,500 | 0 |
| County Contributions (HCA2120 Acute Care/HCA2223 Long Term Care/ A.R.S. § 36-2912 Acute Care/A.R.S. § 36-2953 Long Term Care) | | Non-Appropriated |
| Source of Revenue: Statutorily prescribed county contributions. | | |
| Purpose of Fund: For the provision of acute medical and long term care services to AHCCCS eligible populations. County contributions and state General Fund appropriations serve as the state match for federal Medicaid (Title XIX) dollars. | | |
| Funds Expended | 240,084,800 | 263,147,000 |
| Year-End Fund Balance | 0 | 0 |
| Donations (HCA3197/A.R.S. § 36-2913) | | Appropriated |
| Source of Revenue: Monthly administrative charge of \$4 per Health Care Group member. Health Care Group program expenses are funded through the non-appropriated AHCCCS Health Care Group Medical Premiums Fund, which receives revenue from premiums paid by employers and employees. | | |
| Purpose of Fund: To pay administration costs of Health Care Group, which is AHCCCS' health insurance plan for small businesses. | | |
| Funds Expended | 912,900 | 1,717,700 |
| Year-End Fund Balance | 0 | 0 |

| SUMMARY OF FUNDS | FY 2002 Actual | FY 2003 Estimate |
|--|-------------------|-------------------------|
| Employee Recognition (HCA2025/A.R.S. § 36-2903) | | Non-Appropriated |
| Source of Revenue: Private donations. | | |
| Purpose of Fund: To be used for the agency's employee recognition program. | | |
| Funds Expended | 10,100 | 10,300 |
| Year-End Fund Balance | 0 | 0 |
| Federal (HCA2120 Acute Care/HCA2223 Long Term Care/ A.R.S. § 36-2913 Acute Care/A.R.S. § 36-2953 Long Term Care) | | Non-Appropriated |
| Source of Revenue: Federal funding through the U.S. Department of Health & Human Services, Health Care Financing Administration. | | |
| Purpose of Fund: For AHCCCS' administrative costs and for the provision of acute and long term care services to categorically eligible populations. | | |
| Funds Expended | 1,875,113,600 | 2,333,801,400 |
| Year-End Fund Balance | 0 | 0 |
| Federal Grants (HCA2000/A.R.S. § 36-2913) | | Non-Appropriated |
| Source of Revenue: Federal grant monies. | | |
| Purpose of Fund: To provide funding for the Healthy Start South Phoenix Project and the Healthy Start Infrastructure/Capacity Building Projects. | | |
| Funds Expended | 1,037,700 | 451,000 |
| Year-End Fund Balance | 0 | 0 |
| Health Care Group Medical Premiums (HCA3197/A.R.S. § 36-2913) | | Non-Appropriated |
| Source of Revenue: Premiums paid by employers and employees enrolled in Health Care Group. Health Care Group administrative expenditures are funded through the Donations Fund, which is appropriated. | | |
| Purpose of Fund: To pay medical claims for members of Health Care Group, which is AHCCCS' health insurance plan for small businesses. Beginning in FY 2001 and each year thereafter, the \$8,000,000 reinsurance cost is funded with Tobacco Settlement monies. | | |
| Funds Expended | 26,666,000 | 36,942,800 |
| Year-End Fund Balance | 4,102,800 | 388,500 |
| Intergovernmental Service (HCA2438/A.R.S. § 36-2927) | | Non-Appropriated |
| Source of Revenue: Monies collected from the State of Hawaii. | | |
| Purpose of Fund: To be used for costs associated with information technology services provided by AHCCCS to the State of Hawaii for the design, development, implementation, operation, and maintenance of a Medical Management Information System. | | |
| Funds Expended | 5,706,700 | 9,734,200 |
| Year-End Fund Balance | 1,396,800 | 484,300 |
| Third Party Collections (HCA3791 Acute Care/HCA3019 Long Term Care/A.R.S. § 36-2913) | | Non-Appropriated |
| Source of Revenue: Collections from third-party payers, and sanctions on counties for eligibility errors in the Medically Needy/Medically Indigent program. | | |
| Purpose of Fund: To provide acute medical services to AHCCCS members. | | |
| Funds Expended | 3,096,600 | 1,560,000 |
| Year-End Fund Balance | 682,000 | 477,000 |

| SUMMARY OF FUNDS | FY 2002 Actual | FY 2003 Estimate |
|---|--------------------|-------------------------|
| Arizona Tobacco Litigation Settlement Fund (TRA2561/A.R.S. § 36-2901.02) | | Non-Appropriated |
| Source of Revenue: Monies received from tobacco companies as part of a lawsuit settlement. | | |
| Purpose of Fund: Established by Proposition 204 (enacted in the 2000 General Election) to provide funding to expand the AHCCCS program to 100% of the Federal Poverty Level and for 6 public health programs. Also includes previously enacted appropriations. | | |
| Balance Forward | 62,053,200 | 0 |
| Tobacco Settlement Payments | <u>133,998,900</u> | <u>105,656,500</u> |
| Total Available | 196,052,100 | 105,656,500 |
| Funds Expended | | |
| AHCCCS Proposition 204 | 123,488,300 | 58,847,000 |
| Transfers | | |
| ASH Construction | 20,000,000 | 0 |
| Behavioral Health | 33,787,100 | 46,809,500 |
| Healthy Families | 5,522,600 | 0 |
| AZ Health Education System | 4,418,100 | 0 |
| Teenage Pregnancy Prevention | 3,313,500 | 0 |
| Disease Control Research | 2,209,000 | 0 |
| Health Start | 2,209,000 | 0 |
| WIC Food Program | <u>1,104,500</u> | <u>0</u> |
| Total | 72,563,800 | 46,809,500 |
| Year End Fund Balance | 0 | 0 |

Tobacco Tax and Health Care (RVA1306/A.R.S. § 36-771) Non-Appropriated

Source of Revenue: The fund consists of certain tax monies collected on cigarettes, cigars, smoking tobacco, plug tobacco, snuff and other forms of tobacco, and all interest earned on these monies.

Purpose of Fund: To Arizona Health Care Cost Containment System (AHCCCS) for the Medically Needy Account (70%), the Arizona Department of Health Services (DHS) for the Health Education Account (23%), the Health Research Account (5%), and the State Department of Corrections (DOC) for the Corrections Fund Adjustment Account (2%). Under A.R.S. § 36-775, the amount transferred to the Corrections Fund Account is to reflect only the actual amount needed to offset decreases in the Corrections Fund resulting from lower tax revenues. Any unexpended Corrections Fund Adjustment Account amounts are to be transferred out proportionally to the other 3 accounts.

Please see the table following the summary of funds for consolidated information on the expenditures from each account receiving a distribution from the Tobacco Tax and Health Care Fund.

Tobacco Tax and Health Care - Medically Needy Account (HCA1306/A.R.S. § 36-774) Non-Appropriated

Source of Revenue: The account receives 70¢ of each dollar deposited in the Tobacco Tax and Health Care Fund, administered by the Department of Revenue. The fund also receives a portion of the monies reverting from the Corrections Fund Adjustment Account.

Purpose of Fund: For health care services including, but not limited to, preventive care, transplants and the treatment of catastrophic illness or injury. Eligible recipients include persons statutorily determined to be medically indigent, medically needy, or low-income children. A portion of the monies is transferred to the DHS for statutorily established services, grants and pilot programs. *See p. 5 in the AHCCCS Summary for more detail on Medically Needy Account expenditures.*

Please see the table following the summary of funds for consolidated information on the expenditures from each account receiving a distribution from the Tobacco Tax and Health Care Fund.

| | | |
|--|------------|------------|
| Non-Appropriated Funds Expended | 50,208,200 | 65,265,900 |
| Year-End Fund Balance | 45,623,200 | \$0 |

| SUMMARY OF FUNDS | FY 2002 Actual | FY 2003 Estimate |
|------------------|-------------------|---------------------|
|------------------|-------------------|---------------------|

Tobacco Tax and Health Care - Medical Services Stabilization Fund (HCA3037/A.R.S. § 36-2922)

Non-Appropriated

Source of Revenue: The fund previously received transfers from the Medically Needy Account. In FY 2002, the fund also received transfers from the Health Education Account and the General Fund.

Purpose of Fund: To offset increases above the appropriated amount in the cost of providing health care services to persons statutorily determined to be medically indigent, medically needy or low income children. Monies may also be used to offset increases in the cost of providing services to persons determined to be federally eligible if the increase results from a loss of federal funding. In FY 2002, monies were allocated for the AHCCCS Acute Care population, the State Emergency Services Program, and Behavioral Health services in the Department of Health Services (DHS). The DHS allocations are shown in the DHS section.

| | | |
|------------------------------|------------|---|
| Funds Expended | 44,288,200 | 0 |
| Year-End Fund Balance | 0 | 0 |

Tobacco Tax and Health Care - Premium Sharing Demonstration Project (HCA2151/A.R.S. § 36-2923)

Non-Appropriated

Source of Revenue: Consists of annual transfers from the Tobacco Tax and Health Care Fund - Medically Needy Account. Premiums collected from participants of the Premium Sharing Program are also deposited in the fund.

Purpose of Fund: To provide eligible members access to medical services through a cost sharing arrangement. To be eligible for the program the family's household income cannot exceed 200% FPL. The monthly premium paid by enrollees is based on income, though averages \$23 per month per member. In addition, up to 200 chronically ill individuals with incomes up to 400% FPL may enroll

Please see the table following the Summary of Funds for consolidated information on the expenditures from each account receiving a distribution from the Tobacco Tax and Health Care Fund.

| | | |
|------------------------------|------------|------------|
| Funds Expended | 21,805,900 | 14,771,600 |
| Year-End Fund Balance | 8,314,000 | 5,649,800 |

Tobacco Products Tax Fund

Partially Appropriated

Source of Revenue: The fund consists of certain tax monies collected on cigarettes, cigars, smoking tobacco, plug tobacco, snuff and other forms of tobacco, and all interest earned on these monies. These taxes were enacted in Proposition 303, approved by voters in the 2002 General Election.

Purpose of Fund: To Arizona Health Care Cost Containment System (AHCCCS) for the Proposition 204 Protection Account (42%), Medically Needy Account (27%), and the Emergency Health Services Account (20%), the Arizona Department of Health Services (DHS) for the Health Education Account (2%), the Health Research Account (5%), and the Healthcare Adjustment Account (4%).

Please see the table following the summary of funds for consolidated information on the expenditures from each account receiving a distribution from the Tobacco Products Tax Fund.

*As reported by the agency. Actual ending balance will not be negative.

| Tobacco Tax and Health Care Fund and Tobacco Products Tax Fund | FY 2002 | FY 2003 |
|---|----------------------|----------------------|
| Medically Needy Account | | |
| <u>Funds Available</u> | | |
| Balance Forward | \$43,221,700 | \$43,789,900 |
| Transfer In - Tobacco Tax and Health Care Fund | 76,975,500 | 72,163,300 |
| Transfer In - Health Education Account | 10,000,000 | 5,000,000 |
| Transfer In - Tobacco Products Tax Fund | - | 23,934,900 |
| Interest and Revertments | 6,102,900 | 5,211,100 |
| Total Funds Available | \$136,300,100 | \$150,099,200 |
| Total Allocations | \$92,510,200 | \$150,099,200 |
| Balance Forward | \$43,789,900 | \$0 |
| AHCCCS Medical Services Stabilization Fund | | |
| <u>Funds Available</u> | | |
| Balance Forward | \$25,345,500 | \$0 |
| Transfer In – Health Education Account | 15,000,000 | 0 |
| Transfer In – General Fund | 13,405,600 | 0 |
| Interest Revenue | 1,307,100 | 0 |
| Total Funds Available | 54,788,200 | \$0 |
| <u>Allocations:</u> | | |
| Mental Health Institute, Ch. 273 | 2,500,000 | 0 |
| FY 2002 Supplementals | 44,510,600 | 0 |
| Transfer Out -SES Program | 7,777,600 | 0 |
| Balance Forward | \$0 | \$0 |
| AHCCCS Premium Sharing Fund | | |
| <u>Funds Available</u> | | |
| Balance Forward | \$27,042,800 | \$8,314,000 |
| Transfer In - Tobacco Tax Medically Needy | 0 | 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 |
| <u>Allocations:</u> | | |
| Administrative Expenses | \$738,000 | 420,000 |
| Services | 21,067,900 | 14,351,600 |
| Balance Forward | \$8,314,000 | \$5,649,800 |
| AHCCCS Proposition 204 Protection Account | | |
| <u>Funds Available</u> | | |
| Balance Forward | \$0 | \$0 |
| Transfer In - Tobacco Products Tax Fund | 0 | 33,699,000 |
| Interest Revenue | 0 | 0 |
| Total Funds Available | \$0 | 33,699,000 |
| <u>Allocations:</u> | | |
| AHCCCS State Match | \$0 | 33,699,000 |
| Balance Forward | \$0 | \$0 |

| Tobacco Tax and Health Care Fund and Tobacco Products Tax Fund (Continued) | FY 2002 | FY 2003 |
|---|---------------------|---------------------|
| AHCCCS Emergency Health Services Account | | |
| <u>Funds Available</u> | | |
| Balance Forward | \$0 | \$0 |
| Transfer In – Tobacco Products Tax Fund | 0 | 16,032,800 |
| Interest Revenue | 0 | 0 |
| Total Funds Available | \$0 | 16,032,800 |
| <u>Allocations:</u> | | |
| AHCCCS State Match | \$0 | 0 |
| Balance Forward | \$0 | \$16,032,800 |
| DHS Health Crisis Fund | | |
| <u>Funds Available</u> | | |
| Balance Forward | \$65,000 | \$0 |
| Transfer In - AHCCCS Medically Needy Account | 935,000 | 1,000,000 |
| Total Funds Available | \$1,000,000 | \$1,000,000 |
| <u>Allocations:</u> | | |
| Allocation | 1,000,000 | 1,000,000 |
| Balance Forward | \$0 | \$0 |
| DHS Health Education Account | | |
| <u>Funds Available</u> | | |
| Balance Forward | \$31,130,600 | \$4,250,700 |
| Transfer In - Tobacco Tax and Health Care Fund | 25,387,900 | 23,707,700 |
| Transfer In – Tobacco Products Tax Fund | 0 | 2,355,800 |
| Interest Revenue | 986,100 | 432,100 |
| Total Funds Available | \$57,504,600 | \$30,746,300 |
| <u>Allocations</u> | | |
| Fund Sweep - to MSF | 15,000,000 | 0 |
| Fund Sweep - to Medically Needy Account | 10,000,000 | 5,000,000 |
| DHS Operating | 25,431,900 | 19,500,000 |
| Leading Causes of Death - Prevention and Detection | 0 | 1,603,300 |
| Transfer to AHCCCS - SES Dialysis and Chemotherapy | 2,822,000 | 0 |
| Balance Forward | \$4,250,700 | \$4,643,000 |
| DHS Health Research Account | | |
| <u>Funds Available</u> | | |
| Balance Forward | \$4,022,300 | \$4,022,800 |
| Transfer In - Tobacco Tax and Health Care Fund | 5,227,600 | 5,155,300 |
| Transfer In – Tobacco Products Tax Fund | 0 | 4,171,800 |
| Interest Revenue | 137,200 | 166,900 |
| Total Funds Available | \$9,387,100 | \$13,516,800 |
| <u>Allocations:</u> | | |
| DCRC PS/ERE | \$ 122,400 | \$ 205,400 |
| Disease Control Research Commission | \$4,241,900 | 7,811,400 |
| Anticancer Drug Discovery | 1,000,000 | 0 |
| Biotechnology (Laws 2002, Ch. 186) | 500,000 | 500,000 |
| Biotechnology (Laws 2002, Ch. 186) | 5,000,000 | 5,000,000 |
| Balance Forward | \$4,022,800 | \$ 0 |

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