

Arizona Health Care Cost Containment System

Acute Care

JLBC: Jenna Goad/Blake Riley

OSPB: Bret Cloninger

DESCRIPTION	FY 2007 ACTUAL	FY 2008 ESTIMATE	FY 2009 JLBC
SPECIAL LINE ITEMS			
Traditional Medicaid Population			
Capitation	1,772,628,200	1,887,156,200	2,126,770,600
Reinsurance	91,611,800	104,546,700	128,857,600
Fee-For-Service	403,152,600	508,489,100	478,934,900
Medicare Premiums	84,034,700	91,928,600	100,007,400
Breast and Cervical Cancer	858,400	2,131,400	1,722,300
Ticket to Work	5,697,200	8,043,600	8,432,200
Dual Eligible Part D Copay Subsidy	1,538,300	1,029,700	1,029,700
Medicare Clawback Payments	24,780,600	27,022,000	28,685,600
Temporary Medical Coverage	6,500,000	10,326,400	9,323,900
Proposition 204 Services			
Proposition 204 - Capitation	904,449,300	1,005,767,100	1,200,698,900
Proposition 204 - Reinsurance	74,060,100	108,378,500	103,036,800
Proposition 204 - Fee-For-Service	150,673,700	179,139,000	202,207,700
Proposition 204 - Medicare Premiums	26,517,000	28,532,300	30,870,300
Proposition 204 - County Hold Harmless	4,825,600	4,825,600	4,825,600
KidsCare Services			
KidsCare - Children	105,516,000	125,684,700	161,088,900
KidsCare - Parents	43,793,100	50,296,300	0
Payments to Hospitals			
Disproportionate Share Payments	143,477,300	30,350,000	30,350,000
Graduate Medical Education	22,512,800	44,156,600	44,906,200
Hospital Loan Residency Program	1,000,000	1,000,000	1,000,000
Critical Access Hospitals	1,700,000	1,700,000	1,700,000
Rural Hospital Reimbursement	12,158,100	12,158,100	12,158,100
PROGRAM TOTAL	3,881,484,800	4,232,661,900	4,676,606,700
FUND SOURCES			
General Fund	911,082,300	1,024,731,500	1,212,837,400
<u>Other Appropriated Funds</u>			
Children's Health Insurance Program Fund	116,992,000	139,391,900	124,312,800
Temporary Medical Coverage Fund	0	1,976,400	973,900
TPTF Emergency Health Services Account	28,754,400	29,264,100	25,716,500
TTHCF Medically Needy Account	76,248,900	78,306,100	62,886,200
SUBTOTAL - Other Appropriated Funds	221,995,300	248,938,500	213,889,400
SUBTOTAL - Appropriated Funds	1,133,077,600	1,273,670,000	1,426,726,800
<u>Expenditure Authority Funds</u>			
County Funds	54,433,300	52,852,000	52,229,200
Federal Title XIX Funds	2,543,169,600	2,752,486,000	3,051,447,300
Third Party Collections	28,000	194,700	194,700
Tobacco Settlement Fund	90,319,600	92,004,100	92,004,100
TPTF Proposition 204 Protection Account	60,456,700	61,455,100	54,004,600
SUBTOTAL - Expenditure Authority Funds	2,748,407,200	2,958,991,900	3,249,879,900
SUBTOTAL - Appropriated/Expenditure Authority Funds	3,881,484,800	4,232,661,900	4,676,606,700
<u>Other Non-Appropriated Funds</u>			
Federal Funds	24,015,700	30,210,500	35,949,800
Federal Funds	37,059,700	39,342,800	39,670,200
TOTAL - ALL SOURCES	3,942,560,200	4,302,215,200	4,752,226,700

CHANGE IN FUNDING SUMMARY

	FY 2008 to FY 2009 JLBC	
	\$ Change	% Change
General Fund	188,105,900	18.4%
Other Appropriated Funds	(35,049,100)	(14.1%)
Expenditure Authority Funds	290,888,000	9.8%
Total Appropriated/Expenditure Authority Funds	443,944,800	10.5%
Non Appropriated Funds	6,066,700	8.7%
Total - All Sources	450,011,500	10.5%

COST CENTER DESCRIPTION — The AHCCCS Acute Care program is the medical services component of Arizona's Medicaid Demonstration Project. The program is based on prepaid monthly capitation payments to contracted providers for the full range of authorized medical services. The program follows a health maintenance organization (HMO) model in which capitated providers accept a predetermined rate and are responsible for managing patient utilization and cost through a system of prior authorization and utilization review, coordinated by a primary care physician or practitioner. This program also includes funding for the Proposition 204 AHCCCS expansion, approved by voters in November 2000 and serving adults up to 100% of the Federal Poverty Level (FPL), as well as the KidsCare program, which serves children up to 200% of FPL.

PERFORMANCE MEASURES	FY 2005	FY 2006	FY 2007	FY 2009
	Actual	Actual	Actual	JLBC
• % of AHCCCS children receiving well child visits in the first 15 months of life (EPSDT)	66.9	58	57	60
• % of AHCCCS children's access to primary care provider	85	78	76	85
• % of AHCCCS women receiving annual cervical screening	56.4	55	57	60
• Member satisfaction as measured by percentage of enrollees that choose to change health plans	3.5	2.0	3.5	2.0

Overview

The Acute Care cost center contains funding for services provided to AHCCCS members eligible for either the Title XIX or Title XXI programs. The Title XIX program includes the Traditional Medicaid population and the Proposition 204 expansion population. The Title XXI program represents the KidsCare program. *Chart 1* shows the income levels defining eligibility in these 3 distinct populations and *Table 1* shows the forecasted populations for these groups.

The largest of the 3 populations is the Traditional Medicaid population. This population represents the AHCCCS Title XIX population prior to the passage of Proposition 204, which expanded Title XIX eligibility up to 100% of the FPL. The Proposition 204 program also includes the "spend-down" population, which was previously included in the state-only Medically Needy/Medically Indigent (MN/MI) program. Finally, the KidsCare program, which receives Federal Title XXI funding, provides coverage for children (and parents through FY 2008) up to 200% FPL who are not covered by the regular Title XIX program.

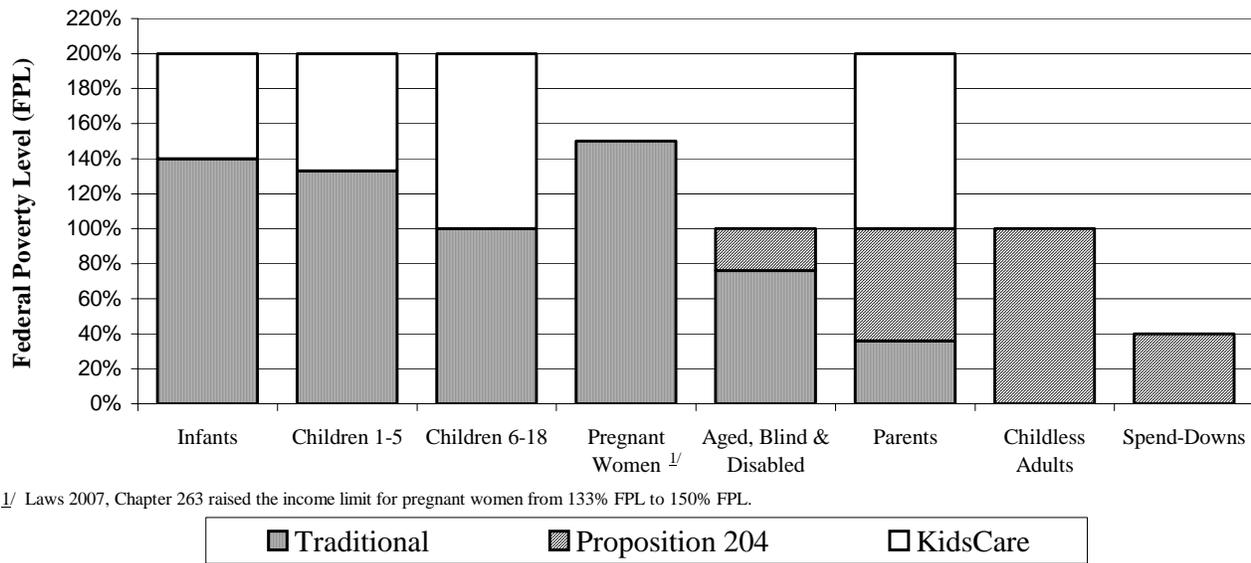
As of December 2007, AHCCCS programs serve 1,079,917 clients.

<u>Population</u>	<u>June 2008</u>	<u>June 2009</u>	<u>% Change</u>
Title XIX:			
Traditional Medicaid	636,264	657,484	3.3%
Proposition 204	204,902	218,691	6.7%
Fee-For-Service/Other	<u>176,885</u>	<u>193,866</u>	<u>9.6%</u>
Subtotal – Title XIX	1,018,051	1,070,041	5.1%
Title XXI:			
KidsCare (excl. parents)	<u>68,414</u>	<u>78,676</u>	<u>15.0%</u>
Total Acute Care	1,086,465	1,148,717	5.7%
Long-Term Care	<u>25,524</u>	<u>26,356</u>	<u>3.3%</u>
Total AHCCCS	1,111,989	1,175,073	5.7%

The above figures represent point-in-time estimates, while figures in *Tables 3 and 4* display estimated averages for FY 2009. The Fee-For-Service/Other population includes the Dual Eligible (Medicare Premiums), Ticket to Work, and Breast and Cervical Cancer populations. Further discussion of the Long-Term Care population can be found in the ALTCS section.

Chart 1

AHCCCS Eligibility



The following issues are reflected in several different line items:

Title XIX Caseload and Capitation Rate Growth

The JLBC includes caseload and capitation rate growth for the Traditional Medicaid and Proposition 204 populations in the Acute Care cost center. AHCCCS Title XIX enrollment growth for these 2 populations is projected to grow by 4.2% from June 2008 to June 2009.

In comparison to caseload growth rates which vary by population, capitation rate inflation is assumed to be 6% above FY 2008 across all capitated programs. Yearly capitation rate increases have averaged 7.7% over the last 5 years, with the lowest increase of 5.9% coming in FY 2007 and the high of 13.9% coming in FY 2004.

In total, the amount includes \$519,812,000 in new Title XIX and Title XXI funding for standard caseload and capitation rate growth. Of this amount, \$179,210,100 is from the General Fund and \$340,601,900 is in Federal and County Expenditure Authority.

The JLBC also includes an increase of \$26,418,000 from the General Fund and corresponding decreases in the various tobacco tax accounts in FY 2009 as a result of declining tobacco revenues. (Please see the AHCCCS Summary section for additional information on tobacco tax revenues.)

In addition to the funding increases discussed above, the JLBC also includes savings as a result of one-time FY 2008 appropriations, a revision to the outlier payment methodology, and the expiration of the KidsCare Parents program on July 1, 2008. The JLBC includes \$(5,664,200) in General Fund savings due to the second year of a 3-year

phase-in of a revision to the outlier payment methodology. The expiration of the KidsCare Parents program would result in General Fund savings of \$(9,172,700) for services in FY 2009. The JLBC also includes \$(2,685,300) in General Fund savings as a result of the one-time appropriation for the Human Papillomavirus (HPV) vaccine in FY 2008. Each of these items is discussed in more detail in the narrative below.

The FY 2009 forecast is grown off a FY 2008 base that overall is higher than the FY 2008 General Fund appropriation. In the narrative descriptions below, FY 2009 funding increases are compared to that program's FY 2008 appropriated level, as well as its revised expenditure level in FY 2008.

Fee-For-Service and Reinsurance

All 4 categories of Fee-For-Service and Reinsurance in the Traditional and Proposition 204 Special Line Items are grown at rates between 9% and 10% from current FY 2008 levels for FY 2009. The increase accounts for caseload growth as well as increases in utilization and medical inflation.

Federal Match Rate Change

The Federal Medical Assistance Percentage (FMAP) is the rate at which the federal government matches state contributions to the Title XIX (approximately a 2:1 match) and Title XXI (approximately a 3:1 match) KidsCare programs. These rates are set on a state-by-state basis and are revised each year. In FY 2009, both the Title XIX FMAP (0.39% decline) and the Title XXI FMAP (0.28% decline) are decreasing, effective October 1, 2008. The FY 2009 FMAPs are 65.88% for Title XIX and 76.11% for Title XXI. These decreases will result in General Fund cost increases in federally matched programs of

\$13,960,500 which are included in the growth numbers presented below.

Traditional Medicaid Population

The following Traditional Medicaid line items fund these populations (*see Chart 1*):

- Children less than 1, up to 140% of the Federal Poverty Level (FPL)
- Pregnant women up to 150% FPL and children aged 1-5 up to 133% FPL (Laws 2007, Chapter 263 raised the income limit for pregnant women from 133% FPL to 150% FPL)
- Children aged 6-18, up to 100% FPL
- Aged, blind, and disabled adults, up to 75% FPL
- Parents, up to 38% FPL

These line items exclude the Proposition 204 and KidsCare populations.

Capitation

The JLBC includes \$2,126,770,600 for Capitation expenditures for the Traditional population in FY 2009. This amount consists of:

General Fund	\$614,170,000
County Funds	52,229,200
TTHCF Medically Needy Account	58,840,800
Third Party Collections	194,700
Federal Title XIX Expenditure Authority	1,401,335,900

FY 2009 adjustments would be as follows:

Formula Growth	GF 94,708,200
	EA 160,858,700

This adjustment would be an increase of \$255,566,900 in FY 2009 for caseload and capitation rate growth in the Traditional Title XIX population. This amount consists of:

General Fund	94,708,200
Federal Title XIX Expenditure Authority	160,858,700

The FY 2009 adjustment would represent capitation enrollment growth of 3.3% from June 2008 to June 2009. This would result in approximately 647,700 member years being served in FY 2009. Additionally, the amount assumes capitation rate increases of 6% above FY 2008.

Outlier Methodology	GF (2,758,000)
	EA (5,227,000)

This adjustment would be a decrease of \$(7,985,000) in FY 2009 due to a revision to the outlier payment methodology. This amount consists of:

General Fund	(2,758,000)
Federal Title XIX Expenditure Authority	(5,227,000)

Laws 2007, Chapter 263 revised the outlier methodology by utilizing the most recent statewide urban and statewide rural average cost-to-charge ratios (CCRs) published by the federal Centers for Medicare and Medicaid Services (CMS). These CCRs are to be updated annually to reflect any changes in the figures published by CMS. Laws 2007, Chapter 263 also required that AHCCCS phase-in the new CCRs over a 3-year time period and that the phase-in be completed by October 1, 2009. In total, the revised methodology will result in General Fund savings of \$(5,664,200) during the second year of the 3-year phase-in. (*Please see the Traditional and Proposition 204 Capitation, Reinsurance, and Fee-For-Service Special Line Items for the rest of the outlier methodology revision savings.*)

One-Time HPV Funding	GF (2,685,300)
	EA (5,282,200)

This adjustment would be a decrease of \$(7,967,500) in FY 2009 for the Human Papillomavirus (HPV) vaccine. This amount consists of:

General Fund	(2,685,300)
Federal Title XIX Expenditure Authority	(5,282,200)

The FY 2009 adjustment reflects a one-time appropriation in FY 2008 for the HPV vaccine. The JLBC includes ongoing funding in the amount of \$183,800 from the General Fund and \$354,800 in Federal Title XIX Expenditure Authority for providing the vaccine to newly enrolled female AHCCCS members ages 21-26.

Maricopa Deflator	GF 622,800
	EA (622,800)

This adjustment would be an increase of \$622,800 from the General Fund and a corresponding decrease in County Funds in FY 2009 for a decrease in County Acute Care contributions from Maricopa County. (*See Table 2.*)

A.R.S. § 11-292 includes a Gross Domestic Product (GDP) price deflator adjustment for Maricopa County's contribution to Acute Care costs. In accordance with this requirement, JLBC Staff used inflationary growth of 2.7%, as measured by the October 2007 estimate of the calendar year 2007 GDP price deflator. This decreases the county contribution for Maricopa County by \$(622,800). This adjustment was part of the state's contribution to Maricopa County costs in exchange for the county taking responsibility for the adult probation program. The reduction in county contribution is offset by an increase in the General Fund equal to the amount of the contribution reduction.

Background – The Capitation line includes monthly payments made to AHCCCS health plans for the cost of care provided to enrolled members. Contracts are awarded to health plans for a 5-year period upon the completion of a competitive bidding process in which the health plans respond to a Request for Proposal from AHCCCS. Health plans bid by AHCCCS rate code, meaning that different

Table 2

County Contributions for Acute Care and Administration

<u>County</u>	<u>FY 2008</u>			<u>FY 2009</u>		
	<u>Acute</u>	<u>DUC</u>	<u>BNCF</u>	<u>Acute</u>	<u>DUC</u>	<u>BNCF</u>
Apache	\$ 268,800	\$ 87,300	\$ 88,400	\$ 268,800	\$ 87,300	\$ 93,600
Cochise	2,214,800	162,700	165,000	2,214,800	162,700	174,700
Coconino	742,900	160,500	162,700	742,900	160,500	172,300
Gila	1,413,200	65,900	66,800	1,413,200	65,900	70,800
Graham	536,200	46,800	47,500	536,200	46,800	50,300
Greenlee	190,700	12,000	12,200	190,700	12,000	12,900
La Paz	212,100	24,900	25,300	212,100	24,900	26,800
Maricopa	22,175,500 ^{1/}	0	0	21,552,700	0	0
Mohave	1,237,700	187,400	190,000	1,237,700	187,400	201,100
Navajo	310,800	122,800	124,500	310,800	122,800	131,800
Pima	14,951,800	1,115,900	1,131,400	14,951,800	1,115,900	1,198,100
Pinal	2,715,600	218,300	221,400	2,715,600	218,300	234,400
Santa Cruz	482,800	51,600	52,300	482,800	51,600	55,400
Yavapai	1,427,800	206,200	209,100	1,427,800	206,200	221,400
Yuma	<u>1,325,100</u>	<u>183,900</u>	<u>186,500</u>	<u>1,325,100</u>	<u>183,900</u>	<u>197,400</u>
Subtotal	\$50,205,800	\$2,646,200	\$2,683,100	\$49,583,000	\$2,646,200	2,841,000
Acute Care Total	\$52,852,000			\$52,229,200		
Administration Total			\$2,683,100			\$2,841,000
Total	\$55,535,100			\$55,070,200		

rates are paid for different groups. *Table 3* details the projected capitation rates and enrollment by AHCCCS rate code for FY 2009. The next 5-year contracts will be effective October 2008.

In general, capitation rates are based on an actuarial assessment, by each of the AHCCCS rate codes, of the medical services utilization and costs incurred per AHCCCS member per month.

Table 3

Traditional Medicaid		
Federally-Eligible Rate Codes	FY 2009 Member Years ^{1/}	FY 2009 Capitation Rates ^{2/}
TANF < 1	54,899	531.29
TANF 1-13	316,809	117.07
TANF 14-44 Female	115,720	226.86
TANF 14-44 Male	47,745	148.54
TANF 45+	10,005	401.65
SSI w/ Medicare	42,473	169.01
SSI w/o Medicare	53,349	740.38
Family Planning	<u>6,692</u>	19.21
Total	647,692	
Deliveries ^{3/}	32,508	6,879.61

^{1/} Member years are calculated as projected regular member months divided by 12 and do not necessarily indicate actual number of clients enrolled.

^{2/} Capitation rates are set on a Contract Year (CY) basis, which is from October 1 through September 30. For FY 2009, the rates reflect 1 quarter at the CY 2008 level and 3 quarters at the CY 2009 level.

^{3/} This is the projection of actual birth deliveries to be made by enrollees in AHCCCS health plans.

Reinsurance

The JLBC includes \$128,857,600 for Reinsurance expenditures for the Traditional population in FY 2009. This amount consists of:

General Fund	43,983,500
Federal Title XIX Expenditure Authority	84,874,100

FY 2009 adjustments would be as follows:

Formula Growth	GF 9,926,700
	EA 17,970,000

This adjustment would be an increase of \$27,896,700 in FY 2009 for caseload and inflation increases. This amount consists of:

General Fund	9,926,700
Federal Title XIX Expenditure Authority	17,970,000

The FY 2009 adjustment would represent an increase of 26.7% above the FY 2008 appropriation and an increase of 9.6% above revised caseload levels for FY 2008. These increases include monies for enrollment growth and medical inflation.

Outlier Methodology	GF (1,209,500)
	EA (2,376,300)

This adjustment would be a decrease of \$(3,585,800) in FY 2009 due to a revision to the outlier payment methodology. This amount consists of:

General Fund	(1,209,500)
Federal Title XIX Expenditure Authority	(2,376,300)

(Please see the Traditional Capitation Special Line Item for additional information on the outlier payment revision.)

Background – The Reinsurance line item is a stop-loss program which represents payments made to health plans for patients with unusually high costs. AHCCCS provides both regular and catastrophic reinsurance coverage. For regular reinsurance coverage, the health plan is responsible for paying all costs until an annual deductible has been met. After the deductible has been met, AHCCCS will pay 75% of the cost of service until it reaches \$650,000. After this level, AHCCCS will pay 100% of the cost. Catastrophic reinsurance coverage is available for patients that have certain, very costly medical conditions. For patients with these specific health conditions, AHCCCS will pay 85% of the cost of service. After the \$650,000 deductible has been met, AHCCCS will pay 100% of the cost.

Fee-For-Service

The JLBC includes \$478,934,900 for Fee-For-Service expenditures for the Traditional population in FY 2009. This amount consists of:

General Fund	92,532,400
Federal Title XIX Expenditure Authority	386,402,500

FY 2009 adjustments would be as follows:

Formula Growth	GF	(14,857,000)
	EA	(13,369,100)

This adjustment would be a decrease of \$(28,226,100) in FY 2009 for caseload and inflation. This amount consists of:

General Fund	(14,857,000)
Federal Title XIX Expenditure Authority	(13,369,100)

Through November 2007, fee-for-service expenditures have been below forecasted. The FY 2009 adjustment would represent a decrease below the FY 2008 appropriation but is an increase of 10% above current FY 2008 caseload levels. These increases include monies for enrollment growth and medical inflation.

Outlier Methodology	GF	(448,000)
	EA	(880,100)

The JLBC includes a decrease of \$(1,328,100) in FY 2009 due to a revision to the outlier payment methodology. This amount consists of:

General Fund	(448,000)
Federal Title XIX Expenditure Authority	(880,100)

(Please see the Traditional Capitation Special Line Item for additional information on the outlier payment revision.)

Background – The Fee-For-Service line item is for payments made by AHCCCS directly to health care

providers on behalf of members not covered under the capitated portion of the AHCCCS program. There are 4 primary components of the Fee-For-Service program: 1) federally-mandated services for Native Americans living on-reservations; 2) reimbursements to Federally Qualified Health Centers (FQHC) in rural areas for payments above negotiated rates as required by the Medicaid Benefits Improvements and Protection Act of 2000; 3) temporary Fee-For-Service coverage for those who leave AHCCCS before enrolling in a capitated plan; and, 4) federally-mandated emergency services for unauthorized and qualified immigrants. The federal government shares in the cost of care for categorically linked unauthorized immigrants. “Categorically Linked” individuals are those who would be eligible for the Traditional Medicaid program (as opposed to Proposition 204 or KidsCare) if not for their citizenship status.

Medicare Premiums

The JLBC includes \$100,007,400 for Medicare Premium expenditures for the Traditional Medicaid population in FY 2009. This amount consists of:

General Fund	29,637,300
Federal Title XIX Expenditure Authority	70,370,100

FY 2009 adjustments would be as follows:

Formula Growth	GF	2,739,800
	EA	5,339,000

This adjustment would be an increase of \$8,078,800 in FY 2009 for caseload growth and inflation. This amount consists of:

General Fund	2,739,800
Federal Title XIX Expenditure Authority	5,339,000

The FY 2009 adjustment would represent an 8% increase in the Medicare Premiums program.

This line item provides funding for the purchase of Medicare Part B (supplemental medical insurance) on behalf of those eligible for Medicaid and Part A (hospital insurance) coverage. Purchasing supplemental coverage reduces state expenditures since the federal Medicare program absorbs a portion of the costs. In addition, the line item includes the costs of payment of Part A premium costs for certain disabled workers. The line item also includes funding for low-income Qualified Medicare Beneficiaries. Finally, the line item includes funding for the 100% federally funded Medicare Part B buy-in program.

Breast and Cervical Cancer

The JLBC includes \$1,722,300 for Breast and Cervical Cancer in FY 2009. This amount consists of:

General Fund	411,400
Federal Title XIX Expenditure Authority	1,310,900

FY 2009 adjustments would be as follows:

Formula Growth	GF	(91,900)
	EA	(317,200)

This adjustment would be a decrease of \$(409,100) in FY 2009 for caseload growth and inflation. This amount consists of:

General Fund	(91,900)
Federal Title XIX Expenditure Authority	(317,200)

Through November 2007, Breast and Cervical Cancer program expenditures have been below budgeted levels. The FY 2009 adjustment would represent a decrease below the FY 2008 appropriation but is an increase of 14.25% above current FY 2008 caseload levels.

The Breast and Cervical Cancer program provides treatment to women who have been diagnosed with breast and/or cervical cancer through the Well-Woman Healthcheck Program administered by the Department of Health Services (DHS). This program serves women with incomes between 100-250% FPL. Enrollment as of December 1, 2007 was 142 individuals.

Ticket to Work

The JLBC includes \$8,432,200 for Ticket to Work in FY 2009. This amount consists of:

General Fund	2,877,300
Federal Title XIX Expenditure Authority	5,554,900

FY 2009 adjustments would be as follows:

Formula Growth	GF	164,000
	EA	224,600

This adjustment would be an increase of \$388,600 in FY 2009 for caseload and inflation increases. This amount consists of:

General Fund	164,000
Federal Title XIX Expenditure Authority	224,600

Through November 2007, Ticket to Work program expenditures have been below budgeted levels. The FY 2009 adjustment would represent an increase of 26% in the Ticket to Work program above current FY 2008 caseload levels.

The Ticket to Work program is designed to improve access to employment training and placement for individuals with disabilities who want to work. This program allows individuals receiving Supplemental Security Income (SSI) to work without losing their AHCCCS health coverage. This program serves individuals who meet SSI eligibility

criteria, who are aged 16-64, and who have earned income below 250% FPL. As of December 1, 2007 approximately 1,073 members were enrolled in this program.

The FY 2008 budget estimated collections of \$22,100 in premiums, which are used to offset the costs of services. Clients may be assessed premiums of \$0 to \$35 monthly, based on income.

Dual Eligible Part D Copay Subsidy

The JLBC includes \$1,029,700 from the General Fund for Dual Eligible Part D Copay Subsidy in FY 2009. This amount is unchanged from FY 2008.

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 \$1.05 to \$6.01, depending on the class of the drug as well as the recipient's income.

Medicare Clawback Payments

The JLBC includes \$28,685,600 from the General Fund for Medicare Clawback Payments in FY 2009.

FY 2009 adjustments would be as follows:

Revised Estimate	GF	1,663,600
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This adjustment would be an increase of \$1,663,600 from the General Fund in FY 2009 for caseload and inflation increases.

As part of the Medicare Modernization Act (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 86% of the estimated prescription drug cost of this population in FY 2008. The state's share of 86% declines annually by 1.7% and the Clawback cost per member is annually increased based on national health trend information.

Temporary Medical Coverage

The JLBC includes \$9,323,900 for Temporary Medical Coverage in FY 2009. This amount consists of:

General Fund	8,350,000
Temporary Medical Coverage Fund	973,900

FY 2009 adjustments would be as follows:

Premium Collection Adjustment OF (1,002,500)

This adjustment would be a decrease of \$(1,002,500) from the Temporary Medical Coverage Fund in FY 2009 due to revised premium collection estimates. Through November 2007, caseloads are below forecasted and as a result it is anticipated that fewer monthly premiums will be collected. Clients may be assessed premiums of \$60 to \$300 monthly, based on income.

The purpose of the program is to provide temporary medical coverage for persons who have previously been enrolled in AHCCCS who are now receiving federal disability insurance (SSDI) benefits and are not yet eligible for Medicare benefits. SSDI benefits would normally raise an individual's income above eligibility limits for AHCCCS. This program allows a person to continue to receive health benefits until those benefits are provided through Medicare. Persons receiving SSDI benefits are eligible for Medicare benefits after a period of 24 months. This program went into effect October 1, 2006. As of December 2007, approximately 524 people were enrolled in the program. This is below AHCCCS' estimate of 1,390 participants for November 2007.

Although not statutorily required, AHCCCS has begun providing behavioral health services to this population. The cost of these services is not specifically funded in the FY 2009 budget. Although caseloads remain below forecast, costs have been significantly higher than anticipated and AHCCCS has created a waiting list for this program.

Proposition 204 Services

Proposition 204 expanded the regular AHCCCS program to 100% FPL. The Proposition 204 program serves individuals with incomes that exceed the income limits for the Traditional population, but are below 100% FPL. Services provided to this population mirror the services provided in the regular AHCCCS program.

Proposition 204 - Capitation

The JLBC includes \$1,200,698,900 for Capitation expenditures for the Proposition 204 population in FY 2009. This amount consists of:

General Fund	233,940,500
Tobacco Settlement Fund	92,004,100
TPTF Proposition 204 Protection Account	54,004,600
TTHCF Medically Needy Account	4,045,400
Emergency Health Services Account	25,716,500
Federal Title XIX Expenditure Authority	790,987,800

FY 2009 adjustments would be as follows:

Formula Growth	GF	71,148,000
	EA	125,875,500

This adjustment would be an increase of \$197,023,500 in FY 2009 for caseload and capitation rate growth in the Proposition 204 population. This amount consists of:

General Fund	71,148,000
Federal Title XIX Expenditure Authority	125,875,500

The FY 2009 adjustment would represent Proposition 204 capitation enrollment growth of 6.7%, from June 2008 to June 2009. This would result in approximately 212,300 member years being served in FY 2009. Additionally, the amount assumes capitation rate increases of 6% above FY 2008.

Tobacco Tax Backfill	GF	26,418,000
	OF	(18,967,500)
	EA	(7,450,500)

This adjustment would be an increase of \$26,418,000 from the General Fund and a corresponding decrease of (26,418,000) in FY 2009 to offset declining tobacco tax revenues. This amount consists of:

TPTF Proposition 204 Protection Account	(7,450,500)
TTHCF Medically Needy Account	(15,419,900)
Emergency Health Services Account	(3,547,600)

(Please see the AHCCCS Summary section for additional information on the tobacco tax shortfall.)

Table 4 details the capitation rates and enrollment, by AHCCCS rate code, for the Proposition 204 program.

Table 4		
Proposition 204		
Federally-Eligible Rate Codes	FY 2009 Member Years ^{1/}	FY 2009 Capitation Rates ^{2/}
TANF	70,535	231.46
SSI	26,030	207.68
Prop 204 Conversions ^{3/}	35,267	485.50
Prop 204 Medically Eligible ^{4/}	4,858	1,003.19
Prop 204 Newly Eligible ^{5/}	75,582	485.50
Total	212,272	
Hospital "Kick" ^{6/}	5,618	11,347.12
Deliveries ^{7/}	1,730	6,879.61

^{1/} Member years are calculated as projected regular member months divided by 12 and do not necessarily indicate actual clients enrolled.
^{2/} Capitation rates are set on a Contract Year (CY) basis, which is from October 1 through September 30. For FY 2009, the rates reflect 1 quarter at the CY 2008 level and 3 quarters at the CY 2009 level. These rates represent the average rates for the population listed.
^{3/} Represents the population formerly known as the Medically Indigent who received services under the former 100% state funded MN/MI program. These enrollees are from 0 - 40% FPL.
^{4/} Represents the population formerly known as the Medically Needy portion of the old MN/MI program, also referred to as the "spend-down" population. These enrollees are from 0 - 40% FPL.
^{5/} Represents enrollees that mirror the former Medically Indigent population, except their income ranges from 40 - 100% FPL.
^{6/} This is the projection of actual hospital "kick" payments on behalf of Proposition 204 enrollees in AHCCCS health plans. These "kick" payments are made to hospitals for each Medically Eligible new member enrolled at a hospital.
^{7/} This is the projection of actual birth deliveries to be made by Proposition 204 enrollees in AHCCCS health plans.

Proposition 204 - County Hold Harmless

The JLBC includes \$4,825,600 from the General Fund for Proposition 204 County Hold Harmless payments in FY 2009. This amount is unchanged from FY 2008.

As a result of the implementation of Proposition 204, some counties experienced revenue losses. The approved amount continues prior year appropriations to hold these counties harmless. The primary recipient of the appropriation is Pima County, who receives \$3,817,800. The remaining \$1,007,800 is allocated among Graham, Greenlee, La Paz, Santa Cruz, and Yavapai Counties.

KidsCare Services

The KidsCare program, also referred to as the Children’s Health Insurance Program (CHIP), provides health coverage to children in families with incomes below 200% FPL, but above the levels required for the regular AHCCCS program. The KidsCare program receives Federal Title XXI monies at approximately a 3 to 1 match rate, which is higher than the regular 2 to 1 match in the Title XIX portion of AHCCCS. Beginning in October 2002, this program was also expanded to cover parents of children enrolled in KidsCare. The Federal Title XXI monies are deposited into the CHIP Fund, and the CHIP Fund is then appropriated, along with the General Fund match, to fund the KidsCare program. *(Additional funding is also provided for the administration of the KidsCare program in the AHCCCS Administration cost center.)*

KidsCare - Children

The JLBC includes \$161,088,900 for KidsCare children’s services in FY 2009. This amount consists of:

General Fund	36,776,100
CHIP Fund	124,312,800

FY 2009 adjustments would be as follows:

Formula Growth	GF	9,359,700
	OF	26,044,500

This adjustment would be an increase of \$35,404,200 in FY 2009 for caseload and inflation growth in the KidsCare - Children population. This amount consists of:

General Fund	9,359,700
CHIP Fund	26,044,500

These amounts provide enrollment growth of approximately 10,300 members, or 15%, from June 2008 to June 2009. Total enrollment in June 2009 is expected to reach approximately 78,700. As of December 2007, approximately 64,115 children were enrolled in the program. Additionally, the amount provides capitation rate increases of 6%.

The above amounts include an estimate of \$7.1 million in premiums, which are used to offset the costs of services. Monthly premiums range from \$10 to \$35 depending on household income and the number of children enrolled. The maximum premium is \$35 per month to cover all children in the household.

KidsCare - Parents

The JLBC includes no funding for KidsCare Parents in FY 2009. FY 2009 adjustments would be as follows:

Formula Growth	GF	(9,172,700)
	OF	(41,123,600)

This adjustment would be a decrease of \$(50,296,300) in FY 2009 due to statutory expiration of the KidsCare Parents program. This amount consists of:

General Fund	(9,172,700)
CHIP Fund	(41,123,600)

Laws 2007, Chapter 263 continued the statutory authorization for the population covered by the KidsCare Parents program only through June 30, 2008. As of December 2007, approximately 13,086 parents were receiving services in this program. Since FY 2003, the KidsCare Parents program has provided AHCCCS coverage to parents of children in the KidsCare program, whose incomes are between 100%-200% FPL.

If statutory authorization of this program is extended, the FY 2009 cost would be \$10,988,400 from the General Fund and \$41,720,000 from the CHIP Fund. This level represents an increase of \$1,815,700 from the General Fund and \$596,400 from the CHIP Fund above FY 2008. The increase is based on 12.6% caseload and 6% capitation rate growth. Administrative costs would require an additional \$456,000 from the General Fund and \$1,486,900 from the CHIP Fund to restore the FY 2008 spending level. *(Please see the discussion in the KidsCare – Administration Special Line Item in the Administration cost center for more details.)*

Payments to Hospitals

These line items represent payments made directly to hospitals separate from the traditional capitated or fee-for-service system.

Disproportionate Share Payments

The JLBC includes \$30,350,000 for Disproportionate Share Hospital (DSH) Payments in FY 2009. This amount consists of:

General Fund	8,922,200
Federal Title XIX Expenditure Authority	21,427,800

Critical Access Hospitals

The JLBC includes \$1,700,000 for Critical Access Hospitals in FY 2009. This amount consists of:

General Fund	580,100
Federal Title XIX Expenditure Authority	1,119,900

FY 2009 adjustments would be as follows:

Decreased FMAP	GF	6,700
	EA	(6,700)

This adjustment would be an increase of \$6,700 from the General Fund in FY 2009 and a corresponding decrease of \$(6,700) in Federal Expenditure Authority Funds to reflect a technical adjustment in the FMAP. (See Regular Federal Match Rate Change policy issue for more information.)

The Critical Access Hospitals program provides increased reimbursement to small rural hospitals that are federally designated as critical access hospitals. In FY 2007, 9 hospitals qualified for funding under this program.

Rural Hospital Reimbursement

The JLBC includes \$12,158,100 for Rural Hospital Reimbursement payments in FY 2009. This amount consists of:

General Fund	4,148,600
Federal Title XIX Expenditure Authority	8,009,500

FY 2009 adjustments would be as follows:

Decreased FMAP	GF	47,700
	EA	(47,700)

This adjustment would be an increase of \$47,700 from the General Fund in FY 2009 and a corresponding decrease of \$(47,700) in Federal Expenditure Authority Funds to reflect a technical adjustment in the FMAP. (See Regular Federal Match Rate Change policy issue for more information.)

The Rural Hospital Reimbursement program, established in FY 2006, increases inpatient reimbursement rates for qualifying rural hospitals.

* * *

FORMAT — Special Line Items by Program

FOOTNOTES

Standard Footnotes

Of the \$4,825,600 appropriated for the Proposition 204 County Hold Harmless line, \$234,200 is allocated to Graham County, \$3,817,800 to Pima County, \$234,400 to Greenlee County, \$159,700 to La Paz County, \$214,800 to Santa Cruz County and \$164,700 to Yavapai County to

offset a net loss in revenue due to the implementation of Proposition 204, and shall be used for indigent health care costs.

The \$30,350,000 appropriation for Disproportionate Share Payments for FY 2009 made pursuant to A.R.S. § 36-2903.01P includes \$4,202,300 for the Maricopa County Healthcare District and \$26,147,700 for private qualifying disproportionate share hospitals.

STATUTORY CHANGES

The JLBC would set as session law the County Acute Care contribution at \$49,583,000. This amount would include adjusting the contribution for Maricopa County in FY 2009 downward by \$(622,800) for inflation by an amount equal to the GDP price deflator. JLBC would also adjust Maricopa County’s contribution downward for inflation in FY 2009. (Please see the Maricopa Deflator policy issue under the Traditional Capitation Special Line Item.)

The JLBC would set as session law the Disproportionate Share Hospital payments for FY 2009 at \$89,877,700 for a nonstate operated public hospital, \$28,614,300 for the Arizona State Hospital, and \$26,147,700 for qualifying private hospitals. (Please see the Disproportionate Share Payments Special Line Item for additional information.)

The JLBC would continue as session law the collection of \$2,646,200 in DUC pool contributions from all counties other than Maricopa County.