

**Arizona Health Care Cost Containment System
Administration**

A.R.S. § 36-2901

JLBC Analyst: Amy Upston

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	3,201.4	3,017.4	2,983.4 ^{1/}
Personal Services	34,870,000	38,657,600	38,449,100
Employee Related Expenditures	14,340,700	15,784,800	15,798,300
Professional and Outside Services	2,672,100	3,667,100	3,681,800
Travel - In State	56,800	91,700	94,700
Travel - Out of State	14,400	37,500	40,000
Other Operating Expenditures	8,554,200	9,531,500	9,761,100
Equipment	102,000	319,200	319,200
OPERATING SUBTOTAL	60,610,200	68,089,400	68,144,200
SPECIAL LINE ITEMS			
ADOA Data Center Charges	7,825,100	5,717,500	5,717,500
Indian Advisory Council	215,600	222,000	0
DES Eligibility	50,989,600	55,842,400	54,187,800 ^{2/}
DES Title XIX Pass-Through	259,500	352,500	349,700
Healthcare Group Administration and Reinsurance	6,524,400	6,176,500	5,183,700
Office of Administrative Hearings	217,700	272,700	0
KidsCare - Administration	10,031,500	6,899,800	2,141,600
Proposition 204 - AHCCCS Administration	9,615,900	7,035,300	6,689,500
Proposition 204 - DES Eligibility	37,100,200	39,918,200	38,157,200
PROGRAM TOTAL	183,389,700	190,526,300	180,571,200^{3/4/}
FUND SOURCES			
General Fund	82,805,200	76,316,700	74,283,600
<u>Other Appropriated Funds</u>			
Budget Neutrality Compliance Fund	2,130,800	2,993,500	3,117,300
Children's Health Insurance Program Fund	7,731,100	5,648,000	1,646,500
Healthcare Group Fund	3,724,400	6,176,500	5,183,700
SUBTOTAL - Other Appropriated Funds	13,586,300	14,818,000	9,947,500
SUBTOTAL - Appropriated Funds	96,391,500	91,134,700	84,231,100
<u>Expenditure Authority Funds</u>			
Federal Title XIX Funds	86,998,200	99,391,600	96,340,100
SUBTOTAL - Expenditure Authority Funds	86,998,200	99,391,600	96,340,100
SUBTOTAL - Appropriated/Expenditure Authority Funds	183,389,700	190,526,300	180,571,200
Other Non-Appropriated Funds	76,232,700	70,647,000	73,750,200
Federal Funds	34,099,000	30,630,400	26,413,900
TOTAL - ALL SOURCES	293,721,400	291,803,700	280,735,300

^{1/} Includes 880.4 GF, 172 OF, and 958.8 EA FTE Positions funded from Special Line Items in FY 2011.

^{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 as modified by Laws 2010, Chapter 232 are appropriated as an Operating Lump Sum with Special Line Items by Program. General Appropriation Act funds are also adjusted for statewide allocations.

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

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.

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 \$68,144,200 and 972.2 FTE Positions for the operating budget in FY 2011. These amounts consist of:

	FY 2011
General Fund	\$26,315,200
Federal Expenditure Authority	41,829,000

These amounts fund the following adjustments:

Fraud Investigators

The budget includes an increase of \$156,300 and 5 FTE Positions from the General Fund in FY 2011 to increase the number of fraud investigators and eliminate the backlog that has occurred. It is estimated that these additional 5 FTE Positions in the Office of Program Integrity will save \$(607,300). Although the savings were reflected in the Administration Cost Center in the General Appropriation Act, they have been shifted to the Acute Care Center to reflect where the actual savings will occur.

Shift Indian Advisory Council to Operating Budget

The budget includes an increase of \$104,900 and 1.8 FTE Positions from the General Fund and an increase of \$117,100 and 1.8 FTE Positions from Federal Title XIX Expenditure Authority in FY 2011 to move the Indian Advisory Council line item to the operating budget.

Shift Office of Administrative Hearings to Operating Budget

The budget includes an increase of \$272,700 and 3 FTE Positions from Federal Title XIX Expenditure Authority in FY 2011 to move the Office of Administrative Hearings to the operating budget.

Statewide Adjustments

The budget includes a decrease of \$(496,200) in FY 2011 for statewide adjustments. This amount consists of:

General Fund	(248,100)
Federal Expenditure Authority	(248,100)

(Please see the General Provisions section.)

Continue Reduction

The budget continues a \$(100,000) decrease from the General Fund approved in the 5th Special Session FY 2010 revisions. The budget also includes an accompanying \$(100,000) decrease in FY 2011 only from the CHIP Fund, the federal matching monies that are associated with the General Fund reduction. The General Fund reductions were part of the agency's FY 2010 lump sum reduction which was continued in FY 2011.

ADOA Data Center Charges

The budget includes \$5,717,500 for the Arizona Department of Administration (ADOA) Data Center Charges in FY 2011. This amount consists of:

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

These amounts are unchanged from FY 2010.

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 no funding for the Indian Advisory Council in FY 2011 due to the shift to the operating budget. This amount funds the following adjustments:

Shift to Operating Budget

The budget includes a decrease of \$(222,000) and (3.6) FTE Positions in FY 2011 for a shift to the operating budget.

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 \$54,187,800 and 991.6 FTE Positions for the Department of Economic Security (DES) Eligibility services in FY 2011. These amounts consist of:

General Fund	25,608,400
Federal Expenditure Authority	28,579,400

These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(1,654,600) in FY 2011 for statewide adjustments. This amount consists of:

General Fund	(827,300)
Federal Expenditure Authority	(827,300)

Through an Intergovernmental Agreement, DES performs eligibility determinations for the Acute Care program.

DES Title XIX Pass-Through

The budget includes \$349,700 and 4.3 FTE Positions for DES Title XIX Pass-Through funding in FY 2011. These amounts consist of:

General Fund	146,300
Federal Expenditure Authority	203,400

These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(2,800) in FY 2011 for statewide adjustments. This amount consists of:

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

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 \$5,183,700 and 30 FTE Positions from the Healthcare Group Fund for Healthcare Group Administration and Reinsurance in FY 2011. These amounts fund the following adjustments:

Administration Reduction

The budget includes a decrease of \$(933,600) from the Healthcare Group Fund in FY 2011 for administrative expenses due to recent declines in membership.

Statewide Adjustments

The budget includes a decrease of \$(59,200) from the General Fund in FY 2011 for statewide adjustments.

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 December 2009, there were 12,171 individuals enrolled in HCG medical plans.

Office of Administrative Hearings

The budget includes no funding for Office of Administrative Hearing (OAH) costs in FY 2011 due to the shift to the operating budget. These amounts fund the following adjustments:

Shift to Operating Budget

The budget includes a decrease of \$(272,700) and (3) FTE Positions from Title XIX Expenditure Authority in FY 2011 for a shift to the operating budget.

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 (CHIP) Fund, based on the cases reviewed.

KidsCare - Administration

The budget includes \$2,141,600 and 177.5 FTE Positions for KidsCare Administration costs in FY 2011. These amounts consist of:

General Fund	495,100
CHIP Fund	1,646,500

These amounts fund the following adjustments:

Enrollment Freeze

The budget includes a decrease of \$(528,100) from the General Fund and a decrease of \$(1,904,700) from the CHIP Fund in FY 2011 to reflect lower administrative costs associated with KidsCare due to the enrollment freeze. As part of their FY 2010 lump sum reduction, AHCCCS implemented a KidsCare enrollment freeze beginning on January 1, 2010. The FY 2011 budget continues the enrollment freeze. With fewer individuals enrolled, administrative costs are expected to decline.

KidsCare Parents Elimination

The budget includes a decrease of \$(160,300) from the General Fund and a decrease of \$(508,400) from the CHIP Fund in FY 2011 as a funding reduction to KidsCare Administration due to the elimination of KidsCare Parents.

The FY 2010 budget eliminated KidsCare Parents as of October 1, 2009 and eliminated 75% of KidsCare Parents Administration funding. The budget eliminates the remainder of the KidsCare Parents Administrative funding.

Statewide Adjustments

The budget includes an increase of \$43,800 in FY 2011 for statewide adjustments. These amounts consist of:

General Fund	(23,800)
CHIP Fund	67,600

Continue Reduction

The budget continues a \$(511,400) decrease from the General Fund approved in the 5th Special Session FY 2010 revisions. The budget also includes an accompanying \$(1,700,500) decrease in FY 2011 only from the CHIP Fund, the federal matching monies that are associated with the General Fund reduction. The General Fund reductions were part of the agency’s FY 2010 lump sum reduction which was continued in FY 2011.

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 KidsCare program services 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 \$6,689,500 and 164.4 FTE Positions for Proposition 204 AHCCCS Administration costs in FY 2011. These amounts consist of:

General Fund	2,270,800
Federal Expenditure Authority	4,418,700

These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(84,400) in FY 2011 for statewide adjustments. These amounts consist of:

General Fund	(42,200)
Federal Expenditure Authority	(42,200)

Continue Reduction

The budget continues a \$(261,400) decrease from the General Fund approved in the 5th Special Session FY 2010

revisions. The budget also includes an accompanying \$(261,400) decrease in FY 2011 only from the Title XIX Federal Expenditure Authority Funds. The General Fund reductions were part of the agency’s FY 2010 lump sum reduction which was continued in FY 2011.

Proposition 204 expanded AHCCCS coverage up to 100% of the FPL. This 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 budget includes \$38,157,200 and 643.4 FTE Positions for Proposition 204 DES Eligibility costs in FY 2011. These amounts consist of:

General Fund	17,723,100
Budget Neutrality Compliance Fund	3,117,300
Federal Expenditure Authority	17,316,800

These amounts fund the following adjustments:

Statutory Adjustment

The budget includes a decrease of \$(123,800) from the General Fund and a corresponding increase from the Budget Neutrality Compliance Fund (BNCF) in FY 2011 to reflect a statutorily-required increase of county contributions.

Pursuant to A.R.S. § 11-292O, 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 1.3%, as measured by the November 2009 estimate of the calendar year 2009 Gross Domestic Product (GDP) price deflator, and population growth of 2.8%, as estimated by the Department of Commerce. Using these rates, JLBC Staff calculated a FY 2011 increase of \$123,800 above the FY 2010 contribution amount of \$2,993,500. *(Please see Table 2 in the Acute Care Cost Center for contributions by county.)*

Statewide Adjustments

The budget includes a decrease of \$(379,800) from the General Fund in FY 2011 for statewide adjustments. These amounts consist of:

General Fund	(189,900)
Federal Expenditure Authority	(189,900)

Continue Reduction

The budget continues a \$(1,381,200) decrease from the General Fund approved in the 5th Special Session FY 2010 revisions. The budget also includes an accompanying \$(1,381,200) decrease in FY 2011 only from Title XIX Expenditure Authority, the federal matching monies that

are associated with the General Fund reduction. The General Fund reductions were part of the agency's FY 2010 lump sum reduction which was continued in FY 2011.

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.

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.

5th Special Session Reduction

Please see the agency summary for agencywide lump sum reductions.

Fund Transfers

The budget includes transfers from this agency's funds to the General Fund. *(Please see the Fund Transfers section at the back of this report for more details.)*

Other Issues

5% FTE Position Reduction

Laws 2009, 3rd Special Session, Chapter 11, Section 17 mandated a 5% General Fund FTE Position reduction by February 1, 2010. This provision required AHCCCS to reduce 27 General Fund FTE Positions in FY 2010 and an additional 39 General Fund FTE Positions in FY 2011. These changes have been incorporated into the agency's budget.