

**Arizona Health Care Cost Containment System**  
**Summary**

A.R.S. § 36-2901

Director: Anthony D. Rodgers

JLBC Analyst: Tim Sweeney

	<b>FY 2003 Actual</b>	<b>FY 2004 Estimate</b>	<b>FY 2005 Approved</b>
<b>PROGRAM BUDGET</b>			
Administration	160,752,400	169,125,300	171,856,800
Acute Care	2,550,789,200	3,018,407,200	3,319,263,000
Long-Term Care	716,011,300	825,404,400	893,316,200
Federal Match Rate Change	0	0 <sup>1/</sup>	0
<b>AGENCY TOTAL</b>	<b>3,427,552,900</b>	<b>4,012,936,900</b>	<b>4,384,436,000</b>
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	3,125.8	3,112.8	3,087.8
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>
Special Line Items (SLI)	3,370,021,300	3,952,001,300	4,322,319,700
<b>AGENCY TOTAL</b>	<b>3,427,552,900</b>	<b>4,012,936,900</b>	<b>4,384,436,000<sup>2/</sup></b>
<b>FUND SOURCES</b>			
General Fund	588,860,600	679,540,900	860,033,300
<u>Other Appropriated Funds</u>			
Budget Neutrality Compliance Fund	28,438,100	5,324,600	5,566,700
Children's Health Insurance Program Fund	79,484,500	86,873,900	82,930,200
County Contribution Fund	0	7,446,500	7,446,500
Donations Fund	1,196,700	1,772,700	0
Healthcare Group Fund	0	0	3,207,400
Risk Management Fund	0	268,900	0
TPTF Emergency Health Services Account	12,320,000	26,222,800	25,829,500
TTHCF Medically Needy Account	80,774,200 <sup>3/</sup>	79,987,000	78,532,600
<b>SUBTOTAL - Other Appropriated Funds</b>	<b>202,213,500</b>	<b>207,896,400</b>	<b>203,512,900</b>
<b>SUBTOTAL - Appropriated Funds</b>	<b>791,074,100</b>	<b>887,437,300</b>	<b>1,063,546,200</b>
<u>Expenditure Authority Funds</u>			
County Funds	262,447,100	252,640,500	279,570,000
Federal Title XIX Funds	2,193,254,000	2,662,771,300	2,865,428,200
Federal Title XXI Funds	90,576,900	109,778,300	77,960,500
Third Party Collections	1,524,800	194,700	194,700
Tobacco Settlement Fund	62,798,500	45,047,000	43,494,600
TPTF Proposition 204 Protection Account	25,877,500	55,067,800	54,241,800
<b>SUBTOTAL - Expenditure Authority Funds</b>	<b>2,636,478,800</b>	<b>3,125,499,600</b>	<b>3,320,889,800</b>
<b>SUBTOTAL - Appropriated/Expenditure Authority Funds</b>	<b>3,427,552,900</b>	<b>4,012,936,900</b>	<b>4,384,436,000</b>
Other Non-Appropriated Funds	52,096,600	59,274,500	60,446,300
Federal Funds	60,910,400	82,524,500	91,518,500
<b>TOTAL - ALL SOURCES</b>	<b>3,540,559,900</b>	<b>4,154,735,900</b>	<b>4,536,400,800</b>

<sup>1/</sup> The reduction associated with the federal match rate change represents a reduction in the state General Fund appropriation associated with temporary changes to the federal matching assistance percentage designed to give fiscal relief to states. There shall be a corresponding \$73,094,500 increase in federal expenditure authority to the agency. Excludes \$6,000,000 of match-rate change for ALTCS. The FY 2004 amount includes \$(73,094,500) from the General Fund and \$73,094,500 in Federal Title XIX Funds that are not included in the individual cost centers.

<sup>2/</sup> General Appropriation Act appropriation format varies by program.

<sup>3/</sup> In FY 2003, \$500,000 from the Medically Needy Account was directly appropriated for the Ticket to Work Program, the remaining monies in FY 2003 are non-appropriated and are included in total expenditure authority.

**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.

<b>PERFORMANCE MEASURES</b>	FY 2003	FY 2003	FY 2004	FY 2005
	Appropriation	Actual	Appropriation	Appropriation
• % of people under age 65 that are uninsured	24	NA	24	24
• % of children (under 18 years) that are uninsured	22	NA	22	22

**Comments:** The agency did not submit information for any measure labeled as “NA.”

**Federal Match Rate Change**

The budget provides an increase of \$79,094,500 from the General Fund to fill in a one-time increase in Federal Funds for the Title XIX program, including ALTCS. Under the Title XIX program, state monies provide approximately a 33% match for the Federal Funds received. The Federal Jobs and Growth Tax Relief Reconciliation Act of 2003 included a temporary increase of 2.95% to the Federal Matching Assistance Percentage (FMAP) for the last quarter of FY 2003 and all of FY 2004, providing more Federal Funds for each state dollar spent and generating General Fund savings of \$79,094,500 in FY 2004. This federal match rate change expires at the end of FY 2004, and the FY 2005 approved amount includes General Fund monies to fill in these one-time savings.

Savings of \$73,094,500 in the non-ALTCS portion of Title XIX were taken as a lump sum amount in FY 2004, and AHCCCS was given discretion to allocate the savings among the non-ALTCS Title XIX programs. The General Fund savings amount is reflected in the Summary Table, but is not included in the Acute Care section. In order to allocate a proportional saving amount to the counties for FY 2004, however, savings in the ALTCS program are reflected in the FY 2004 ALTCS appropriation. The remaining \$6,000,000 of the FY 2005 fill-in is, therefore, included in the ALTCS section.

**Additional Legislation**

*AHCCCS; Health; Welfare; Budget Reconciliation*

The Health and Welfare Budget Reconciliation Bill (Laws 2004, Chapter 279) includes the following provisions affecting AHCCCS:

- Permanent law restoring the redetermination period for non-ALTCS Title XIX to 1 year. Savings were taken in FY 2004 when the redetermination period

- was shortened from 1 year to 6 months, however, no funding was added in FY 2005 for this change.
- Permanent law requiring AHCCCS to develop a capped fee-for-service schedule for the reimbursement of outpatient hospital services. Currently, hospitals are reimbursed based on hospital-specific “cost-to-charge” ratios, however, beginning in FY 2006 AHCCCS is required to implement a fee-for-service schedule to govern outpatient hospital reimbursement. AHCCCS also received a rulemaking exemption to allow the Administration to implement the capped, fee-for-service schedule.
- Session law continuing coverage of the KidsCare – Parents population in FY 2005. Coverage for this population was originally set to expire at the end of FY 2004, however, this legislation contains session law provisions continuing the program through FY 2005.
- Session law setting the FY 2005 County Acute contribution at the FY 2004 level of \$66,689,500, and directing the FY 2005 county contributions of \$6,000,000 into the Disproportionate Uncompensated Care (DUC) pool for use as AHCCCS state match funding, as in FY 2004.
- Session law authorizing the withholding of \$82,972,500 in county Transaction Privilege Tax revenue to reimburse the state for indigent health care costs.
- Permanent law eliminating statutory authority for the State Emergency Services program. Funding for this program was eliminated in FY 2004, and the FY 2004 Health ORB included provisions eliminating the statutory authority for the program. These provisions were line item vetoed by the Governor, however, the Governor later communicated that this particular veto was a clerical error.
- Session law setting the FY 2005 ALTCS County Contribution amount in the FY 2005 General Appropriation Act.

<b>Tobacco Tax and Health Care Fund and Tobacco Products Tax Fund</b>	<b>FY 2003 Actual</b>	<b>FY 2004 Estimate</b>	<b>FY 2005 Budget</b>
<b>Medically Needy Account</b>			
<u>Funds Available</u>			
Balance Forward	\$ 43,789,900	\$ 4,076,500	\$ 1,931,000
Transfer In - Tobacco Tax and Health Care Fund <sup>1/</sup>	75,053,700	68,809,300	68,249,200
Transfer In - Health Education Account	5,000,000	0	0
Transfer In - Tobacco Products Tax Fund <sup>1/</sup>	16,857,600	39,146,900	38,558,200
Interest and Revertments <sup>2/</sup>	2,300,700	560,100	543,600
<b>Total Funds Available</b>	<b>\$143,001,900</b>	<b>\$112,592,800</b>	<b>\$109,282,000</b>
 <b>AHCCCS Allocations</b>			
<u>GF Offsets</u>			
Hospital Reimbursement	10,000,000	10,000,000	10,000,000
Maternity Length of Stay	4,552,400	4,552,400	4,552,400
HIV/AIDS Treatment	1,349,600	1,349,600	1,349,600
Traditional Medicaid State Match	43,127,900	43,543,900	42,089,500
Proposition 204 State Match	16,744,300	20,541,100	20,541,100
 <u>Other AHCCCS Funding</u>			
Health Care Group Reinsurance	5,000,000	0	0
Ticket to Work	0	0	0
Transfer to Premium Sharing Fund	10,920,000	0	0
Transfer to CHIP Fund	11,677,100	0	0
Transfer to DES Aging and Adult Administration	500,000	0	0
Transplants	99,500	320,000	320,000
 Total AHCCCS Allocations	 103,970,800	 80,307,000	 78,852,600
 <b>DHS Allocations</b>			
FY 2003 DHS Supplemental	5,000,000	0	0
Behavioral Health GF Offset	0	29,424,800	29,424,800
DHS Health Crisis Fund	869,000	930,000	1,000,000
Primary Care Programs	5,567,000	0	0
Qualifying Community Health Centers	4,662,500	0	0
Telemedicine - DHS	250,000	0	0
Mental Health - Non-Title XIX	2,340,000	0 <sup>3/</sup>	0 <sup>3/</sup>
Detoxification Services	292,500	0	0
Renal/Nonrenal Disease Management	319,900	0	0
Evaluations	410,600	0	0
Rural Primary Care Provider Loan Repay Program	20,500	0	0
HIV/AIDS Drug Assistance Program (ADAP)	1,000,000	0	0
SMI Non-Title XIX Psychotropic Medications	10,790,000	0	0
County Public Health	200,000	0	0
AZ Statewide Immunization Information System	443,900	0	0
Hepatitis C Surveillance	237,300	0	0
Prior Year/Other Expenditures	2,551,400	0	0
 Total DHS Allocations	 34,954,600	 30,354,800	 30,424,800
 <b>Total AHCCCS/DHS Allocations</b>	 <b>\$138,925,400</b>	 <b>\$110,661,800</b>	 <b>\$109,277,400</b>
<b>Balance Forward</b>	<b>\$ 4,076,500</b>	<b>\$ 1,931,000</b>	<b>\$ 4,600</b>
 <sup>1/</sup> Revenue estimates assume a decrease of (1.5)%.			
<sup>2/</sup> Includes interest earnings and monies reverted by DHS.			
<sup>3/</sup> Funded at \$1.5 million from the General Fund in FY 2004 and 2005.			

<b>Tobacco Tax and Health Care Fund and Tobacco Products Tax Fund (Continued)</b>	<b>FY 2003 Actual</b>	<b>FY 2004 Estimate</b>	<b>FY 2005 Budget</b>
<b>AHCCCS Premium Sharing Fund</b>			
<u>Funds Available</u>			
Balance Forward	\$ 8,766,600	\$6,225,800	\$ 0
Transfer In - Tobacco Tax Medically Needy	10,920,000	0	0
Interest Revenue	167,500	0	0
Premiums Collected	1,776,800	0	0
<b>Total Funds Available</b>	<b>\$21,630,900</b>	<b>\$6,225,800</b>	<b>\$ 0</b>
<u>Allocations:</u>			
Administrative Expenses	\$ 566,000	\$ 120,300	\$ 0
Services	14,839,100	6,105,500	0 <sup>1/</sup>
<b>Balance Forward</b>	<b>\$ 6,225,800</b>	<b>\$ 0</b>	<b>\$ 0</b>
<b>AHCCCS Proposition 204 Protection Account</b>			
<u>Funds Available</u>			
End of Year Emergency Health Services Account Balance			
Transfer	\$ 0	\$ 167,200	\$ 512,700
Balance Forward	0	345,500	0
Transfer In - Tobacco Products Tax Fund	26,223,000	55,067,800	54,241,800
Interest Revenue	0	0	0
<b>Total Funds Available</b>	<b>\$26,223,000</b>	<b>\$55,580,500</b>	<b>\$54,754,500</b>
<u>Allocations:</u>			
AHCCCS State Match	\$25,877,500	\$55,067,800	\$54,241,800
<b>Balance Forward</b>	<b>\$ 345,500</b>	<b>\$ 512,700</b>	<b>\$ 512,700</b>
<b>AHCCCS Emergency Health Services Account</b>			
<u>Funds Available</u>			
Transfer of End of Year Balance to Proposition 204 Protection Account	\$ 0	\$ (167,200)	\$ 0
Balance Forward	0	0	0
Transfer In – Tobacco Products Tax Fund	12,487,200	26,222,800	25,829,500
Interest Revenue	0	0	0
<b>Total Funds Available</b>	<b>\$12,487,200</b>	<b>\$26,222,800</b>	<b>\$25,829,500</b>
<u>Allocations:</u>			
Trauma Center Appropriation	\$ 0	\$ 5,000,000	\$ 0
AHCCCS State Match	12,320,000	21,222,800	25,829,500
<b>Balance Forward</b>	<b>\$ 167,200</b>	<b>\$ 0</b>	<b>\$ 0</b>
<sup>1/</sup> Program repealed by Laws 2003, Chapter 265.			

<b>Tobacco Tax and Health Care Fund and Tobacco Products Tax Fund (Continued)</b>	<b>FY 2003 Actual</b>	<b>FY 2004 Estimate</b>	<b>FY 2005 Budget</b>
<b>DHS Health Crisis Fund</b>			
<u>Funds Available</u>			
Balance Forward	\$ 131,000	\$ 70,000	\$ 0
Transfer In - AHCCCS Medically Needy Account	869,000	930,000	1,000,000
<b>Total Funds Available</b>	<b>\$ 1,000,000</b>	<b>\$ 1,000,000</b>	<b>\$ 1,000,000</b>
<u>Allocations:</u>			
Allocation	\$ 930,000	\$ 1,000,000	\$ 1,000,000
<b>Balance Forward</b>	<b>\$ 70,000</b>	<b>\$ 0</b>	<b>\$ 0</b>
<b>DHS Health Education Account</b>			
<u>Funds Available</u>			
Balance Forward	\$ 4,250,700	\$ 1,611,000	\$ 3,732,400
Transfer In - Tobacco Tax and Health Care Fund	24,621,100	22,605,900	22,424,700
Transfer In - Tobacco Products Tax Fund	1,248,700	3,853,100	3,796,900
Interest Revenue	117,700	140,400	149,800
<b>Total Funds Available</b>	<b>\$30,238,200</b>	<b>\$28,210,400</b>	<b>\$30,103,800</b>
<u>Allocations</u>			
Fund Sweep - to Medically Needy Account	\$ 5,000,000	\$ 0	\$ 0
DHS Operating	21,110,500	23,320,300	27,520,900
Appropriation - Biotechnology	2,500,000	0	0
Leading Causes of Death - Prevention and Detection	16,700	1,157,700	2,582,900
<b>Balance Forward</b>	<b>\$ 1,611,000</b>	<b>\$ 3,732,400</b>	<b>\$ 0</b>
<b>DHS Health Research Account</b>			
<u>Funds Available</u>			
Balance Forward	\$ 3,908,100	\$ 5,080,200	\$ 967,100
Transfer In - Tobacco Tax and Health Care Fund	5,352,300	4,915,700	4,874,900
Transfer In - Tobacco Products Tax Fund	3,121,800	6,823,200	6,720,800
Interest Revenue	73,800	84,100	62,800
<b>Total Funds Available</b>	<b>\$12,456,000</b>	<b>\$16,903,200</b>	<b>\$12,625,600</b>
<u>Allocations:</u>			
Disease Control Research Commission	\$ 4,375,800	\$ 9,436,100	\$ 6,125,600
Alzheimers	0	1,000,000	1,000,000
Biotechnology (Laws 2002, Ch. 186)	500,000	500,000	500,000
Biotechnology (Laws 2002, Ch. 320)	2,500,000	5,000,000	5,000,000
<b>Balance Forward</b>	<b>\$ 5,080,200</b>	<b>\$ 967,100</b>	<b>\$ 0</b>

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