

**Arizona Health Care Cost Containment System  
Administration**

A.R.S. § 36-2901

	<b>FY 2003 Actual</b>	<b>FY 2004 Estimate</b>	<b>FY 2005 Approved</b>
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	3,125.8	3,112.8	3,087.8 <sup>1/</sup>
Personal Services	32,603,500	33,458,400	34,545,900
Employee Related Expenditures	8,987,200	10,628,600	10,721,800
Professional and Outside Services	3,977,600	3,077,100	3,077,100
Travel - In State	122,500	232,100	232,100
Travel - Out of State	12,400	29,600	29,600
Other Operating Expenditures	11,257,600	12,680,700	12,680,700
Equipment	570,800	829,100	829,100
<b>OPERATING SUBTOTAL</b>	<b>57,531,600</b>	<b>60,935,600</b>	<b>62,116,300</b>
<b>SPECIAL LINE ITEMS</b>			
ADOA Data Center Charges	5,717,400	5,717,500	5,717,500 <sup>2/</sup>
Indian Advisory Council	185,400	200,400	204,200
DES Eligibility	35,274,900	44,319,800	45,343,700 <sup>3/</sup>
DES Title XIX Pass-Through	135,800	311,200	315,800 <sup>3/</sup>
DHS Title XIX Pass-Through	1,045,200	1,734,400	0
Healthcare Group Administration and Reinsurance	6,196,700	5,772,700	4,000,000 <sup>4/</sup>
Office of Administrative Hearings	252,000	191,900	195,300
KidsCare - Administration	7,782,600	8,064,200	8,227,500
Proposition 204 - AHCCCS Administration	8,856,000	9,666,100	9,882,300
Proposition 204 - Pass Through Administration	37,774,800	31,942,600	32,646,800
Claims Settlement	0	268,900 <sup>5/</sup>	0
Ch. 332 AHCCCS; Healthcare Group	0	0	3,207,400
<b>PROGRAM TOTAL</b>	<b>160,752,400</b>	<b>169,125,300</b>	<b>171,856,800<sup>6/7/8/</sup></b>
<b>FUND SOURCES</b>			
General Fund	65,454,800	73,020,000	73,190,400
<u>Other Appropriated Funds</u>			
Budget Neutrality Compliance Fund	5,118,200	5,324,600	5,566,700
Children's Health Insurance Program Fund	7,782,600	6,221,300	6,384,600
Donations Fund	1,196,700	1,772,700	0
Healthcare Group Fund	0	0	3,207,400
Risk Management Fund	0	268,900	0
TTHCF Medically Needy Account	5,000,000	0	0
<b>SUBTOTAL - Other Appropriated Funds</b>	<b>19,097,500</b>	<b>13,587,500</b>	<b>15,158,700</b>
<b>SUBTOTAL - Appropriated Funds</b>	<b>84,552,300</b>	<b>86,607,500</b>	<b>88,349,100</b>
<u>Expenditure Authority Funds</u>			
Federal Title XIX Funds	76,200,100	82,517,800	83,507,700
<b>SUBTOTAL - Expenditure Authority Funds</b>	<b>76,200,100</b>	<b>82,517,800</b>	<b>83,507,700</b>
<b>SUBTOTAL - Appropriated/Expenditure Authority Funds</b>	<b>160,752,400</b>	<b>169,125,300</b>	<b>171,856,800</b>
Other Non-Appropriated Funds	36,592,000	39,528,700	41,626,300
Federal Funds	198,300	389,700	47,100
<b>TOTAL - ALL SOURCES</b>	<b>197,542,700</b>	<b>209,043,700</b>	<b>213,530,200</b>

<sup>1/</sup> Includes 913.9 General Fund, 163.0 Other Fund, and 916.5 Expenditure Authority FTE Positions funded from Special Line Items in FY 2005.

<sup>2/</sup> 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. (General Appropriation Act footnote)

<sup>3/</sup> 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. (General Appropriation Act footnote)

**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.

<b>PERFORMANCE MEASURES</b>	FY 2003 Appropriation	FY 2003 Actual	FY 2004 Appropriation	FY 2005 Appropriation
• Cost avoidance from Fraud and Abuse Prevention Program (\$ in millions)	7.0	15.1	7.0	10.0
• % of enrollees filing a grievance	0.4	0.2	0.2	0.2
• % of eligibility accuracy as measured by quality control sample	97	97	97	97
• % of AHCCCS employee turnover	11.5	15.4	12	13
• Administration as a % of total cost	4.4	0.6	1.7	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.”

### **Operating Budget**

The budget provides \$62,116,300 for the operating budget in FY 2005. This amount consists of \$25,783,700 from the General Fund and \$36,332,600 in Federal Expenditure Authority. These amounts include increases for statewide salary and other adjustments. *(Please see the Statewide Adjustments section at the end of this Appropriations Report for details.)*

### **Special Line Items**

#### **ADOA Data Center Charges**

The budget provides \$5,717,500 for ADOA Data Center Charges in FY 2005. This amount consists of \$1,724,700 from the General Fund and \$3,992,800 in Federal Expenditure Authority. These amounts are unchanged from FY 2004.

This Special Line Item reflects costs associated with the agency’s usage of mainframe computing services provided by the Arizona Department of Administration (ADOA). This Special Line Item is funded by the General Fund and Federal Expenditure Authority.

#### **Indian Advisory Council**

The budget provides \$204,200 for the Indian Advisory Council in FY 2005. This amount consists of \$101,700 from the General Fund and \$102,500 in Federal Expenditure Authority. These amounts include increases for statewide salary and other adjustments.

The Advisory Council on Indian Healthcare assists in developing a comprehensive healthcare delivery system for Arizona’s Native American population. The line item includes 3.6 FTE Positions, of which 1.8 are funded from the General Fund and 1.8 from Federal Expenditure Authority.

#### **DES Eligibility**

The budget provides \$45,343,700 for DES Eligibility services in FY 2005. This amount consists of \$21,245,400 from the General Fund and \$24,098,300 in Federal Expenditure Authority. These amounts include increases for statewide salary and other adjustments.

The Department of Economic Security (DES), through an intergovernmental agreement, performs eligibility determinations for the Acute Care program. The line item includes 958.2 FTE Positions, of which 479.4 are funded

4/ If S.B. 1166, 46<sup>th</sup> Legislature, 2<sup>nd</sup> Regular Session, or similar legislation appropriating monies for FY 2005 administrative costs of the Healthcare Group program is enacted, AHCCCS shall not spend the \$2,272,700 appropriation from the Donations Fund and these monies shall instead revert to the Donations Fund. (Note: S.B. 1166 was enacted by the Legislature and signed by the Governor, therefore the funds will revert to the Donations Account.)

5/ Laws 2004, Chapter 277 appropriated \$268,900 for payment of a claims settlement to St. Joseph’s Hospital.

6/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Program..

7/ 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. (General Appropriation Act footnote)

8/ 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. (General Appropriation Act footnote)

from the General Fund and 478.8 from Federal Expenditure Authority.

#### **DES Title XIX Pass-Through**

The budget provides \$315,800 for DES Title XIX Pass-Through funding in FY 2005. This amount consists of \$135,300 from the General Fund and \$180,500 in Federal Expenditure Authority. These amounts include increases for statewide salary and other adjustments.

This Special Line Item contains funding for both the DES Disability Determination Services Administration (DDSA) and the DES Preadmission Screening and Annual Resident Review (PASARR) programs, which are administered by DES through an intergovernmental agreement. DES - DDSA determines disability entitlement for the Arizona Long-Term Care System and the Federal Emergency Services program. DES - PASARR screens all individuals with developmental disabilities before they enter the Long-Term Care program to determine the appropriate level and types of specialized services needed. The line item includes 4.3 FTE Positions, of which 2.0 are funded from the General Fund and 2.3 from Federal Expenditure Authority.

#### **DHS Title XIX Pass-Through**

The budget eliminates the DHS Title XIX Pass-Through Line Item from the AHCCCS budget and instead appropriates these monies directly to the Department of Health Services. In previous years funding was appropriated in the AHCCCS budget and then transferred to DHS for various Title XIX licensure and screening activities. In FY 2005, \$960,200 from the General Fund and \$772,200 in Federal Expenditure Authority are added to the DHS Assurance and Licensure Line Item in the DHS budget. *(Please see the DHS Administration section for more information.)*

#### **Healthcare Group Administration and Reinsurance**

The budget provides \$4,000,000 from the General Fund for Healthcare Group Administration and Reinsurance costs in FY 2005. This amount includes a decrease of \$(1,772,700) from the AHCCCS Donations Fund to reflect a footnote eliminating the appropriation if any other law passes appropriating funds for Healthcare Group administration costs. Laws 2004, Chapter 332 appropriated \$3,207,400 from the newly established Healthcare Group Fund for such costs. *(Please see the corresponding policy issue at the end of this section for more information.)*

This line item retains funding for reinsurance costs associated with the Healthcare Group program. This line item includes 21 FTE now funded with the Healthcare Group Fund.

#### **Office of Administrative Hearings**

The budget provides \$195,300 in Federal Expenditure Authority for Office of Administrative Hearings (OAH)

costs in FY 2005. This amount includes an increase for statewide salary and other adjustments.

This Special Line Item contains the federal expenditure authority associated with hearing and grievance activities performed by OAH. AHCCCS transfers the federal funding to OAH, in addition to monies received from the Children's Health Insurance Program Fund, based on the cases reviewed. This line item includes 3 FTE Positions funded from Federal Expenditure Authority funds.

#### **KidsCare - Administration**

The budget provides \$8,227,500 for KidsCare Administration costs in FY 2005. This amount consists of \$1,842,900 from the General Fund and \$6,384,600 from the Children's Health Insurance Program (CHIP) Fund. These amounts include increases for statewide salary and other adjustments.

KidsCare, also known as the Children's Health Insurance Program (CHIP), provides health insurance coverage to uninsured children whose families have an income less than 200% of the Federal Poverty Level (FPL). This Special Line Item includes funding for the administration component of this program, while funding for the services in the KidsCare program are included in the Acute Care Cost Center. This line item contains 142 FTE Positions funded from the CHIP Fund.

The administrative component of the CHIP program includes both direct and indirect costs and is capped by federal law at 10% of program costs. The approved KidsCare Administration funding level from the CHIP Fund is approximately 8.3% of the approved CHIP Fund program costs.

#### **Proposition 204 – AHCCCS Administration**

The budget provides \$9,882,300 for Proposition 204 AHCCCS Administration costs in FY 2005. This amount consists of \$4,940,400 from the General Fund and \$4,941,900 from Federal Expenditure Authority. These amounts include increases for statewide salary and other adjustments.

Proposition 204 expanded AHCCCS coverage up to 100% FPL. This Special Line Item contains funding for AHCCCS administration costs of the Proposition 204 program, while funding for the services to this population are included in the Acute Care Cost Center. This line item includes 202.3 FTE Positions, of which 101.2 are funded from the General Fund and 101.1 from Federal Expenditure Authority.

#### **Proposition 204 – Pass - Through Administration**

The JLBC recommends \$32,646,800 for Proposition 204 Pass - Through Administration costs in FY 2005. This amount consists of \$13,416,300 from the General Fund, \$5,566,700 from the Budget Neutrality Compliance Fund

(BNCF), and \$13,663,800 from Federal Expenditure Authority. These amounts include:

- Increases for statewide salary and other adjustments.
- An increase of \$242,100 from the BNCF and corresponding General Fund decrease to reflect increased revenue to the fund.

The BNCF is comprised of contributions from Arizona counties for administrative costs of the implementation of Proposition 204. Prior to the Proposition, the counties funded and administered the health care program for some of the Proposition 204 population.

Pursuant to A.R.S. § 11-292P, the JLBC Staff is required to calculate the yearly county contribution based on inflationary and population growth. Inflationary growth of 1.6%, as measured by the December 2003 estimate of the calendar year 2003 Gross Domestic Product (GDP) price deflator, and population growth of 2.9%, as estimated by the Department of Economic Security (DES) Population Statistics Unit, were used to adjust the FY 2004 contribution amount of \$5,324,600.

This Special Line Item contains funding for Pass-Through administration costs, in DES, of the Proposition 204 program. This funding primarily represents eligibility services provided by DES. This line item includes 659 FTE Positions, of which 329.5 are funded from the General Fund and 329.5 from Federal Expenditure Authority.

### **Ch. 332 AHCCCS; Healthcare Group**

Laws 2004, Chapter 332 includes \$3,207,400 for administrative costs of the Healthcare Group program. Administrative funding was previously funded with the AHCCCS Donations Fund, which received monies from the monthly premiums paid by Healthcare group members. Laws 2004, Chapter 332 instead creates the Healthcare Group Fund, which now receives revenue from the Healthcare Group premiums, and appropriates monies from this fund for Healthcare Group administration costs. Pursuant to a footnote in the General Appropriation Act, the AHCCCS Donations Fund appropriation for Healthcare Group administration instead reverts to the Healthcare Group Fund. *(Please see the corresponding policy issue in the Healthcare Group Administration and Reinsurance Special Line Item discussion for more information.)*

### **Claims Settlement**

The FY 2004 Supplemental Appropriations Bill (Laws 2004, Chapter 277) provides \$268,900 from the Risk Management Fund for payment of a judgement rendered in February 2002 for claims against AHCCCS in favor of St. Joseph's Hospital.

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