

Arizona Health Care Cost Containment System

Long Term Care

JLBC: Russell Frandsen
 OSPB: Bret Cloninger

DESCRIPTION	FY 2006 ACTUAL	FY 2007 ESTIMATE	FY 2008 JLBC
SPECIAL LINE ITEMS			
ALTCS Lump Sum Appropriation	924,830,600	1,060,536,000	1,127,622,700
Medicare Clawback Payments	5,443,600	19,475,200	20,476,400
Dual Eligible Part D Copay Subsidy	0	470,300	470,300
Board of Nursing	339,200	209,700	209,700
PROGRAM TOTAL	930,613,400	1,080,691,200	1,148,779,100

FUND SOURCES			
General Fund	111,681,600	135,580,700	150,583,100
SUBTOTAL - Appropriated Funds	111,681,600	135,580,700	150,583,100
<u>Expenditure Authority Funds</u>			
County Funds	218,738,100	235,626,700	247,858,800
Federal Title XIX Funds	600,193,700	709,483,800	750,337,200
SUBTOTAL - Expenditure Authority Funds	818,931,800	945,110,500	998,196,000
SUBTOTAL - Appropriated/Expenditure Authority Funds	930,613,400	1,080,691,200	1,148,779,100
TOTAL - ALL SOURCES	930,613,400	1,080,691,200	1,148,779,100

CHANGE IN FUNDING SUMMARY

	<u>FY 2007 to FY 2008 JLBC</u>	
	<u>\$ Change</u>	<u>% Change</u>
General Fund	15,002,400	11.1%
Expenditure Authority Funds	53,085,500	5.6%
Total Appropriated/Expenditure Authority Funds	68,087,900	6.3%
Total - All Sources	68,087,900	6.3%

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 income limit is about 222% of the Federal Poverty Limit. 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, per-capita costs, 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 2004	FY 2005	FY 2006	FY 2008
	Actual	Actual	Actual	JLBC
<ul style="list-style-type: none"> • % of members utilizing Home and Community Based Services (HCBS) 	60	62	63	67
Comments: In order to prevent premature institutionalization, AHCCCS encourages clients to utilize HCBS services as a cost effective alternative to long term care.				
<ul style="list-style-type: none"> • % of ALTCS eligibility accuracy as measured by quality control sample 	98	99	99	99

CHANGES FROM FY 2007

Special Line Items

ALTCS Lump Sum Appropriation

The JLBC includes \$1,127,622,700 for Arizona Long Term Care System (ALTCS) expenditures in FY 2008. This amount consists of:

	FY 2008
General Fund	\$138,830,200
County Contributions	238,560,200
Federal Expenditure Authority	750,232,300

These amounts would fund the following adjustments:

Caseload and Capitation	GF	14,444,300
Rate Growth	EA	52,642,400

The JLBC includes an increase of \$67,086,700 in FY 2008 for caseload and capitation rate growth. This amount consists of:

General Fund	14,444,300
County Contributions	11,789,000
Federal Title XIX Expenditure Authority	40,853,400

While ALTCS is appropriated their expenditures by lump sum, the following 4 categories make up the estimated cost for the ALTCS Lump Sum as seen in *Table 1*:

Category	Estimated Cost	Percentage
Capitation	\$956,229,900	85%
Fee-For-Service	87,927,300	8%
Reinsurance	49,325,900	4%
Medicare Premiums	34,139,600	3%

AHCCCS ALTCS enrollment is estimated at 3%, or approximately 800 member years, from June 2007 to June 2008. The 3% growth rate matches average annual population growth for Arizona. The growth would result in approximately 26,400 member years being served in FY 2008.

As of October 2006, ALTCS serves 25,139 clients. These clients fall into the following age groups as seen in *Table 2*:

Age	Number	Percentage
Over 55	19,818	79%
21 to 55	4,211	17%
Under 21	1,110	4%

Additionally, the JLBC includes capitation rate increases of approximately 6% above FY 2007. Other components of the ALTCS program, such as Fee-For-Service,

Reinsurance, and Medicare Premiums programs, are expected to increase by 11%, which includes both inflation and population growth.

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 prior year (FY 2006) ALTCS utilization.
3. Each county's contribution is then limited to 90¢ per \$100 of net assessed property value. In FY 2008, this provision provides 3 counties with a total of \$3,978,700 relief.
4. In counties with an "on-reservation" population of at least 20%, the contribution is limited by an alternative formula specified in statute. In FY 2008, this provision provides 3 counties with a total of \$8,410,500 relief.
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. In FY 2008, no counties qualify for this relief.
6. The state pays for county costs above the average statewide per capita (\$42.78 in FY 2008). In FY 2008, this provision provides 8 counties with a total of \$10,772,500 in relief.

In FY 2008, provisions 2 through 6 of the ALTCS formula result in the state providing a total of \$23,161,700 relief to 12 counties. (*Please see Table 3 on the following page for more information.*)

These estimates also include 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, 2007. (*Please see Table 4 for contributions by county.*)

Medicare Clawback Payments

The JLBC includes \$20,476,400 for Medicare Clawback Payments in FY 2008. This amount consists of:

General Fund	11,177,800
County Contributions	9,298,600

These amounts would fund the following adjustments:

Caseload Growth	GF	558,100
	EA	443,100

The JLBC includes an increase of \$1,001,200 in FY 2008 for caseload growth. This amount consists of:

General Fund	558,100
County Contributions	443,100

Table 3

County Assessed vs. Paid ALTCS Contributions FY 2008

	<u>FY 2007 Base</u>	<u>50% Growth</u>	<u>FY 2008 Base</u>	<u>Relief Provided</u>	<u>Revised Contribution</u>	<u>FY 2007 Contribution</u>	<u>Change From FY 2007</u>
Apache	\$ 5,260,200	\$ 260,900	\$ 5,521,100	\$(4,915,500)	\$ 605,600	\$ 575,600	\$ 30,000
Cochise	7,733,000	410,400	8,143,400	(2,504,800)	5,638,600	5,499,700	138,900
Coconino	3,711,400	193,300	3,904,700	(2,087,800)	1,816,900	1,727,000	89,900
Gila	3,424,000	188,900	3,612,900	(1,283,500)	2,329,400	2,531,400	(202,000)
Graham	1,600,200	89,200	1,689,400	(646,600)	1,042,800	959,300	83,500
Greenlee	126,600	9,000	135,600	-	135,600	125,200	(79,600) ^{1/}
La Paz	829,400	44,200	873,600	-	873,600	811,200	62,400 ^{1/}
Maricopa	149,717,400	7,932,100	157,649,500	(1,548,700)	156,100,800	145,459,800	10,641,000 ^{1/}
Mohave	8,450,300	433,500	8,883,800	(838,800)	8,045,000	7,729,400	315,600
Navajo	5,414,000	298,300	5,712,300	(3,207,400)	2,504,900	2,381,000	123,900
Pima	42,014,700	2,200,400	44,215,100	(3,243,200)	40,971,900	40,304,200	667,700
Pinal	10,623,000	556,700	11,179,700	(626,500)	10,553,200	10,309,600	243,600
Santa Cruz	2,107,400	112,900	2,220,300	(335,400)	1,884,900	1,912,400	(27,500)
Yavapai	10,146,700	552,100	10,698,800	(1,923,500)	8,775,300	8,838,500	(63,200)
Yuma	<u>6,244,900</u>	<u>335,400</u>	<u>6,580,300</u>	<u>-</u>	<u>6,580,300</u>	<u>6,372,400</u>	<u>207,900^{1/}</u>
Total	\$257,403,200	\$13,617,300	\$271,020,500	\$(23,161,700)	\$247,858,800	\$235,626,700	\$12,232,100

^{1/} When a county pays more or less than its 50% growth, this reflects a change in that county's ALTCS utilization.

These amounts are based upon the estimated 3% 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 effective January 1, 2006, AHCCCS is not required to pay for prescription drug costs for members that are also eligible for Medicare. Instead, AHCCCS 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.

Table 4 details the individual county contribution amounts for FY 2008, as calculated according to the statutory growth formula and the Medicare Clawback Payments and prescription drug plan savings.

Dual Eligible Part D Copay Subsidy

The JLBC includes \$470,300 from the General Fund in FY 2008 for Dual Eligible Part D Copay Subsidy. These amounts are unchanged from FY 2007.

The line item is used to pay the prescription drug copayments of low income individuals qualifying for both Medicare and Medicaid, known as "dual eligibles." Prior to the federal government taking over prescription drug costs from the state for dual eligibles on January 1, 2006, these individuals did not pay for their prescriptions. As part of the benefit, however, recipients make copayments for prescription drugs ranging from \$1.00 to \$5.35, depending on the class of the drug as well as the recipient's income.

Board of Nursing

The JLBC includes \$209,700 for the Board of Nursing in FY 2008. This amount consists of:

General Fund	104,800
Federal Expenditure Authority	104,900

Table 4

County Contributions

	<u>FY 2008</u>
Apache	\$ 605,600
Cochise	5,638,600
Coconino	1,816,900
Gila	2,329,400
Graham	1,042,800
Greenlee	135,600
La Paz	873,600
Maricopa	156,100,800
Mohave	8,045,000
Navajo	2,504,900
Pima	40,971,900
Pinal	10,553,200
Santa Cruz	1,884,900
Yavapai	8,775,300
Yuma	<u>6,580,300</u>
Total	\$247,858,800

These amounts are unchanged from FY 2007.

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.

FORMAT — Special Line Items by Program

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 2008, 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 1 of each year on the 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 no more than 23%. 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,~~ bBefore 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. If statutory language is enacted to prohibit these policy changes, the portion of the footnote regarding Joint Legislative Budget Committee review of policy changes shall not apply. (The final provision would be eliminated because statutory language was enacted.)~~

Pursuant to A.R.S. § 11-292B, the county portion of the FY 2008 nonfederal portion of the costs of providing long-term care system services is \$247,858,800. This amount is included in the Expenditure Authority fund source.

STATUTORY CHANGES

As session law, the JLBC sets the FY 2008 county Long Term Care contribution at \$247,858,800 as follows:

Apache	\$ 605,600
Cochise	5,638,600
Coconino	1,816,900
Gila	2,329,400
Graham	1,042,800
Greenlee	135,600
La Paz	873,600
Maricopa	156,100,800
Mohave	8,045,000
Navajo	2,504,900
Pima	40,971,900
Pinal	10,553,200
Santa Cruz	1,884,900
Yavapai	8,775,300
Yuma	6,580,300

SUMMARY OF FUNDS - SEE AGENCY SUMMARY
