Arizona Health Care Cost Containment System

Administration

JLBC: Tim Sweeney
OSPB: Derik Leavitt

DESCRIPTION	FY 2003 ACTUAL	FY 2004 ESTIMATE	FY 2005 OSPB	FY 2005 JLBC
OPERATING BUDGET				
Full Time Equivalent Positions	3,125.8	3,112.8		3,112.8
Personal Services	32,603,500	33,458,400		33,458,400
Employee Related Expenditures	8,987,200	10,558,600		10,558,600
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
OPERATING SUBTOTAL	**57,531,600**	**60,865,600**		**60,865,600**
SPECIAL LINE ITEMS				
ADOA Data Center Charges	5,717,400	5,717,500		5,717,500
Indian Advisory Council	185,400	200,100		200,100
DES Eligibility	35,274,900	44,249,600		44,249,600
DES Title XIX Pass-Through	135,800	310,900		310,900
DHS Title XIX Pass-Through	1,045,200	1,732,400		1,732,400
Healthcare Group Administration and Reinsurance	6,196,700	5,772,700		5,772,700
Office of Administrative Hearings	252,000	191,900		191,900
KidsCare - Administration	7,782,600	8,064,200		6,121,300
Proposition 204 - AHCCCS Administration	8,856,000	9,651,300		9,651,300
Proposition 204 - Pass Through Administration	37,774,800	31,894,400		31,894,400
PROGRAM TOTAL	**160,752,400**	**168,650,600**		**166,707,700**
FUND SOURCES				
General Fund	65,454,800	72,814,200		72,126,800
Other Appropriated Funds				
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		4,723,700
Donations Fund	1,196,700	1,772,700		1,772,700
Medically Needy Account	5,000,000	0		0
SUBTOTAL - Other Appropriated Funds	19,097,500	13,318,600		12,063,100
SUBTOTAL - Appropriated Funds	84,552,300	86,132,800		84,189,900
Expenditure Authority Funds				
Federal Title XIX Funds	76,200,100	82,517,800		82,517,800
SUBTOTAL - Expenditure Authority Funds	76,200,100	82,517,800		82,517,800
SUBTOTAL - Appropriated/Expenditure Authority Funds	**160,752,400**	**168,650,600**		**166,707,700**
Other Non-Appropriated Funds	36,592,000	39,528,700		41,626,300
Federal Funds	198,300	389,700		47,100
TOTAL - ALL SOURCES	197,542,700	208,569,000		208,318,100

CHANGE IN FUNDING SUMMARY

	FY 2004 to FY 2005 JLBC $ Change	% Change
General Fund	(687,400)	(0.9%)
Other Appropriated Funds	(1,255,500)	(9.4%)
Expenditure Authority Funds	0	0.0%
Total Appropriated/Expenditure Authority Funds	(1,942,900)	(1.2%)
Non Appropriated Funds	1,755,000	4.5%
Total - All Sources	(187,900)	(0.1%)

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 2003 Appropriation	FY 2003 Actual	FY 2004 Appropriation	FY 2005 Recommend.
• 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."

RECOMMENDED CHANGES FROM FY 2004

Operating Budget

The JLBC recommends $60,865,600 for the operating budget in FY 2005. This amount includes $25,439,000 from the General Fund and $35,426,600 in Federal Expenditure Authority. These amounts are unchanged from FY 2004.

Special Line Items

ADOA Data Center Charges
The JLBC recommends $5,717,500 for DOA Data Center Charges in FY 2005. This amount includes $1,590,400 from the General Fund and $4,127,100 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 JLBC recommends $200,100 for the Indian Advisory Council in FY 2005. This amount includes $99,900 from the General Fund and $100,200 in Federal Expenditure Authority. These amounts are unchanged from FY 2004.

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 JLBC recommends $44,249,600 for DES Eligibility services in FY 2005. This amount includes $20,701,900 from the General Fund and $23,547,700 in Federal Expenditure Authority. These amounts are unchanged from FY 2004.

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 from the General Fund and 478.8 from Federal Expenditure Authority.

DES Title XIX Pass-Through
The JLBC recommends $310,900 for DES Title XIX Pass-Through funding in FY 2005. This amount includes $124,700 from the General Fund and $186,200 in Federal Expenditure Authority. These amounts are unchanged from FY 2004.

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 JLBC recommends $1,732,400 for DHS Title XIX Pass-Through funding in FY 2005. This amount includes $904,800 from the General Fund and $827,600 in Federal Expenditure Authority. These amounts are unchanged from FY 2004.

This Special Line Item contains funding for 3 programs administered by DHS through an intergovernmental service agreement: DHS Licensure, DHS PASARR, and DHS Indirect Cost Licensure. DHS Licensure is responsible for federally required inspection and licensure of Title XIX-certified nursing care facilities. DHS PASARR conducts Level II psychiatric evaluations of Title XIX-certified nursing facility patients who have been identified through a Level I screening as potentially having a mental illness. Finally, DHS Indirect Costs Licensure represents the cost of administrative functions performed by non-Licensure Division staff in support of the Licensure Division. The line item includes 25 FTE Positions, of which 13.8 are funded from the General Fund and 11.2 from Federal Expenditure Authority.

Healthcare Group Administration and Reinsurance
The JLBC recommends $5,772,700 for Healthcare Group Administration and Reinsurance in FY 2005. This amount includes $4,000,000 from the General Fund and $1,772,700 from the Donations Fund. These amounts are unchanged from FY 2004.

This Special Line Item contains $1,772,700 for Healthcare Group's administration costs. This program administers a health insurance program for small businesses and political subdivisions of the state. Its administration funding comes from premiums paid by program participants, which is deposited in the AHCCCS Donations Fund. This line item includes 21 FTE Positions funded from the Donations Fund.

This Special Line Item also includes $4,000,000 from the General Fund to pay for the reinsurance portion of this program.

Office of Administrative Hearings
The JLBC recommends $191,900 in Federal Expenditure Authority for Office of Administrative Hearings (OAH) costs in FY 2005. This amount is unchanged from FY 2004.

This Special Line Item contains the federal expenditure authority associated with hearing and grievance activities. Laws 1998, Chapter 57 transferred the hearing and grievance function to OAH. However, AHCCCS retains the associated federal funding, which is transferred to OAH based on the cases reviewed. In addition, monies are received from the Children's Health Insurance Program (CHIP) Fund. This line item includes 3 FTE Positions funded from Federal Expenditure Authority funds.

KidsCare - Administration
The JLBC recommends $6,121,300 for KidsCare Administration costs in FY 2005. This amount includes $1,397,600 from the General Fund and $4,723,700 from the Children's Health Insurance Program (CHIP) Fund. These amounts would fund the following adjustments:

Eliminate KidsCare - Parents	**GF**	**$(445,300)**
	OF	**(1,497,600)**

The JLBC recommends a decrease of $(445,300) from the General Fund and $(1,497,600) from the CHIP Fund for decreased KidsCare Administration costs due to the elimination of the KidsCare – Parents program. *See the AHCCCS Acute Care section for more information.*

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 recommended KidsCare Administration funding level from the CHIP Fund is approximately 8.8% of the recommended CHIP Fund program costs.

Proposition 204 – AHCCCS Administration
The JLBC recommends $9,651,300 for Proposition 204 AHCCCS Administration costs in FY 2005. This amount includes $4,825,700 from the General Fund and $4,825,600 from Federal Expenditure Authority. These amounts are unchanged from FY 2004.

Proposition 204 expanded AHCCCS coverage up to 100% of the Federal Poverty Level (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 $31,894,400 for Proposition 204 Pass - Through Administration costs in FY 2005. This amount includes $13,042,800 from the General Fund, $5,566,700 from the Budget Neutrality Compliance Fund, and $13,284,900 from Federal Expenditure Authority. These amounts would fund the following changes:

Statutory Adjustment **GF (242,100)**
OF 242,100

The JLBC recommends an increase of $242,100 from the Budget Neutrality Compliance Fund (BNCF), and a corresponding General Fund decrease, to reflect increased revenues 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.

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JLBC RECOMMENDED FORMAT — Operating Lump Sum with Special Line Items by Program

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 $166,707,700 expenditure authority for Administration in FY 2005, $72,126,800 is appropriated from the state General Fund, $1,772,700 is appropriated from the Donations Fund, $4,723,700 is appropriated from the Children's Health Insurance Program Fund and $5,566,700 is appropriated from the Budget Neutrality Compliance 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.

Deletion of Prior Year Footnotes

The JLBC recommends deleting 2 footnotes concerning the Finger Imaging Program as funding for this program no longer exists.

The JLBC recommends deleting a footnote specifying the distribution of Trauma Center appropriation. This appropriation and the corresponding footnote have been moved to the Acute Care Cost Center.

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SUMMARY OF FUNDS - SEE AGENCY SUMMARY