

Arizona Health Care Cost Containment System

Administration

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DESCRIPTION	FY 2006 ACTUAL	FY 2007 ESTIMATE	FY 2008 JLBC
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	3,096.8	3,159.4	3,159.4
Personal Services	34,993,700	38,971,400	38,971,400
Employee Related Expenditures	12,279,900	14,455,100	14,511,300
Professional and Outside Services	4,016,000	4,302,600	1,265,700
Travel - In State	175,300	138,000	138,000
Travel - Out of State	47,300	46,400	46,400
Other Operating Expenditures	11,088,000	12,635,000	12,540,100
Equipment	1,084,100	303,200	292,700
OPERATING SUBTOTAL	63,684,300	70,851,700	67,765,600
SPECIAL LINE ITEMS			
ADOA Data Center Charges	7,004,500	5,717,500	5,717,500
Indian Advisory Council	150,900	227,100	227,000
DES Eligibility	49,206,200	57,946,000	53,698,200
DES Title XIX Pass-Through	270,800	345,400	345,300
Healthcare Group Administration and Reinsurance	3,465,800	3,811,800	3,802,800
Office of Administrative Hearings	220,900	269,700	269,700
KidsCare - Administration	8,629,800	9,338,500	7,196,300
Proposition 204 - AHCCCS Administration	10,096,800	11,425,100	11,029,700
Proposition 204 - DES Eligibility	26,846,200	41,842,800	38,780,100
Computer System Planning	0	2,000,000	0
2-1-1 System	0	1,900,000	1,000,000
PROGRAM TOTAL	169,576,200	205,675,600	189,832,200
FUND SOURCES			
General Fund	77,082,800	88,922,400	82,980,100
<u>Other Appropriated Funds</u>			
Budget Neutrality Compliance Fund	0	2,531,900	2,686,800
Children's Health Insurance Program Fund	6,656,400	7,168,300	5,498,500
Healthcare Group Fund	3,465,800	3,811,800	3,802,800
SUBTOTAL - Other Appropriated Funds	10,122,200	13,512,000	11,988,100
SUBTOTAL - Appropriated Funds	87,205,000	102,434,400	94,968,200
<u>Expenditure Authority Funds</u>			
Federal Title XIX Funds	82,371,200	103,241,200	94,864,000
SUBTOTAL - Expenditure Authority Funds	82,371,200	103,241,200	94,864,000
SUBTOTAL - Appropriated/Expenditure Authority Funds	169,576,200	205,675,600	189,832,200
Other Non-Appropriated Funds	50,384,500	95,449,300	95,449,300
Federal Funds	2,326,300	1,453,500	1,453,500
TOTAL - ALL SOURCES	222,287,000	302,578,400	286,735,000

CHANGE IN FUNDING SUMMARY

	<u>FY 2007 to FY 2008 JLBC</u>	
	\$ Change	% Change
General Fund	(5,942,300)	(6.7%)
Other Appropriated Funds	(1,523,900)	(11.3%)
Expenditure Authority Funds	(8,377,200)	(8.1%)
Total Appropriated/Expenditure Authority Funds	(15,843,400)	(7.7%)
Non Appropriated Funds	0	0.0%
Total - All Sources	(15,843,400)	(5.2%)

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 2004	FY 2005	FY 2006	FY 2008
	Actual	Actual	Actual	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. AHCCCS is required by federal law to maintain a 95% on time rate for error-free applications. 	79	68	84	95
<ul style="list-style-type: none"> Customer satisfaction rating for eligibility determination clients (Scale 1-8) Comments: AHCCCS indicates that the equipment for the data survey is not longer operational, but AHCCCS hopes to capture the information in the future. The JLBC recommends the survey be done annually. 	6.0	NA	NA	6.0

CHANGES FROM FY 2007

General Fund	(200,000)
Federal Expenditure Authority	(200,000)

Operating Budget

The JLBC includes \$67,765,600 and 1,058.9 FTE Positions for the operating budget in FY 2008. This amount consists of:

	FY 2008
General Fund	\$27,568,800
Federal Expenditure Authority	40,196,800

These amounts would fund the following adjustments:

One-Time AZNet

Appropriation GF (27,100)

The JLBC includes a decrease of \$(27,100) from the General Fund in FY 2008 to reflect the one-time appropriation for AZNet telecommunications charges.

One-Time Funding for GF (265,900)
HIPAA Compliance EA (2,393,100)

The JLBC includes a decrease of \$(2,659,000) in FY 2008 to reflect one-time FY 2007 HIPAA compliance monies. This amount consists of:

General Fund	(265,900)
Federal Expenditure Authority	(2,393,100)

These monies were to help AHCCCS meet 4 new electronic transaction standardization requirements added under the federal Health Insurance Portability and Accountability Act of 1996.

One-Time Funding for GF (200,000)
Imaging Equipment EA (200,000)

The JLBC includes a decrease of \$(400,000) in FY 2008 to reflect one-time funding of FY 2007 imaging equipment monies. This amount consists of:

Special Line Items

ADOA Data Center Charges

The JLBC includes \$5,717,500 for the Arizona Department of Administration (ADOA) Data Center Charges in FY 2008. This amount consists of:

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

These amounts are unchanged from FY 2007.

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

Indian Advisory Council

The JLBC includes \$227,000 and 3.6 FTE Positions for the Indian Advisory Council in FY 2008. This amount consists of:

General Fund	113,600
Federal Expenditure Authority	113,400

These amounts would fund the following adjustments:

One-Time AZNet

Appropriation GF (100)

The JLBC includes a decrease of \$(100) from the General Fund in FY 2008 to reflect the one-time appropriation for AZNet telecommunications charges.

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

DES Eligibility

The JLBC includes \$53,698,200 and 991.6 FTE Positions for the Department of Economic Security (DES) Eligibility services in FY 2008. These amounts consist of:

General Fund	25,494,700
Federal Expenditure Authority	28,203,500

These amounts would fund the following adjustments:

One-Time AZNet

Appropriation GF (26,000)

The JLBC includes a decrease of \$(26,000) from the General Fund in FY 2008 to reflect the one-time appropriation for AZNet telecommunications charges.

One-Time Funding for GF (1,975,400)
Citizenship Verification EA (1,975,400)

The JLBC includes a decrease of \$(3,950,800) in FY 2008 to reflect one-time funding for FY 2007 Citizenship Verification monies. This amount consists of:

General Fund	(1,975,400)
Federal Expenditure Authority	(1,975,400)

The federal Deficit Reduction Act, effective July 1, 2006, requires that every applicant to Medicaid provide identity and citizenship documentation. Prior to this act, the state had a policy of allowing self-declarations of citizenships and would require documentation on an as-needed basis. The new documentation requirements are intended to prevent ineligible applicants from receiving services. The one-time monies were for temporary staff to determine the eligibility of enrolled members. Once members verify their citizenship, they do not need to prove it again in subsequent eligibility determinations.

The FY 2007 (Laws 2006, Chapter 350) appropriation of \$10,400,000 included \$3,133,400 and 57.6 FTE Positions in ongoing funding in this line item and in the Proposition 204 – DES Eligibility Special Line Item. As of October 2006, DES has hired 50 new eligibility workers.

Chapter 350 and the Executive designated \$7,266,600 of the \$10,400,000 as one-time funding in the FY 2007 budget process. As of October 2006, DES has spent \$1,200,000 of this amount. DES intends to spend all of its FY 2007 appropriation and explains the low spending thus far due to hiring and training staff. DES has hired 30 clerical staff and 3 central staff with one-time funding to help with the new requirements. *(Please see the Proposition 204 - DES Eligibility Special Line Item for more information.)*

One-Time Funding for GF (135,500)
Equipment EA (135,500)

The JLBC includes a decrease of \$(271,000) in FY 2008 for elimination of one-time funding for FY 2007 equipment monies for citizenship verification. This amount consists of:

General Fund	(135,500)
Federal Expenditure Authority	(135,500)

DES, through an intergovernmental agreement, performs eligibility determinations for the Acute Care program.

DES Title XIX Pass-Through

The JLBC includes \$345,300 and 4.3 FTE Positions for DES Title XIX Pass-Through funding in FY 2008. This amount consists of:

General Fund	148,700
Federal Expenditure Authority	196,600

These amounts would fund the following adjustments:

One-Time AZNet

Appropriation GF (100)

The JLBC includes a decrease of \$(100) from the General Fund in FY 2008 to reflect the one-time appropriation for AZNet telecommunications charges.

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 includes \$3,802,800 and 30 FTE Positions from the Healthcare Group Fund for Healthcare Group Administration costs in FY 2008.

These amounts would fund the following adjustments:

Standard Changes OF (9,000)

The JLBC includes a decrease of \$(9,000) from the Healthcare Group Fund in FY 2008 for standard changes.

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. As of October 2006, there were 23,444 members provided health insurance.

Office of Administrative Hearings

The JLBC includes \$269,700 and 3 FTE Positions in Federal Expenditure Authority for Office of Administrative Hearings (OAH) costs in FY 2008. This amount is unchanged from FY 2007.

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 includes \$7,196,300 and 142 FTE Positions for KidsCare Administration costs in FY 2008 to reflect the expiring statutory authority for the KidsCare Parents program. This amount consists of:

General Fund	1,697,800
Children's Health Insurance Program (CHIP) Fund	5,498,500

These amounts would fund the following adjustments:

One-Time AZNet Appropriation GF (1,900)

The JLBC includes a decrease of \$(1,900) from the General Fund in FY 2008 to reflect the one-time appropriation for AZNet telecommunications charges.

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

The decrease of \$(1,942,900) in FY 2008 consists of:

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

If statutory authorization of this program is extended, the administrative cost would be \$456,000 General Fund and \$1,486,900 CHIP Fund. This level reflects the spending level in FY 2007 (*See the corresponding policy issue in the Acute Care section for more information.*)

One-Time Funding for HIPAA Compliance GF (45,000) OF (152,400)

The JLBC includes a decrease of \$(197,400) in FY 2008 to reflect one-time FY 2007 HIPAA compliance monies. This amount consists of:

General Fund	(45,000)
Children's Health Insurance Program (CHIP) Fund	(152,400)

FMAP Change GF 30,500 OF (30,500)

The JLBC includes an increase of \$30,500 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, 2007 from 76.53% to 76.34%.

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% of the recommended CHIP Fund program costs.

Proposition 204 - AHCCCS Administration

The JLBC includes \$11,029,700 and 202.3 FTE Positions for Proposition 204 AHCCCS Administration costs in FY 2008. This amount consists of:

General Fund	5,539,000
Federal Expenditure Authority	5,490,700

These amounts would fund the following adjustments:

One-Time AZNet Appropriation GF (5,500)

The JLBC includes a decrease of \$(5,500) from the General Fund in FY 2008 to reflect the one-time appropriation for AZNet telecommunications charges.

One-Time Funding for HIPAA Compliance GF (39,100) EA (350,800)

The JLBC includes a decrease of \$(389,900) in FY 2008 to reflect one-time FY 2007 HIPAA compliance monies. This amount consists of:

General Fund	(39,100)
Federal Expenditure Authority	(350,800)

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 - DES Eligibility

The JLBC includes \$38,780,100 and 683.2 FTE Positions for Proposition 204 DES Eligibility costs in FY 2008. This amount consists of:

General Fund	19,692,800
Budget Neutrality Compliance Fund	2,686,800
Federal Expenditure Authority Funds	16,400,500

These amounts would fund the following adjustments:

One-Time AZNet Appropriation GF (17,900)

The JLBC includes a decrease of \$(17,900) from the General Fund in FY 2008 to reflect the one-time appropriation for AZNet telecommunications charges.

Statutory Adjustment **GF (154,900)**
OF 154,900

The JLBC includes an increase of \$154,900 from the Budget Neutrality Compliance Fund (BNCF) and a corresponding General Fund decrease in FY 2008 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 2.9%, as measured by the October 2006 estimate of the calendar year 2006 Gross Domestic Product (GDP) price deflator, and population growth of 3.22%, as estimated by the DES Population Statistics Unit. Using these rates, JLBC Staff calculated a FY 2008 increase of \$154,900 above the FY 2007 contribution amount of \$2,531,900. *(Please see Table 6 in the Acute Care Cost Center for contributions by county.)*

One-Time Funding for **GF (1,424,600)**
Citizenship Verification **EA (1,424,600)**

The JLBC includes a decrease of \$(2,849,200) in FY 2008 to reflect one-time funding for FY 2007 Citizenship Verification monies. This amount consists of:

General Fund	(1,424,600)
Federal Expenditure Authority	(1,424,600)

(Please see the discussion in the DES Eligibility Special Line Item above.)

One-Time Funding For **GF (97,800)**
Equipment **EA (97,800)**

The JLBC includes a decrease of \$(195,600) in FY 2008 to reflect one-time funding for FY 2007 equipment monies for citizenship verification. This amount consists of:

General Fund	(97,800)
Federal Expenditure Authority	(97,800)

This Special Line Item contains funding for DES Eligibility costs, in DES, of the Proposition 204 program. This funding primarily represents eligibility services provided by DES.

Computer System Planning

The JLBC includes no funding for Computer System Planning, in FY 2008.

This amount would fund the following adjustments:

One-Time Funding for
Computer System **GF (200,000)**
Replacement **EA (1,800,000)**

The JLBC includes a decrease of \$(2,000,000) in FY 2008 to reflect one-time funding for Computer System Planning. This amount consists of:

General Fund	(200,000)
Federal Expenditure Authority	(1,800,000)

Laws 2006, Chapter 350 included the appropriation to fund a replacement study of AHCCCS' application-processing computer system. Chapter 350 and the Executive designated this funding as one-time as part of the FY 2007 budget process. AHCCCS has estimated the state's share of the long-run cost of replacing the computer system to be between \$4 million to \$15 million. In addition to the replacement study, AHCCCS will also issue a Request for Proposal to replace the claims processing subsystem. Chapter 350 included a provision that this planning appropriation does not obligate the Legislature to increase funding for computer system replacement in future years.

2-1-1 System

The JLBC includes \$1,000,000 and 5 FTE Positions from the General Fund for the 2-1-1 System in FY 2008. These amounts would fund the following adjustments:

Eliminate One-Time Equipment **GF (900,000)**

The JLBC includes a decrease of \$(900,000) from the General Fund in FY 2008 for elimination of one-time FY 2007 equipment monies.

Arizona 2-1-1 online, www.az211.gov, became operational on June 29, 2005. The online 2-1-1 system provides referrals to available health and human services in Arizona. The 2-1-1 system can also be used to communicate updates during emergencies. The online component of 2-1-1 was initially funded with federal grants. The FY 2007 monies provides funding for ongoing Web site costs and the one-time initial capital infrastructure for a phone system that will refer callers to a regional information and referral operation, based on where they live. The implementation of this phone system is dependent on securing local help for the funding of the call centers.

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FORMAT — Operating Lump Sum with Special Line Items by Program

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 DIRECT SERVICE CLAIMING PROGRAM ~~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 DIRECT SERVICE CLAIMING PROGRAM ~~in Public School initiative~~.

Deletion of Prior Year Footnotes

The JLBC deletes the footnote requiring AHCCCS to report on impacts from the Federal Deficit Reduction Act of 2005.

STATUTORY CHANGES

The JLBC would add as permanent law a clarification of the definition of appropriated administrative expenses for Healthcare Group to include those administrative expenses incurred by the Preferred Provider Organization program. *(Additional analysis is needed to determine what should be considered non-appropriated program expenses vs. appropriated administrative expenses. The JLBC Baseline budget does not include any additional personnel and this number may need to be adjusted as further clarification is obtained.)*

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Auditor General Healthcare Group Audit

In February 2006, the Auditor General released an audit of AHCCCS' Healthcare Group (HCG) program. The audit found that administrative expenses totaled \$6.9 million from July 1, 2003 to September 30, 2005, which represents 8.5% of the program's \$81.5 million in total costs over that time period. The audit also found that there is no universal standard for the amount of reserves retained by private health insurers and that as a state agency, AHCCCS and HCG are not subject to Arizona's insurance regulations. The audit offered no recommendations.

SUMMARY OF FUNDS - SEE AGENCY SUMMARY
