

**Arizona Health Cost Care Containment System**  
**Long-Term Care**

A.R.S. § 36-2901

	<b>FY 2004 Actual</b>	<b>FY 2005 Estimate</b>	<b>FY 2006 Approved</b>
<b>SPECIAL LINE ITEMS</b>			
ALTCS Lump Sum Appropriation	793,483,900	893,106,500	999,447,400
Board of Nursing	209,700	209,700	209,700
<b>PROGRAM TOTAL</b>	<b>793,693,600</b>	<b>893,316,200</b>	<b>999,657,100<sup>1/2/3/4/5/</sup></b>
<b>FUND SOURCES</b>			
General Fund	52,847,800	71,614,900	107,156,600
<u>Other Appropriated Funds</u>			
County Contribution Fund	7,451,700	7,446,500	0
SUBTOTAL - Other Appropriated Funds	7,451,700	7,446,500	0
<b>SUBTOTAL - Appropriated Funds</b>	<b>60,299,500</b>	<b>79,061,400</b>	<b>107,156,600</b>
<u>Expenditure Authority Funds</u>			
County Funds	173,559,200	206,380,500	218,738,100 <sup>6/</sup>
Federal Title XIX Funds	559,288,000	607,874,300	673,762,400
Third Party Collections	546,900	0	0
SUBTOTAL - Expenditure Authority Funds	733,394,100	814,254,800	892,500,500
<b>SUBTOTAL - Appropriated/Expenditure Authority Funds</b>	<b>793,693,600</b>	<b>893,316,200</b>	<b>999,657,100</b>
<b>TOTAL - ALL SOURCES</b>	<b>793,693,600</b>	<b>893,316,200</b>	<b>999,657,100</b>

**COST CENTER DESCRIPTION** — The Arizona Long-Term Care System (ALTCS) provides federal Medicaid long-term care services to persons meeting federally-prescribed income and resource standards and at risk of being institutionalized. The state and the counties share in the cost of ALTCS program growth pursuant to a formula based on utilization, net assessed property value growth, and reservation populations. The state funds the non-federal share of the administrative cost of ALTCS. The AHCCCS Administration conducts ALTCS eligibility and is also responsible for contracting with providers. As in the Acute Care program, providers receive a monthly capitation payment that covers the full range of ALTCS services, including acute medical services.

- 1/ Any Federal Funds that the Arizona Health Care Cost Containment System Administration passes through to the Department of Economic Security for use in long-term administration care for the developmentally disabled shall not count against the long-term care expenditure authority above. (General Appropriation Act footnote)
- 2/ General Appropriation Act funds are appropriated by Special Line Items by Program.
- 3/ Before making fee-for-service program or rate changes that pertain to hospital, nursing facility or home and community based services rates or for any of the other fee-for-service rate categories that have increases that, in the aggregate, are 2% above and \$1,500,000 from the state General Fund greater than budgeted medical inflation in FY 2006, the Arizona Health Care Cost Containment System Administration shall report its expenditure plan to the Joint Legislative Budget Committee for review. (General Appropriation Act footnote)
- 4/ Any savings realized due to the implementation of a Federal program providing prescription drug benefits to persons otherwise eligible for AHCCCS benefits shall be transferred to the Medicare Clawback Payments line item in the Arizona Health Care Cost Containment System Administration Cost Center. (General Appropriation Act footnote)
- 5/ The Arizona Health Care Cost Containment System shall report to the Joint Legislative Budget Committee by March 1 of each year on the preliminary actuarial estimates of the capitation rate increases for the following fiscal year. Before implementation of any changes in capitation rates, the Arizona Health Care Cost Containment System Administration shall report its expenditure plan to the Joint Legislative Budget Committee for review. Unless required for compliance with federal law, before the administration implements any changes in policy affecting the amount, sufficiency, duration, and scope of health care services and who may provide services, the administration shall prepare a fiscal impact analysis on the potential effects of this change on the following year's capitation rates. If the fiscal analysis demonstrates that these changes will result in additional state costs of \$500,000 or greater for a given fiscal year, the administration shall submit the policy changes to the Joint Legislative Budget Committee for review. The administration shall also report quarterly to the Joint Legislative Budget Committee itemizing all policy changes with fiscal impacts of less than \$500,000 in state costs. (General Appropriation Act footnote)
- 6/ Pursuant to A.R.S. § 11-292B the county portion of the FY 2006 non-federal portion of the costs of providing long-term care system services is \$218,738,100. This amount is included in the Expenditure Authority fund source. (General Appropriation Act footnote)

PERFORMANCE MEASURES	FY 2003	FY 2004	FY 2006
	Actual	Actual	Approved
• % of members utilizing Home and Community Based Services (HCBS)	54	60	65
• % of ALTCS eligibility accuracy as measured by a quality control sample	97	98	97

**Special Line Items**

**ALTCS Lump Sum Appropriation**

The budget provides \$999,447,400 for Arizona Long Term Care System (ALTCS) expenditures in FY 2006. This amount consists of:

	<b>FY 2006</b>
General Fund	\$107,051,800
County Contributions	218,738,100
Federal Expenditure Authority	673,657,500

**Caseload and Capitation Rate Growth**

The approved amount includes an increase of \$106,340,900 in FY 2006 for caseload and capitation rate growth. This amount consists of:

General Fund	21,595,200
County Contributions	18,857,600
Federal Expenditure Authority	65,888,100

The budget assumes that AHCCCS ALTCS enrollment will increase by approximately 5.5%, or approximately 1,400 member months, from June 2005 to June 2006. This would result in approximately 26,800 member years being served in FY 2006. Additionally, the approved amount includes capitation rate increases of approximately 5% above FY 2005. Other components of the ALTCS program, such as Fee-For-Service, Reinsurance, and Medicare Premiums programs, are expected to increase by approximately 10%, which includes both inflation and population growth. Also included in these estimates are additional General Fund monies and County Contributions (and reduced Federal Expenditure Authority) to reflect the lowering of the Federal Medical Assistance Percentage (FMAP), effective October 1, 2005.

Pursuant to A.R.S. § 11-292, the state and the counties share in the growth of the ALTCS program, as defined by the following formula:

1. The growth is split 50% to the state, 50% to the counties.
2. The counties' portion is allocated among the counties based on their FY 2005 ALTCS utilization.
3. Each county's contribution is then limited to 90 cents per \$100 of net assessed property value.
4. In counties with an "on-reservation" population of at least 20%, the contribution is limited by an alternative formula specified in statute.

5. If any county would still pay more under the above provisions than under the previous statutory percentages, that county's contribution is limited by a further alternative formula specified in statute.

**Maricopa County Shift**

The approved amount includes shifting \$6,500,000 from County Contributions to the General Fund in FY 2006. This shift reflects adding back monies paid by Maricopa County in FY 2003 when Maricopa County paid 100% of their ALTCS program growth. (Please see the Maricopa County Budget Shift discussion in the Summary narrative for more details.)

The Health and Welfare Budget Reconciliation Bill (Laws 2005, Chapter 328) changes the contribution amount of Maricopa County and keeps the other county contributions unchanged as defined by the statutory formula discussed above.

**Expiration of County Contribution Fund**

The approved amount includes an increase of \$7,446,500 from the General Fund and a corresponding decrease of \$(7,446,500) from the County Contribution Fund in FY 2006 for the expiration of the County Contribution Fund.

Laws 2003, Chapter 263 created the County Contribution Fund and directs deposits from counties in FY 2004 and FY 2005 only for ALTCS State Match costs. This fund will no longer receive revenues in FY 2006; therefore additional General Fund monies are needed to offset this decrease.

Table 1 details the individual county contribution amounts, as calculated according to the statutory formula and the Health and Welfare Budget Reconciliation Bill.

**Table 1****Budgeted County  
Contributions**

	<u><b>FY 2006</b></u>
Apache	\$ 526,300
Cochise	5,774,700
Coconino	1,579,000
Gila	3,044,000
Graham	963,300
Greenlee	126,600
La Paz	792,500
Maricopa	130,003,100
Mohave	7,328,700
Navajo	2,177,000
Pima	41,127,000
Pinal	9,676,600
Santa Cruz	2,098,800
Yavapai	7,464,200
Yuma	<u>6,056,300</u>
<b>Total</b>	<b>\$218,738,100</b>

***Board of Nursing***

The budget provides \$209,700 for the Board of Nursing in FY 2006. This amount consists of \$104,800 from the General Fund and \$104,900 in Federal Expenditure Authority. These amounts are unchanged from FY 2005. This Special Line Item reflects amounts to be passed through to the Board of Nursing for the cost of administering the Nurse Aid Training program.