

Arizona Health Care Cost Containment System

Long-Term Care

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DESCRIPTION	FY 2004 ACTUAL	FY 2005 ESTIMATE	FY 2006 JLBC
SPECIAL LINE ITEMS			
ALTCS Lump Sum Appropriation	793,483,900	893,106,500	999,447,400
Board of Nursing	209,700	209,700	209,700
PROGRAM TOTAL	793,693,600	893,316,200	999,657,100
FUND SOURCES			
General Fund	52,847,800	71,614,900	100,656,600
<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
SUBTOTAL - Appropriated Funds	60,299,500	79,061,400	100,656,600
<u>Expenditure Authority Funds</u>			
County Funds	173,559,200	206,380,500	225,238,100
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	899,000,500
SUBTOTAL - Appropriated/Expenditure Authority Funds	793,693,600	893,316,200	999,657,100
TOTAL - ALL SOURCES	793,693,600	893,316,200	999,657,100

CHANGE IN FUNDING SUMMARY

	<u>FY 2005 to FY 2006 JLBC</u>	
	<u>\$ Change</u>	<u>% Change</u>
General Fund	29,041,700	40.6%
Other Appropriated Funds	(7,446,500)	(100.0%)
Expenditure Authority Funds	84,745,700	10.4%
Total Appropriated/Expenditure Authority Funds	106,340,900	11.9%
Total - All Sources	106,340,900	11.9%

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.

PERFORMANCE MEASURES	FY 2003	FY 2004	FY 2005	FY 2006
	Actual	Actual	Estimate	JLBC
• % of diabetic members who receive a Hemoglobin A1C test annually	NA	NA	50	--
• % of members utilizing Home and Community Based Services (HCBS)	54	60	54	65
• % of ALTCS eligibility accuracy as measured by a quality control sample	97	98	97	97
• % of financial redeterminations processed on time (within 12 months)	95	99	96	--

Comments: The measure for the percent of ALTCS eligibility accuracy had previously been included in the Administration section. It is moved to ALTCS as it is an ALTCS specific measure.

RECOMMENDED CHANGES FROM FY 2005

Special Line Items

ALTCS Lump Sum Appropriation

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

	FY 2006
General Fund	\$100,551,800
County Contributions	225,238,100
Federal Expenditure Authority	673,657,500

These amounts include the following adjustments:

Caseload and Capitation	GF	21,595,200
Rate Growth	EA	84,745,700

The JLBC recommends 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 JLBC estimates 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 JLBC recommendation 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 2004 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.

Table 1 details the individual county contribution amounts recommended by the JLBC, as calculated according to the statutory formula described above.

Table 1

JLBC Recommended County Contributions	
	FY 2006
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	136,503,100
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	6,056,300
Total	\$225,238,100

Expiration of County Contribution Fund	GF	7,446,500
	OF	(7,446,500)

The JLBC recommends 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.

Board of Nursing

The JLBC recommends \$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.

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JLBC RECOMMENDED FORMAT — Special Line Items by Program

JLBC RECOMMENDED FOOTNOTES

Standard Footnotes

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.

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.

THE ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM SHALL REPORT TO THE JOINT LEGISLATIVE BUDGET COMMITTEE BY MARCH 31 OF EACH YEAR ON 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. *(The JLBC recommends adding this language to improve the accuracy of capitation rate forecasts.)*

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 systems services is \$225,238,100. This amount is included in the expenditure authority fund source.

New Footnotes

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. *(The JLBC recommends adding this footnote to direct AHCCCS to deposit savings due to the implementation of the Federal Medicare Modernization Act, which shifts prescription responsibility from Medicaid programs to Medicare. These savings are then directed to be used to fund the "clawback" payments that will be directed to Medicare.)*

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

FY 2005 Supplemental

The JLBC recommends a FY 2005 supplemental of \$12,829,500. This amount includes \$1,530,300 from the General Fund, \$5,612,100 in County Funds, and \$5,687,100 in Federal Expenditure Authority. The primary drivers of these increases are increases in the Fee-For-Service and Reinsurance portions of the ALTCS program. Through November 2004, Fee-For-Service expenditures are approximately 15% above appropriated levels and Reinsurance expenditures are approximately 71% above appropriated levels. These increases are offset by lower than budgeted membership growth through November; however, the Fee-For-Service and Reinsurance increases still generate an overall supplemental need. FY 2005 numbers in the summary number table have not been adjusted for this recommended supplemental.

SUMMARY OF FUNDS - SEE AGENCY SUMMARY

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