

**Arizona Health Care Cost Containment System
Administration**

A.R.S. § 36-2901

JLBC Analyst: Amy Upston

	FY 2008 ACTUAL	FY 2009 ESTIMATE	FY 2010 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	3,179.0	3,201.4	3,044.4 ^{1/}
Personal Services	35,796,300	39,193,300	39,193,300
Employee Related Expenditures	14,403,100	15,882,100	16,157,500
Professional and Outside Services	4,048,700	3,554,400	3,554,400
Travel - In State	105,300	97,300	97,300
Travel - Out of State	46,900	39,900	39,900
Other Operating Expenditures	9,764,300	10,819,000	10,819,000
Equipment	662,600	496,400	496,400
OPERATING SUBTOTAL	64,827,200	70,082,400	70,357,800
SPECIAL LINE ITEMS			
ADOA Data Center Charges	6,865,300	5,717,500	5,717,500
Indian Advisory Council	210,700	232,900	233,700
DES Eligibility	58,109,300	55,688,300	55,906,200 ^{2/}
DES Title XIX Pass-Through	240,400	357,800	358,800
Healthcare Group Administration and Reinsurance	12,338,100	9,174,800	6,179,700
Office of Administrative Hearings	211,700	271,300	272,700
KidsCare - Administration	12,264,600	9,362,300	7,412,100
Proposition 204 - AHCCCS Administration	9,760,700	9,402,900	9,448,900
Proposition 204 - DES Eligibility	34,677,100	43,585,700	43,743,900
DES Eligibility System Upgrade	150,500	0	0
2-1-1 System	1,260,300	0	0
PROGRAM TOTAL	200,915,900	203,875,900	199,631,300^{3/4/}
FUND SOURCES			
General Fund	92,237,400	88,782,400	85,367,300
<u>Other Appropriated Funds</u>			
Budget Neutrality Compliance Fund	2,683,100	2,841,000	2,993,500
Children's Health Insurance Program Fund	9,519,500	7,135,600	5,648,000
Healthcare Group Fund	5,088,100	6,374,800	6,179,700
SUBTOTAL - Other Appropriated Funds	17,290,700	16,351,400	14,821,200
SUBTOTAL - Appropriated Funds	109,528,100	105,133,800	100,188,500
<u>Expenditure Authority Funds</u>			
Title XIX Funds	91,387,800	98,742,100	99,442,800
SUBTOTAL - Expenditure Authority Funds	91,387,800	98,742,100	99,442,800
SUBTOTAL - Appropriated\Expenditure Authority Funds	200,915,900	203,875,900	199,631,300
Other Non-Appropriated Funds	83,841,300	70,947,700	70,947,700
Federal Funds	37,427,400	38,197,900	31,775,600
TOTAL - ALL SOURCES	332,184,600	313,021,500	302,354,600

^{1/} Includes 996.2 GF, 172 OF, and 963.3 EA FTE Positions funded from Special Line Items in FY 2010 prior to the lump sum reductions.

^{2/} The amounts appropriated for the Department of Economic Security Eligibility 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. (General Appropriation Act footnote)

^{3/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Program. As appropriated by Laws 2009, 1st Regular Session, Chapter 12.

^{4/} See agency summary for agencywide lump sum reductions and fund transfers.

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 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2010 Approved
• % of applications processed on time	84	91	94	95
• Customer satisfaction rating for eligibility determination clients (Scale 1-8)	NA	NA	7.1	7.0

Comments: The agency did not submit information for any measure labeled as “NA” as required by the General Appropriation Act.

Amounts in the Administration Cost Center are displayed at the regular Federal Medical Assistance Percentages (FMAP) and are not subject to the enhanced FMAP under the American Recovery and Reinvestment Act.

Operating Budget

The budget includes \$70,357,800 and 1,058.9 FTE Positions for the operating budget in FY 2010. These amounts consist of:

	FY 2010
General Fund	\$28,560,600
Federal Expenditure Authority	41,797,200

These amounts fund the following adjustments:

Statewide Health Insurance Adjustments

The budget includes an increase of \$275,400 from Federal Expenditure Authority in FY 2010 for state employee health insurance statewide adjustments. *(Please see the General Provisions section.)*

ADOA Data Center Charges

The budget includes \$5,717,500 for the Arizona Department of Administration (ADOA) Data Center Charges in FY 2010. This amount consists of:

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

These amounts are unchanged from FY 2009.

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

Indian Advisory Council

The budget includes \$233,700 and 3.6 FTE Positions for the Indian Advisory Council in FY 2010. These amounts consist of:

General Fund	116,600
Federal Expenditure Authority	117,100

These amounts fund the following adjustments:

Statewide Health Insurance Adjustments

The budget includes an increase of \$800 from the Federal Expenditure Authority in FY 2010 for state employee health insurance statewide adjustments.

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

DES Eligibility

The budget includes \$55,906,200 and 991.6 FTE Positions for the Department of Economic Security (DES) Eligibility services in FY 2010. These amounts consist of:

General Fund	26,467,600
Federal Expenditure Authority	29,438,600

These amounts fund the following adjustments:

Statewide Health Insurance Adjustments

The budget includes an increase of \$217,900 from the Federal Expenditure Authority in FY 2010 for state employee health insurance statewide adjustments.

DES Title XIX Pass-Through

The budget includes \$358,800 and 4.3 FTE Positions for DES Title XIX Pass-Through funding in FY 2010. These amounts consist of:

General Fund	154,000
Federal Expenditure Authority	204,800

These amounts fund the following adjustments:

Statewide Health Insurance Adjustments

The budget includes an increase of \$1,000 from Federal Expenditure Authority in FY 2010 for state employee health insurance statewide adjustments.

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 budget includes \$6,179,700 and 30 FTE Positions from the Healthcare Group Fund for Healthcare Group Administration and Reinsurance in FY 2010. These amounts fund the following adjustments:

Healthcare Group Decrease

The budget continues a \$(2,352,000) decrease originally approved in the midyear FY 2009 revisions, and includes an additional \$(2,800,000) decrease from the General Fund in FY 2010. Total FY 2010 reductions consist of:

General Fund	(5,000,000)
Healthcare Group Fund	(152,000)

Although it was the intent of the legislature that AHCCCS implement a \$(5,000,000) General Fund decrease to Healthcare Group in FY 2009, AHCCCS indicates they were unable to do so and instead implemented a \$(2,200,000) General Fund reduction in FY 2009.

Salary Lump Sum Decrease

The budget includes a decrease of \$(209,900) from the Healthcare Group Fund in FY 2010 for personnel services reductions.

Statewide Health Insurance Adjustments

The budget includes an increase of \$14,800 from the Healthcare Group Fund in FY 2010 for state employee health insurance statewide adjustments.

(Please see agency summary for agencywide lump sum reduction and fund transfers.)

Background – Healthcare Group (HCG) offers health insurance to small businesses with between 2 and 50 employees. Coverage is offered through community rated plans and an applicant cannot be denied coverage due to a medical condition. Employers may pay part of the premium or offer the program directly to their employees with no additional cost to the business. Dental and vision coverage is available in addition to medical coverage. As of May 2009, there were 14,770 individuals enrolled in HCG medical plans.

General Fund monies were first appropriated to HCG to pay down its unpaid prior year obligations and other liabilities. As of May 31, 2009, HCG had \$13,600,000 in unpaid prior year obligations and liabilities.

Office of Administrative Hearings

The budget includes \$272,700 and 3 FTE Positions in Federal Expenditure Authority for Office of Administrative Hearings (OAH) costs in FY 2010. These amounts fund the following adjustments:

Statewide Health Insurance Adjustments

The budget includes an increase of \$1,400 from the Federal Expenditure Authority in FY 2010 for state employee health insurance statewide adjustments.

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 budget includes \$7,412,100 and 177.5 FTE Positions for KidsCare Administration costs in FY 2010. These amounts consist of:

General Fund	1,764,100
Children's Health Insurance Program (CHIP) Fund	5,648,000

These amounts fund the following adjustments:

FMAP Change

The budget includes an increase of \$18,100 from the General Fund and a corresponding CHIP Fund decrease in FY 2010 to reflect the lowering of the Title XXI Kids Care federal medical assistance percentage on October 1, 2009 from 76.04% to 76.03%.

KidsCare Parents Elimination

The budget includes a decrease of \$(2,002,600) in FY 2010 as a funding reduction to KidsCare Administration. This amount consists of:

General Fund	(480,700)
CHIP Fund	(1,521,900)

The FY 2010 Health and Welfare Budget Reconciliation Bill (BRB) (Laws 2009, 3rd Special Session, Chapter 10) eliminated KidsCare Parents as of October 1, 2009.

Statewide Health Insurance Adjustments

The budget includes an increase of \$52,400 from the CHIP Fund in FY 2010 for state employee health insurance statewide adjustments.

Background – 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 FY 2009 KidsCare Administration funding level from the CHIP Fund was approximately 7% of the FY 2009 CHIP Fund program costs.

Proposition 204 - AHCCCS Administration

The budget includes \$9,448,900 and 202.3 FTE Positions for Proposition 204 AHCCCS Administration costs in FY 2010. These amounts consist of:

General Fund	4,724,800
Federal Expenditure Authority	4,724,100

These amounts fund the following adjustments:

Statewide Health Insurance Adjustments

The budget includes an increase of \$46,000 from Federal Expenditure Authority in FY 2010 for state employee health insurance statewide adjustments.

Proposition 204 - DES Eligibility

The budget includes \$43,743,900 and 719.2 FTE Positions for Proposition 204 DES Eligibility costs in FY 2010. These amounts consist of:

General Fund	21,854,900
Budget Neutrality Compliance Fund	2,993,500
Federal Expenditure Authority Funds	18,895,500

These amounts fund the following adjustments:

Statutory Adjustment

The budget includes an increase of \$152,500 from the Budget Neutrality Compliance Fund (BNCF) and a corresponding General Fund decrease in FY 2010 to reflect a statutorily-required increase of county contributions. The BNCF is comprised of contributions from Arizona counties for administrative costs of the implementation of Proposition 204. Prior to the proposition, the counties funded and administered the health care program for some of the Proposition 204 population.

Pursuant to A.R.S. § 11-292P, the JLBC Staff is required to adjust the prior year county contribution to the BNCF based on inflationary and population growth. In accordance with this requirement, JLBC Staff used inflationary growth of 2.3%, as measured by the October 2008 estimate of the calendar year 2008 Gross Domestic Product (GDP) price deflator, and population growth of 3.0%, as estimated by the Department of Commerce. (Statute requires population growth to be measured by the DES Population Statistics Unit, but the department has been shifted to the Department of Commerce.) Using these rates, JLBC Staff calculated a FY 2010 increase of \$152,500 above the FY 2009 contribution amount of \$2,841,000. (Please see Table 3 in the Acute Care Cost Center for contributions by county.)

Statewide Health Insurance Adjustments

The budget includes an increase of \$158,200 from the Federal Expenditure Authority in FY 2010 for state employee health insurance statewide adjustments.

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.

DES Eligibility System Upgrade

The budget includes no funding for the DES Eligibility System Upgrade Special Line Item in FY 2010. This amount is unchanged from FY 2009 and continues the following decrease from the FY 2009 midyear revisions:

Continue System Upgrade Decrease

The budget continues a \$(2,600,000) decrease originally approved in the midyear FY 2009 revisions. This amount consists of:

General Fund	(1,300,000)
Federal Expenditure Authority	(1,300,000)

These monies would be part of a \$45,000,000 total fund multi-year information technology (IT) upgrade project to replace the current case management/eligibility determination system used by DES for Medicaid,

Temporary Assistance for Needy Families (TANF), General Assistance, and other welfare programs. AHCCCS and DES are expected to seek \$45,000,000 over the project lifetime, which would include support from the General Fund and Federal Funds, including TANF. Expenditures from this line include equipment, internal IT support, and contracted programming and system development. *(See the Eligibility System Upgrade discussion in the DES Benefits and Medical Eligibility Division for more details.)*

2-1-1 System

The budget includes no funding for the 2-1-1 System in FY 2010 due to its transfer to other state agencies. These amounts are unchanged from FY 2009.

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 telephone component of 2-1-1 consisted of funding for call center infrastructure, with the intent that local governments would fund the actual call centers and personnel. To date, no local call centers have been established.

FTE Position Reduction

The budget includes a decrease of (146) FTE Positions for a lump sum FTE Position reduction. *(Please see the General Provisions section.)*

Laws 2009, 3rd Special Session, Chapter 11, Section 17 requires every General Fund supported agency, board, commission, or other state entity to reduce its FTE Positions by 5% on or before February 1, 2010. This reduction has not been recorded in the summary table above. The actual impact of this provision is to be determined.

Lump Sum Reduction and Fund Transfers

Please see agency summary for agencywide lump sum reductions and fund transfers.