

Arizona Health Care Cost Containment System

Administration

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DESCRIPTION	FY 2005 ACTUAL	FY 2006 ESTIMATE	FY 2007 JLBC
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	3,087.8	3,096.8	3,096.8
Personal Services	32,467,400	34,910,700	34,910,700
Employee Related Expenditures	10,661,700	12,344,400	12,344,400
Professional and Outside Services	3,871,600	4,156,100	4,156,100
Travel - In State	104,500	88,700	88,700
Travel - Out of State	40,700	28,600	28,600
Other Operating Expenditures	12,295,800	10,536,000	10,536,000
Equipment	3,175,600	1,036,300	1,036,300
OPERATING SUBTOTAL	62,617,300	63,100,800	63,100,800
SPECIAL LINE ITEMS			
ADOA Data Center Charges	5,707,600	5,717,500	5,717,500
Indian Advisory Council	161,500	211,900	211,900
DES Eligibility	41,572,600	47,442,100	47,442,100
DES Title XIX Pass-Through	290,700	320,700	320,700
Healthcare Group Administration and Reinsurance	3,647,900	3,602,000	3,602,000
Office of Administrative Hearings	202,700	202,100	248,600
KidsCare - Administration	8,166,600	8,424,900	6,482,000
Proposition 204 - AHCCCS Administration	10,194,000	10,226,600	10,226,600
Proposition 204 - Pass-Through Administration	28,262,800	34,405,500	34,405,500
Medicare Clawback Payments	0	0	30,901,900
PROGRAM TOTAL	160,823,700	173,654,100	202,659,600
FUND SOURCES			
General Fund	65,661,000	74,723,500	105,113,700
<u>Other Appropriated Funds</u>			
Budget Neutrality Compliance Fund	5,566,700	2,395,400	2,531,900
Children's Health Insurance Program Fund	6,452,000	6,534,200	4,966,500
Healthcare Group Fund	3,062,300	3,602,000	3,602,000
SUBTOTAL - Other Appropriated Funds	15,081,000	12,531,600	11,100,400
SUBTOTAL - Appropriated Funds	80,742,000	87,255,100	116,214,100
<u>Expenditure Authority Funds</u>			
Federal Title XIX Funds	80,081,700	86,399,000	86,445,500
SUBTOTAL - Expenditure Authority Funds	80,081,700	86,399,000	86,445,500
SUBTOTAL - Appropriated/Expenditure Authority Funds	160,823,700	173,654,100	202,659,600
Other Non-Appropriated Funds	39,318,800	71,589,900	71,589,900
Federal Funds	372,400	0	0
TOTAL - ALL SOURCES	200,514,900	245,244,000	274,249,500

CHANGE IN FUNDING SUMMARY

	FY 2006 to FY 2007 JLBC	
	\$ Change	% Change
General Fund	30,390,200	40.7%
Other Appropriated Funds	(1,431,200)	(11.4%)
Expenditure Authority Funds	46,500	0.1%
Total Appropriated/Expenditure Authority Funds	29,005,500	16.7%
Non Appropriated Funds	0	0.0%
Total - All Sources	29,005,500	11.8%

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 Actual	FY 2004 Actual	FY 2005 Actual	FY 2007 JLBC
<ul style="list-style-type: none"> • % of applications processed on time Comments: Most of the reason for applications not being processed on time is due to client errors in submitting needed information. 	94	79	68	95
<ul style="list-style-type: none"> • Customer satisfaction rating for eligibility determination clients (Scale 1-8) Comments: The performance measure surveys are conducted every 2 years, which results in the labels of "NA" for those measures. The JLBC recommends the survey be done annually. 	NA	6.0	NA	6.0

RECOMMENDED CHANGES FROM FY 2006

General Fund	22,441,700
Federal Expenditure Authority	25,000,400

Operating Budget

The JLBC recommends \$63,100,800 for the operating budget in FY 2007. This amount consists of:

	<u>FY 2007</u>
General Fund	\$25,552,300
Federal Expenditure Authority	37,548,500

These amounts are unchanged from FY 2006.

Special Line Items

ADOA Data Center Charges

The JLBC recommends \$5,717,500 for ADOA Data Center Charges in FY 2007. This amount consists of:

General Fund	1,724,700
Federal Expenditure Authority	3,992,800

These amounts are unchanged from FY 2006.

This Special Line Item reflects costs associated with the agency's usage of mainframe computing services provided by the Arizona Department of Administration (ADOA).

Indian Advisory Council

The JLBC recommends \$211,900 and 3.6 FTE Positions for the Indian Advisory Council in FY 2007. These amounts consist of:

General Fund	106,100
Federal Expenditure Authority	105,800

These amounts are unchanged from FY 2006.

The Advisory Council on Indian Healthcare assists in developing a comprehensive healthcare delivery system for Arizona's Native American population.

DES Eligibility

The JLBC recommends \$47,442,100 and 958.2 FTE Positions for DES Eligibility services in FY 2007. These amounts consist of:

These amounts are unchanged from FY 2006.

The Department of Economic Security (DES), through an intergovernmental agreement, performs eligibility determinations for the Acute Care program.

DES Title XIX Pass-Through

The JLBC recommends \$320,700 and 4.3 FTE Positions for DES Title XIX Pass-Through funding in FY 2007. These amounts consist of:

General Fund	137,600
Federal Expenditure Authority	183,100

These amounts are unchanged from FY 2006.

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.

Healthcare Group Administration and Reinsurance

The JLBC recommends \$3,602,000 and 30 FTE Positions from the Healthcare Group Fund for Healthcare Group Administration costs in FY 2007. These amounts are unchanged from 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.

The JLBC has concerns regarding potential liability should Healthcare Group become insolvent.

Office of Administrative Hearings

The JLBC recommends \$248,600 and 3 FTE Positions in Federal Expenditure Authority for Office of Administrative Hearings (OAH) costs in FY 2007.

These amounts would fund the following adjustments:

Caseload Growth EA 46,500

The JLBC recommends an increase of \$46,500 from Federal Expenditure Authority in FY 2007 to fund the growth in the number of hearings, as shown in *Table 1* below. From FY 2003 to FY 2005, the number of hearings increased 33% without a corresponding increase in appropriation authority.

Table 1	
Title XIX Hearings	
FY 2003	1,915
FY 2004	1,980
FY 2005	2,543

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 \$6,482,000 and 142 FTE Positions for KidsCare Administration costs in FY 2007. These amounts consist of:

General Fund	1,515,500
Children's Health Insurance Program (CHIP) Fund	4,966,500

These amounts would fund the following adjustments:

**KidsCare Parents GF (456,000)
Program Expiration OF (1,486,900)**

The JLBC recommends a decrease of \$(1,942,900) in FY 2007 for reduced KidsCare Administration costs due to the elimination of the KidsCare Parents program. This amount consists of:

General Fund	(456,000)
Children's Health Insurance Program (CHIP) Fund	(1,486,900)

(See the corresponding policy issue in the Acute Care section for more information.)

**FMAP Change GF 80,800
OF (80,800)**

The JLBC recommends an increase of \$80,800 from the General Fund and a corresponding CHIP Fund decrease in FY 2007 to reflect the lowering of the enhanced federal medical assistance percentage in October 1, 2006 from 76.89% to 76.53%.

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 recommended KidsCare Administration funding level from the CHIP Fund is approximately 6.5% of the recommended CHIP Fund program costs.

Proposition 204 - AHCCCS Administration

The JLBC recommends \$10,226,600 and 202.3 FTE Positions for Proposition 204 AHCCCS Administration costs in FY 2007. These amounts consist of:

General Fund	\$5,143,700
Federal Expenditure Authority	5,082,900

These amounts are unchanged from FY 2006.

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 \$34,405,500 and 659 FTE Positions for Proposition 204 Pass-Through Administration costs in FY 2007. These amounts consist of:

General Fund	\$17,590,200
Budget Neutrality Compliance Fund	2,531,900
Federal Expenditure Authority Funds	14,283,400

These amounts include the following adjustments:

**Statutory Adjustment GF (136,500)
OF 136,500**

The JLBC recommends an increase of \$136,500 from the Budget Neutrality Compliance Fund (BNCF) and a corresponding General Fund decrease in FY 2007 to reflect a statutorily required increase of county contributions. 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 used inflationary growth of 2.3%, as measured by the December 2005 estimate of the calendar year 2005 Gross Domestic

Product (GDP) price deflator, and population growth of 3.4%, as estimated by the Department of Economic Security (DES) Population Statistics Unit. Using these rates, JLBC Staff calculated a FY 2007 increase of \$136,500 above the FY 2006 contribution amount of \$2,395,400.

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 \$30,901,900 from the General Fund for new Medicare Clawback Payments costs in FY 2007. This amount would fund the following adjustments:

New Payments **GF 30,901,900**

The JLBC recommends an increase of \$30,901,900 from the General Fund in FY 2007 for new Clawback Payments. As part of the Medicare Modernization Act (MMA) effective January 1, 2006, 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 amount reflects estimated FY 2007 costs for AHCCCS' Acute Care population. *(Please see the AHCCCS Summary section for more information on the Clawback and other provisions of the MMA.)*

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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.

Deletion of Prior Year Footnotes

The JLBC recommends deleting the footnote detailing the transfer of federal program savings and Medicare Clawback payments.

JLBC RECOMMENDED STATUTORY CHANGES

The JLBC recommends a statutory provision requiring the Arizona Health Care Cost Containment System (AHCCCS) to solicit requests for proposals for privatizing the eligibility determination process. The request for proposals shall focus on how the privatization process would save the state money compared to its current system of eligibility determination. AHCCCS shall submit a proposed request for proposal to the Joint Legislative Budget Committee for review.

The JLBC recommends making a technical correction to the Budget Neutrality Compliance Fund percentage distributions in A.R.S. § 11-292P.

SUMMARY OF FUNDS - SEE AGENCY SUMMARY
