

Arizona Health Care Cost Containment System

Administration

JLBC: Tim Sweeney
 OSPB: David Reese

DESCRIPTION	FY 2004 ACTUAL	FY 2005 ESTIMATE	FY 2006 JLBC
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	3,112.8	3,087.8	3,096.8
Personal Services	30,993,300	34,545,900	34,739,900
Employee Related Expenditures	9,681,000	11,027,300	11,667,600
Professional and Outside Services	3,210,200	3,077,100	3,077,100
Travel - In State	83,900	232,100	232,100
Travel - Out of State	13,600	29,600	29,600
Other Operating Expenditures	8,883,200	11,099,900	10,523,600
Equipment	3,030,400	2,409,900	964,900
OPERATING SUBTOTAL	55,895,600	62,421,800	61,234,800
SPECIAL LINE ITEMS			
ADOA Data Center Charges	5,206,700	5,717,500	5,717,500
Indian Advisory Council	168,500	205,300	205,300
DES Eligibility	45,522,700	45,637,900	45,637,900
DES Title XIX Pass-Through	142,300	317,000	317,000
DHS Title XIX Pass-Through	1,346,500	0	0
Healthcare Group Administration and Reinsurance	4,434,900	7,207,400	3,530,500
Office of Administrative Hearings	213,600	195,300	195,300
KidsCare - Administration	5,865,500	8,249,200	6,306,300
Proposition 204 - AHCCCS Administration	9,548,000	9,944,400	9,944,400
Proposition 204 - Pass Through Administration	27,888,100	32,849,000	33,166,300
Medicare Clawback Payments	0	0	0
Claims Settlement	268,900	0	0
PROGRAM TOTAL	156,501,300	172,744,800	166,255,300
FUND SOURCES			
General Fund	68,466,800	74,078,400	68,317,100
<u>Other Appropriated Funds</u>			
Budget Neutrality Compliance Fund	5,324,600	5,566,700	5,884,000
Children's Health Insurance Program Fund	5,865,500	6,384,600	4,887,000
Donations Fund	1,745,500	0	0
Healthcare Group Fund	0	3,207,400	3,530,500
Risk Management Fund	268,900	0	0
SUBTOTAL - Other Appropriated Funds	13,204,500	15,158,700	14,301,500
SUBTOTAL - Appropriated Funds	81,671,300	89,237,100	82,618,600
<u>Expenditure Authority Funds</u>			
Federal Title XIX Funds	74,830,000	83,507,700	83,636,700
SUBTOTAL - Expenditure Authority Funds	74,830,000	83,507,700	83,636,700
SUBTOTAL - Appropriated/Expenditure Authority Funds	156,501,300	172,744,800	166,255,300
Other Non-Appropriated Funds	42,694,700	52,890,800	74,493,200
Federal Funds	287,700	832,100	0
TOTAL - ALL SOURCES	199,483,700	226,467,700	240,748,500

CHANGE IN FUNDING SUMMARY

	FY 2005 to FY 2006 JLBC	
	\$ Change	% Change
General Fund	(5,761,300)	(7.8%)
Other Appropriated Funds	(857,200)	(5.7%)
Expenditure Authority Funds	129,000	0.2%
Total Appropriated/Expenditure Authority Funds	(6,489,500)	(3.8%)
Non Appropriated Funds	20,770,300	38.7%
Total - All Sources	14,280,800	6.3%

DES Title XIX Pass-Through

The JLBC recommends \$317,000 and 4.3 FTE Positions for DES Title XIX Pass-Through funding in FY 2006. These amounts consist of \$136,500 from the General Fund and \$180,500 in Federal Expenditure Authority. These amounts are unchanged from FY 2005.

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.

DHS Title XIX Pass-Through

The JLBC recommends no funding for the DHS Title XIX Pass-Through Line Item in FY 2006. In FY 2005 this Line Item was eliminated and the monies were appropriated directly to the Department of Health Services for various Title XIX licensing and screening activities.

Healthcare Group Administration and Reinsurance

The JLBC recommends \$3,530,500 and 30 FTE Positions from the Healthcare Group Fund for Healthcare Group Administration costs in FY 2006. Administrative costs of the Healthcare Group program are paid for from the Healthcare Group Fund, which receives revenue from monthly premiums paid by Healthcare Group members. Laws 2004, Chapter 332 appropriated \$3,207,400 from the Healthcare Group Fund for administrative costs in FY 2005. This recommendation, however, continues the Healthcare Group appropriation in the General Appropriation Act. This amount would fund the following adjustments:

Elimination of General Fund

Reinsurance Subsidy GF (4,000,000)

The JLBC recommends a decrease of \$(4,000,000) from the General Fund in FY 2006 for the elimination of the Healthcare Group reinsurance subsidy. In prior years the Legislature appropriated monies from the General Fund to cover reinsurance costs in Healthcare Group for catastrophic cases. As a result of efforts to expand Healthcare Group to make the program self-sufficient, the agency has stated that Healthcare Group will no longer require a General Fund subsidy, beginning in FY 2006.

Standard Changes OF (1,900)

The JLBC recommends a decrease of \$(1,900) from the Healthcare Group Fund in FY 2006 for standard changes.

FTE Authority to Match

Appropriation OF 0

The JLBC recommends an increase of 9 FTE Positions from the Healthcare Group Fund in FY 2006 to bring the

appropriated FTE amount in line with the number of positions funded with the FY 2005 appropriation. Prior to this increase, 21 FTE positions are funded from the Healthcare Group Fund.

Phone System Improvements OF 325,000

The JLBC recommends an increase of \$325,000 from the Healthcare Group Fund in FY 2006 for improvements to the existing phone system. The agency is seeking to add more automated services for members to make inquiries on their account via telephone.

Office of Administrative Hearings

The JLBC recommends \$195,300 and 3 FTE Positions in Federal Expenditure Authority for Office of Administrative Hearings (OAH) costs in FY 2006. These amounts are unchanged from FY 2005.

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.

KidsCare - Administration

The JLBC recommends \$6,306,300 and 142 FTE Positions for KidsCare Administration costs in FY 2006. These amounts consist of \$1,419,300 from the General Fund and \$4,887,000 from the Children’s Health Insurance Program (CHIP) Fund. These amounts would fund the following adjustments:

Elimination of KidsCare Parents GF (445,300)
OF (1,497,600)

The JLBC recommends a decrease of \$(1,942,900) in FY 2006 for reduced KidsCare Administration costs due to the elimination of the KidsCare Parents program. This amount consists of \$(445,300) from the General Fund and \$(1,497,600) from the CHIP Fund. (See Corresponding policy issue in the 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.

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 7.6% of the recommended CHIP Fund program costs.

Proposition 204 – AHCCCS Administration

The JLBC recommends \$9,944,400 and 202.3 FTE Positions for Proposition 204 AHCCCS Administration costs in FY 2006. These amounts consist of \$5,002,500 from the General Fund and \$4,941,900 in Federal Expenditure Authority. These amounts are unchanged from FY 2005.

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.

Proposition 204 – Pass - Through Administration

The JLBC recommends \$33,166,300 and 659 FTE Positions for Proposition 204 Pass-Through Administration costs in FY 2006. These amounts consist of:

General Fund	\$13,618,500
Budget Neutrality Compliance Fund	5,884,000
Federal Expenditure Authority Funds	13,663,800

The amounts would fund the following adjustments:

JLBC Statutory Calculation OF 317,300

The JLBC recommends an increase of \$317,300 from the Budget Neutrality Compliance Fund (BNCF) in FY 2006 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 adjust the prior year county contribution to the BNCF based on inflationary and population growth. In accordance with this requirement, JLBC Staff is using inflationary growth of 2.1%, as measured by the December 2004 estimate of the calendar year 2004 Gross Domestic Product (GDP) price deflator, and population growth of 3.6%, as estimated by the Department of Economic Security (DES) Population Statistics Unit. Using these rates, JLBC calculates a FY 2006 increase of \$317,300 above the FY 2005 contribution amount of \$5,566,700.

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.

Medicare Clawback Payments

The JLBC recommends the creation of a new Special Line Item titled Medicare Clawback Payments that will be used to make payments to Medicare, as required by the Medicare Modernization Act (MMA). As part of the MMA, AHCCCS will no longer be required to pay for prescriptions drug costs for members that are also eligible for Medicare. Instead, AHCCCS will be required to make

“clawback” payments to Medicare based on the estimated prescription drug cost of this population. This line item is currently recommended with no funding until a final estimate of the payment is available. Any savings realized in either the Acute Care or ALTCS programs in FY 2006 will be transferred to this line item, and used to make the necessary payments to Medicare. (See the AHCCCS Summary section for more information on the clawback and other provisions of the MMA.)

Claims Settlement

The JLBC recommends no funding for AHCCCS Claims Settlements in FY 2006. One-time funding was provided in FY 2004 from the Risk Management Fund for payment of a judgment rendered against AHCCCS. No funding for this judgment is required in FY 2006.

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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 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.

New Footnotes

The Arizona Health Care Cost Containment System shall transfer any savings from the implementation of a federal program providing prescription drug benefits to persons otherwise eligible for AHCCCS to the Medicare Clawback Payments line item to make the required payments to the federal government. Prior to the expenditure of monies for Medicare Clawback Payments, the Arizona Health Care Cost Containment System shall report its expenditure plan to the Joint Legislative Budget Committee for review. The report shall also include information on the calculation of the clawback payment amounts as well as estimates of the savings from the Acute Care and ALTCS programs that are being used to make the payments to Medicare. *(The JLBC recommends adding this footnote in order to keep the JLBC informed of the “clawback” payments AHCCCS will be required to make as a result of the Medicare Modernization Act.)*

Deletion of Prior Year Footnotes

The JLBC recommends the elimination of a footnote directing AHCCCS not to spend the AHCCCS Donations Fund appropriation for Healthcare Group administration if separate legislation passed in the 2004 Legislative Session containing an appropriation for Healthcare Group administration. The Legislature did pass S.B. 1166, which contained a \$3,207,400 appropriation for Healthcare Group administration from the Healthcare Group Fund, so AHCCCS is directed not to spend the Donations Fund appropriation. In FY 2006, the JLBC recommends continuing the Healthcare Group Fund administration appropriation in the General Appropriation Act, therefore this footnote is no longer needed.

SUMMARY OF FUNDS - SEE AGENCY SUMMARY

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