

Department of Economic Security
Long Term Care

A.R.S. § 41-1954

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	FY 2006 Actual	FY 2007 Estimate	FY 2008 Approved
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1,469.4	1,615.0	1,664.0 ^{1/}
Personal Services	9,155,600	9,700,900	10,004,800
Employee Related Expenditures	3,061,900	3,443,100	3,645,700
Professional and Outside Services	371,100	1,659,100	1,659,100
Travel - In State	303,000	334,700	334,700
Other Operating Expenditures	14,692,500	14,628,200	15,965,400
Equipment	773,900	901,700	901,700
OPERATING SUBTOTAL	28,358,000	30,667,700	32,511,400
SPECIAL LINE ITEMS			
Case Management	28,932,300	35,708,900	39,185,400
Home and Community Based Services	458,849,600	523,492,200 ^{2/}	562,595,700 ^{3/}
Institutional Services	12,776,300	18,654,300	13,615,300
Medical Services	84,869,100	90,437,100	113,720,000
Arizona Training Program at Coolidge	15,570,100	16,611,200	17,083,200
Fee-For-Service and Reinsurance	0	0	3,669,000
Medicare Clawback Payments	0	2,069,000	2,184,400
PROGRAM TOTAL	629,355,400	717,640,400	784,564,400^{4/5/6/7/}
FUND SOURCES			
General Fund	211,123,900	236,729,000	266,197,000
<u>Other Appropriated Funds</u>			
Long Term Care System Fund (Non-Federal Matched)	0	8,800,000	0
SUBTOTAL - Other Appropriated Funds	0	8,800,000	0
SUBTOTAL - Appropriated Funds	211,123,900	245,529,000	266,197,000
<u>Expenditure Authority Funds</u>			
Long Term Care System Fund (Federal Match)	418,231,500	472,111,400	518,367,400
SUBTOTAL - Expenditure Authority Funds	418,231,500	472,111,400	518,367,400
SUBTOTAL - Appropriated/Expenditure Authority Funds	629,355,400	717,640,400	784,564,400
TOTAL - ALL SOURCES	629,355,400	717,640,400	784,564,400^{8/9/}

- ^{1/} Includes 410.4 GF and 982.1 EA FTE Positions funded from Special Line Items in FY 2008.
- ^{2/} Laws 2007, Chapter 256 appropriated \$11,800,000 for supplemental funding for services to the developmentally disabled.
- ^{3/} The amounts above include \$6,998,700 from the state General Fund and \$11,624,900 from matching Federal Expenditure Authority to raise rates of community service providers and independent service agreement providers contracting with the Division of Developmental Disabilities. This amount is estimated to be the equivalent of 100% of FY 2008 market rates for all services on the published rate schedule. It is the intent of the Legislature that the division request the Arizona Health Care Cost Containment System Administration to approve a capitation rate increase retroactive to July 1, 2007 to make provider rate increases effective July 1, 2007. By July 1, 2007, the division shall obtain approval for a rate increase implementation proposal from AHCCCS. By August 1, 2007, the division shall submit the implementation plan for review by the Joint Legislative Budget Committee. The adjusted rates shall be implemented beginning with provider payments due for services performed in August 2007. Payment for retroactive reimbursement due for services provided in July 2007 shall be paid to providers no later than September 15, 2007. (General Appropriation Act footnote)
- ^{4/} The department shall report to the Joint Legislative Budget Committee by March 1 of each year on preliminary actuarial estimates of the capitation rate changes for the following fiscal year along with the reasons for the estimated changes. For any actuarial estimates that include a range, the total range from minimum to maximum shall be not more than 2%. Before implementation of any changes in capitation rates for the Long Term Care program, the Department of Economic Security shall report for review the expenditure plan to the Joint Legislative Budget Committee. Before the department implements any changes in policy affecting the amount, sufficiency, duration, and scope of health care services and who may provide services, the department 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 department shall submit the policy changes for review by the Joint Legislative Budget Committee. (General Appropriation Act footnote)
- ^{5/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Program.
- ^{6/} The appropriated amount provides funding for a FY 2008 capitation rate increase of 4% above FY 2007 excluding salary, benefits, and other statewide adjustments. The department shall reallocate resources within its existing budget to pay for any capitation rate increases above 5% excluding salary, benefits, and other statewide adjustments without supplemental funding. (General Appropriation Act footnote).

COST CENTER DESCRIPTION — The Long Term Care (LTC) program provides services to individuals with mental retardation, cerebral palsy, autism, and epilepsy, who are eligible for the federal Title XIX Program. Title XIX is an entitlement program in which any individual meeting the financial and functional requirements must receive assistance. To qualify for federal funding, an individual must have an income below 300% of the Supplemental Security Income (SSI) eligibility limit, which is approximately 222% of the Federal Poverty Limit, and have certain functional needs. Clients not eligible for the federal program can receive services funded through the 100% state-funded Developmental Disabilities (DD) Program. Besides contracting for services, the program: a) operates the Arizona Training Program at Coolidge (ATP-C) and smaller state-operated group homes, and b) provides case management services to recipients.

PERFORMANCE MEASURES — See Developmental Disabilities cost center.

Overview

The LTC cost center is funded from 2 sources: the General Fund (GF) and federal Title XIX capitation revenues received from the Arizona Health Care Cost Containment System (AHCCCS). The LTC appropriation includes the appropriation of GF monies and federal expenditure authority. The state is required to contribute about one-third of the cost of the Long Term Care program.

As the AHCCCS-authorized provider of DD services, the Department of Economic Security (DES) receives federal monies through prepaid monthly capitation payments based on rates for types of clients. The included amount makes the following assumptions:

- Caseload growth: Growth is estimated at 5.4% from June 2007 to June 2008. This 5.4% growth rate reflects the average growth rate for the last 15 months. The caseload growth will result in an average monthly FY 2008 caseload of 19,600 clients, including both regular and ventilator-dependent clients.
- Capitation rate: The growth factors used include 5.4% for caseload growth, 6% for medical inflation, and 3.2% for provider rate inflation. The overall FY 2008 capitation rate growth, excluding provider rate increases, is 3%. In FY 2007, similar capitation rate growth was 3.7%. The budget assumes that the administrative component remains flat at the FY 2006 rate.
- Federal Matching Assistance Percentage (FMAP): This rate will decline from 66.47% in Federal Fiscal Year (FFY) 2007 to 66.20% in FFY 2008, which means the state will have to contribute slightly more in state monies to generate \$1 in total funds.

clients are eligible for Medical Services and Case Management as necessary, but not all clients access other services in any particular month.

<u>Special Line Item</u>	<u>Clients</u>
Home and Community Based Services	16,467
Institutional Services	395
Arizona Training Program at Coolidge	<u>145</u> ^{1/}
Subtotal	17,007
Case Management /Medical Services only	<u>2,493</u>
Total	19,500 ^{2/}

^{1/} Represents the budgeted client caseload. See Table 6 for actual client caseload.
^{2/} Does not include ventilator dependent clients.

Table 4 on the following page, summarizes member years, capitation rates, and the state and federal share of funding for the LTC program.

As of April 2007, the Division of Developmental Disabilities, both the LTC and the state-only portion, together serve 27,533 clients. These clients have the following primary disabilities as shown in Table 2:

<u>Disability</u>	<u>Number</u>	<u>Percentage</u>
Mental Retardation	12,881	47%
At Risk	7,854	28%
Autism	2,992	11%
Cerebral Palsy	2,720	10%
Epilepsy	1,086	4%

Table 1 summarizes the average monthly caseload estimates for the Special Line Items. Please note that all

These clients fall into the following age groups as seen in Table 3:

^{7/} Prior to the implementation of any developmentally disabled or long term care statewide provider rate increases not already specifically authorized by the Legislature, court mandates or changes to federal law, the department shall submit a report for review by the Joint Legislative Budget Committee. The report shall include, at a minimum, the estimated cost of the provider rate increase and the ongoing source of funding for the increase. (General Appropriation Act footnote)

^{8/} All monies in the Long Term Care System Fund unexpended and unencumbered at the end of FY 2008 revert to the state General Fund, subject to approval by the Arizona Health Care Cost Containment System Administration. (General Appropriation Act footnote)

^{9/} A.R.S. § 36-2953 establishes a Long Term Care System Fund. Subject to legislative appropriation, this fund consists of all AHCCCS monies, state appropriations and other grants used to finance long term care to developmentally disabled clients. The above chart displays the Total Expenditure Authority (EA) of the Long Term Care System Fund, but does not include costs expended in the Administration cost center from this fund.

Table 3

Age of Clients Served

<u>Age</u>	<u>Number</u>	<u>Percentage</u>
Under 21	18,007	66%
21 to 55	8,336	30%
Over 55	1,190	4%

Operating Budget

The budget provides \$32,511,400 and 271.5 FTE Positions for the operating budget in FY 2008. This amount consists of:

	<u>FY 2008</u>
General Fund	\$10,951,200
Long Term Care System Fund	21,560,200

These amounts fund the following adjustments:

Statewide Adjustments

The budget provides an increase of \$392,500 in FY 2008 for statewide adjustments. This amount consists of:

General Fund	147,300
Long Term Care System Fund	245,200

(Please see the Statewide Adjustments section at the end of this Appropriations Report for details.)

Premium Tax Growth

The budget provides an increase of \$1,451,200 in FY 2008 for premium tax growth. This amount consists of:

General Fund	489,500
Long Term Care System Fund	961,700

This increase is based on the total amount of expected premium tax payments. The premium tax includes amounts associated with the pass-through of behavioral

health monies to DHS. The tax is assessed on all net insurance premiums in the state. The state contracts with various health service organizations to carry out needed services. Health care service organizations collect insurance premiums and are, therefore, subject to the tax.

FMAP Change

The budget provides an increase of \$187,000 from the General Fund and a corresponding \$(187,700) Long Term Care System Fund decrease in FY 2008 to reflect the lowering of the federal medical assistance percentage as discussed above.

Special Line Items

Case Management

The budget provides \$39,185,400 and 761.5 FTE Positions for Case Management in FY 2008. These amounts consist of:

General Fund	13,279,600
Long Term Care System Fund	25,905,800

These amounts fund the following adjustments:

Statewide Adjustments

The budget provides an increase of \$1,052,200 in FY 2008 for statewide adjustments. This amount consists of:

General Fund	416,300
Long Term Care System Fund	635,900

Caseload Growth

The budget provides an increase of \$2,707,800 and 49 FTE Positions in FY 2008 for 35 case managers, 7 supervisors and 7 case manager assistants related to caseload growth. These amounts consist of:

Table 4

FY 2008 Long Term Care Capitation Rate Revenue

<u>Capitation Category</u>	<u>Member Years</u>	<u>Monthly Capitation Rate</u>	<u>Title XIX Share</u>	<u>State GF Match</u>	<u>Total</u>
Enrolled	19,500	\$3,329.70	\$516,260,100	\$262,890,600	\$779,150,700
Ventilator Dependent	100	\$13,328.17	10,597,400	5,396,400	15,993,800
Total	19,600		526,857,500	268,287,000	795,144,500
Administration			(8,048,100)	(4,126,400)	(12,174,500) ^{1/}
FFS/Reinsurance			2,431,400	1,237,600	3,669,000 ^{2/}
Cost Sharing			(2,873,400)	(1,441,200)	(4,314,600) ^{3/}
Clawback Payments			0	2,184,400	2,184,400 ^{2/}
Dual Eligible Part D Copay Subsidy			0	55,600	55,600 ^{2/4/}
FY 2008 LTC Total			\$518,367,400	\$266,197,000	\$784,564,400 ^{5/}

^{1/} Monies transferred to the Administration cost center for indirect costs associated with the Long Term Care cost program.

^{2/} Separate costs not included in the capitation rate.

^{3/} Reflects legislation passed in 2003 to impose cost sharing on families earning at or above 400% of the Federal Poverty Level (\$80,000 for a family of 4 in 2006).

^{4/} Monies included in the Home and Community Based Services Special Line Item.

^{5/} Monies are distributed amongst the program's operating budget and 7 Special Line Items.

General Fund	1,114,200
Long Term Care System Fund	1,593,600

The increase includes \$514,500 for one-time equipment. Case managers were added at a ratio of 35 cases for every new case manager. Rent for these new FTE Positions has been added in the operating budget of the Administrative cost center. *(Please see the Administrative cost center for more information.)*

In addition to providing case management services to an estimated 17,116 clients receiving direct services, this line item also provides case management services only to another 2,510 clients.

One-Time Equipment

The budget provides a decrease of \$(283,500) in FY 2008 to reflect one-time FY 2007 equipment. This amount consists of:

General Fund	(94,700)
Long Term Care System Fund	(188,800)

Home and Community Based Services

The budget provides \$562,595,700 and 99.2 FTE Positions for Home and Community Based Services (HCBS) in FY 2008. These amounts consist of:

General Fund	189,770,300
Long Term Care System Fund	372,825,400

These amounts fund the following adjustments:

Statewide Adjustments

The budget provides an increase of \$259,800 in FY 2008 for statewide adjustments. This amount consists of:

General Fund	88,100
Long Term Care System Fund	171,700

Caseload Growth

The budget provides an increase of \$50,643,700 in FY 2008 for Long Term Care caseload growth. This amount consists of:

General Fund	18,852,800
Long Term Care System Fund	31,790,900

These amounts include the estimated 5.4% caseload growth for FY 2008 and a 3.2% provider rate inflation adjustment for FY 2008.

Monies in this line item fund residential programs, day programs, and support services for clients in a broad range of settings, from those living independently at home to those living in group homes. Monies also fund staff in state-operated group homes, excluding the ATP-C.

This amount continues a FY 2007 supplemental appropriation of \$11,800,000, which includes \$8,800,000 appropriated from the Long-Term Care System Fund and \$3,000,000 in expenditure authority of federal monies, for services to the developmentally disabled. The supplemental is included in the Supplemental Appropriations Bill (Laws 2007, Chapter 256).

Of the \$562,595,700 in this line item, \$548,456,000 funds HCBS to clients enrolled in the LTC program; the other \$14,139,700 funds program staff.

Table 5 indicates how estimated caseloads are expected to be allocated among HCBS settings:

<u>HCBS Setting</u>	<u>Clients</u>
At Home With Family	11,952
Adult Developmental Foster Home	649
Group Home	3,505
Child Developmental Foster Home	310
Independent Living	7
State-Operated Group Home	44
Total	16,467

Institutional Services

The budget provides \$13,615,300 and 77.7 FTE Positions for Institutional Services in FY 2008. These amounts consist of:

General Fund	4,487,500
Long Term Care System Fund	9,127,800

These amounts fund the following adjustments:

Statewide Adjustments

The budget provides an increase of \$92,800 in FY 2008 for statewide adjustments. This amount consists of:

General Fund	34,500
Long Term Care System Fund	58,300

Caseload Growth

The budget provides an increase of \$746,500 in FY 2008 for Long Term Care caseload growth. This amount consists of:

General Fund	251,100
Long Term Care System Fund	495,400

These amounts include a 6% adjustment for medical inflation in FY 2008.

Monies in this line item fund residential and day programs to clients with more severe developmental disabilities. These clients reside in Intermediate Care Facilities for the Mentally Retarded (ICF/MRs) or other nursing facilities,

both privately- and state-operated, excluding the ATP-C. The amount is estimated to serve 395 clients.

Of the \$13,615,300 in this line item, \$9,973,500 funds Institutional Services to clients enrolled in the LTC program; the other \$3,641,800 funds program staff.

Rebase

The budget provides a decrease of \$(5,878,300) in FY 2008 for rebase. This amount consists of:

General Fund	(1,982,800)
Long Term Care System Fund	(3,895,500)

In FY 2007, \$18,654,300 was appropriated to this Special Line Item. Monies in this line item were reduced in order to reflect actual spending trends in prior years. The rebase reflects actual spending in FY 2006 of \$12,776,000. The reduction is offset by a corresponding increase in the Medical Services Special Line Item.

Medical Services

The budget provides \$113,720,000 and 36.7 FTE Positions for Medical Services in FY 2008. This amount consists of:

General Fund	38,585,500
Long Term Care System Fund	75,134,500

These amounts fund the following adjustments:

Statewide Adjustments

The budget provides an increase of \$59,800 for statewide adjustments. This amount consists of:

General Fund	20,800
Long Term Care System Fund	39,000

Caseload Growth

The budget provides an increase of \$16,326,500 in FY 2008 for Long Term Care caseload growth. This amount consists of:

General Fund	6,047,500
Long Term Care System Fund	10,279,000

These amounts include a 6% adjustment for medical inflation and estimated 5.4% caseload growth for FY 2008. This amount also includes \$7,000,000 for incontinence briefs as a result of the Ekloff v. Rogers case. DES is now mandated by the court to provide incontinence supplies to members aged 3 through 20 who are incontinent as a result of a disabling condition.

Dental Services

The budget provides an increase of \$2,953,300 in FY 2008 for dental services. This amount consists of:

General Fund	1,000,000
Long Term Care System Fund	1,953,300

These monies will be used to provide additional dental services to all Long Term Care Title XIX clients. In FY 2007, \$1,000,000 was provided for a pilot program to provide dental services, including preventive care, to some Title XIX clients in the Developmental Disabilities cost center. The funding has been transferred to the Long Term Care cost center to reflect the statewide expansion of the program. *(Please see the Dental Pilot Special Line Item in the Developmental Disabilities cost center.)*

Rebase

The budget provides an increase of \$5,878,300 in FY 2008 for rebase. This amount consists of:

General Fund	1,982,800
Long Term Care System Fund	3,895,500

Monies in this line item were increased in order to reflect actual spending trends in prior years and additional costs. The increase is offset by a corresponding decrease in the Institutional Services Special Line Item.

Transfer to New Special Line Item

The budget provides a decrease of \$(1,935,000) in FY 2008 for transfer to a new Special Line Item. This amount consists of:

General Fund	(646,300)
Long Term Care System Fund	(1,288,700)

These monies are transferred to the new Fee-For-Service and Reinsurance Special Line Item. The amount transferred represents the dollars budgeted in past years for these costs.

Of the \$113,720,000 in this line item, \$111,441,000 funds Acute Care services to clients enrolled in the LTC program; the other \$2,279,000 funds the staff of the division's Managed Care unit.

Arizona Training Program at Coolidge

The budget provides \$17,083,200 and 417.4 FTE Positions for ATP-C in FY 2008. This amount consists of:

General Fund	5,700,900
Long Term Care System Fund	11,382,300

These amounts fund the following adjustments:

Statewide Adjustments

The budget provides an increase of \$472,000 in FY 2008 for statewide adjustments. This amount consists of:

General Fund	206,200
Long Term Care System Fund	265,800

Monies in this line item fund an entire range of services for DD clients residing at the ATP-C campus, either in ICF/MRs or state-operated group homes (SOGHs). The

amount does not include costs associated with case management, certain occupancy-related costs, other indirect administration, and Stipends and Allowances.

The amount is budgeted to provide a total of 145 member years of service in FY 2008, 116 in ICF/MRs and 29 in SOGHs. The approximate blended cost per DD budgeted client at ATP-C (excluding these other costs) will be \$116,500 in FY 2008. At an estimated FY 2008 caseload of 124, spending per client would be \$136,200. The actual ATP-C population has been below budgeted levels, as shown in *Table 6*.

ATP-C Client Population	
FY 2006	134
FY 2007 (est.)*	129
FY 2008 (est.)*	124
* For the last 6 years, average annual population decline has been 4.8.	

Fee-For-Service and Reinsurance

The budget provides \$3,669,000 for a new line item, Fee-For-Service and Reinsurance, in FY 2008. This amount consists of:

General Fund	1,237,600
Long Term Care System Fund	2,431,400

These amounts fund the following adjustments:

Transfer from Medical Services Special Line Item

The budget provides an increase of \$1,935,000 in FY 2008 for transfer from the Medical Service Special Line Item. This amount consists of:

General Fund	646,300
Long Term Care System Fund	1,288,700

The funding represents a shift of funding from the Medical Services Special Line Item to this line item. The monies will be used to cover fee-for-service and reinsurance costs, which are paid separately from the capitation rate. The fee-for-service covers about 550 clients with the 100% federally-funded Indian Health Services as their primary providers, but who occasionally receive services from DES. The reinsurance is for payments made by AHCCCS to DES for catastrophic cases in the Title XIX population.

New Growth

The budget provides an increase of \$1,734,000 in FY 2008 for new growth. This amount consists of:

General Fund	591,300
Long Term Care System Fund	1,142,700

The funding reflects actual spending levels in prior years and an 11% increase in costs in FY 2008. As these costs

are paid for separately from the capitation rate, a new Special Line Item was created to reflect these expenditures.

Medicare Clawback Payments

The budget provides \$2,184,400 from the General Fund for Medicare Clawback Payments in FY 2008. These amounts fund the following adjustments:

Caseload Growth

The budget provides an increase of \$115,400 from the General Fund in FY 2008 for Long Term Care caseload growth. These amounts are based upon the estimated 5.7% caseload growth for FY 2008.

The line item is used to make payments to Medicare, as required by the Medicare Modernization Act (MMA). As part of the MMA, DES is no longer required to pay for prescription drug costs for members that are also eligible for Medicare as of January 1, 2006. Instead, DES is required to make "Clawback" payments to Medicare based on 88% of the estimated prescription drug cost of this population in FY 2008. The state's share of 88% declines annually by 1.7% and the Clawback cost per member is annually increased based on national health trend information.