Arizona Health Care Cost Containment System

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
OPERATING BUDGET			
Full Time Equivalent Positions	3,017.4	2,983.4	2,975.4 [1/]
Personal Services	37,306,800	41,092,700	40,309,100
Employee Related Expenditures	16,203,900	18,266,900	17,513,700
Professional and Outside Services	2,990,000	4,908,400	4,731,200
Travel - In State	58,100	80,800	80,200
Travel - Out of State	7,900	23,400	23,400
Other Operating Expenditures	16,840,400	16,339,500	15,840,200
Equipment	326,200	618,900	617,900
OPERATING SUBTOTAL	**73,733,300**	**81,330,600**	**79,115,700**
SPECIAL LINE ITEMS			
Administration			
DES Eligibility	39,993,100	54,478,600	53,661,700 [2/]
Proposition 204 - AHCCCS Administration	8,356,100	6,684,300	6,620,400
Proposition 204 - DES Eligibility	36,047,000	38,116,900	37,716,400
Medical Services			
Traditional Medicaid Services	2,986,252,500	3,565,236,800	3,276,860,600 [3/]
Proposition 204 Services	2,376,882,700	2,639,915,000	1,014,494,200 [4/]
Children's Rehabilitative Services	0	0	110,126,600
KidsCare	90,395,600	47,801,300	36,067,800
ALTCS Services	1,262,451,400	1,242,309,200	1,244,829,000 [5/6/]
Payments to Hospitals [7/]			
Disproportionate Share Payments	0	13,487,100	13,487,100 [8/]
Rural Hospitals	850,000	13,858,100	13,858,100
FY 2011 Reduction			
Budget Reduction	0	(236,086,000)	0
AGENCY TOTAL	**6,874,961,700**	**7,467,131,900**	**5,886,837,600** [9/10/11/12/]
FUND SOURCES			
General Fund	1,190,314,400	1,314,973,600	1,363,735,000
Other Appropriated Funds			
Budget Neutrality Compliance Fund	2,235,600	3,117,300	3,161,100
Children's Health Insurance Program Fund	77,827,900	40,967,600	30,176,400
Healthcare Group Fund	2,979,100	5,174,000	3,496,300
Prescription Drug Rebate Fund	0	10,000,000	20,114,500
TPTF Emergency Health Services Account	20,230,200	19,222,900	19,222,900
TTHCF Medically Needy Account	38,295,800	38,295,800	38,295,800
SUBTOTAL - Other Appropriated Funds	141,568,600	116,777,600	114,467,000
SUBTOTAL - Appropriated Funds	**1,331,883,000**	**1,431,751,200**	**1,478,202,000**
Expenditure Authority Funds			
County Funds	6,860,000	244,316,400	302,984,400
Federal Medicaid Authority	5,387,114,500	5,642,290,400	3,956,877,300
Third Party Collections Fund	95,700	194,700	194,700
Tobacco Litigation Settlement Fund	105,394,100	108,211,300	108,211,300
TPTF Proposition 204 Protection Account	43,614,400	40,367,900	40,367,900
SUBTOTAL - Expenditure Authority Funds	5,543,078,700	6,035,380,700	4,408,635,600
SUBTOTAL - Appropriated/Expenditure Authority Funds	**6,874,961,700**	**7,467,131,900**	**5,886,837,600**
Other Non-Appropriated Funds	70,100,600	85,420,300	81,791,500
Federal Funds	32,489,800	29,368,900	24,724,300
TOTAL - ALL SOURCES	6,977,552,100	7,581,921,100	5,993,353,400

AGENCY DESCRIPTION — The Arizona Health Care Cost Containment System (AHCCCS) operates on a health maintenance organization model in which contracted providers receive a predetermined monthly capitation payment for the medical services cost of enrolled members. AHCCCS is the state's federally matched Medicaid program and provides acute and long-term care services.

Operating Budget

The budget includes $79,115,700 and 1,208.4 FTE Positions in FY 2012 for the operating budget. These amounts consist of:

	FY 2012
General Fund	$27,984,700
Healthcare Group Fund	3,496,300
Children's Health Insurance Program (CHIP) Fund	1,633,400
Prescription Drug Rebate Fund	114,500
Federal Medicaid Authority (FMA)	45,886,800

These amounts fund the following adjustments:

Healthcare Group Administrative Decrease

The budget includes an agency-requested decrease of $(1,646,100) and (10) FTE Positions from the Healthcare Group Fund in FY 2012 for decreased administrative expenses in Healthcare Group. AHCCCS forecasts enrollment of 6,900 in healthcare insurance in June 2012 compared to 11,000 in June 2010. Healthcare Group's contract limits administrative expenses to 7% of total premium revenues.

Drug Rebate Oversight Staff

The budget includes an increase of $114,500 and 2 FTE Positions from the Prescription Drug Rebate Fund in FY 2012 for oversight of the drug rebate program. The federal Affordable Care Act extended the Medicaid drug rebate program to Medicaid managed care organizations.

Statewide Adjustments

The budget includes a decrease of $(683,300) in FY 2012 for statewide adjustments. This amount consists of:

General Fund	(598,700)
Healthcare Group Fund	(31,600)
CHIP Fund	(13,100)
Federal Medicaid Authority	(39,900)

(Please see the Agency Detail and Allocations section.)

Background – The following line items are now incorporated into the operating budget with no additional adjustments to the budget: ADOA Data Center Charges, Healthcare Group Administration and Reinsurance, KidsCare – Administration, and Board of Nursing.

1/ Includes 807.1 GF, and 959.9 EA FTE Positions funded from Special Line Items in FY 2012.

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/ Laws 2010, 7th Special Session, Chapter 1 appropriated $344,344,800 in FY 2012 to reflect deferred payments from FY 2011, including $117,688,200 from the General Fund. The FY 2012 General Appropriation Act appropriated the same amount in FY 2013 to reflect deferred payments from FY 2012.

4/ The amounts included in the Proposition 204 - AHCCCS Administration, Proposition 204 - DES Eligibility, and Proposition 204 Services Special Line Items includes all available sources of funding consistent with A.R.S. § 36-2901.01B. (General Appropriation Act footnote)

5/ 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. (General Appropriation Act footnote)

6 The county portion of the FY 2012 nonfederal portion of the costs of providing long-term care system services is included in the Expenditure Authority fund source. (General Appropriation Act footnote)

7/ All Arizona Health Care Containment System voluntary state match and related Federal Medicaid Authority monies for Graduate Medical Education are appropriated in FY 2012. The Arizona Health Care Cost Containment System shall report these amounts from sources other than Arizona Health Care Containment System to the Joint Legislative Budget Committee by August 1, 2012. (General Appropriation Act footnote)

8/ The $13,487,100 appropriation for Disproportionate Share Payments for FY 2012 made pursuant to A.R.S. § 36-2903.01P includes $4,202,300 for the Maricopa County Healthcare District and $9,284,800 for private qualifying disproportionate share hospitals. (General Appropriation Act footnote)

9/ Before making fee-for-service program or rate changes that pertain to fee-for-service rate categories, the Arizona Health Care Cost Containment System Administration shall report its expenditure plan for review by the Joint Legislative Budget Committee. (General Appropriation Act footnote)

10/ The Arizona Health Care Cost Containment System Administration shall report to the Joint Legislative Budget Committee by March 1 of each year on 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 2%. Before implementation of any changes in capitation rates, the Arizona Health Care Cost Containment System Administration shall report its expenditure plan for review by the Joint Legislative Budget Committee. Before 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 for review by the Joint Legislative Budget Committee. (General Appropriation Act footnote)

11/ General Appropriation Act funds are appropriated as Operating Lump Sum with Special Line Items by Agency.

12/ In addition to these amounts, a total of $693,100 GF, $137,600 OF and $693,100 FMA is appropriated in FY 2012 for costs associated with an additional pay period. *(Please see the Agency Detail and Allocations section.)*

Administration

DES Eligibility

The budget includes $53,661,700 and 995.9 FTE Positions in FY 2012 for Department of Economic Security (DES) Eligibility services. These amounts consist of:

General Fund	24,924,500
Federal Medicaid Authority	28,737,200

These amounts fund the following adjustments:

Statewide Adjustments
The budget includes a decrease of $(816,900) in FY 2012 for statewide adjustments. This amount consists of:

General Fund	(771,300)
Federal Medicaid Authority	(45,600)

Through an Intergovernmental Agreement, DES performs eligibility determinations. The DES Title XIX Pass-Through line item is now rolled into the DES Eligibility line item with no additional adjustment.

Proposition 204 - AHCCCS Administration

The budget includes $6,620,400 and 167.2 FTE Positions in FY 2012 for Proposition 204 - AHCCCS Administration costs. These amounts consist of:

General Fund	2,207,600
Federal Medicaid Authority	4,412,800

These amounts fund the following adjustments:

Statewide Adjustments
The budget includes a decrease of $(63,900) in FY 2012 for statewide adjustments. This amount consists of:

General Fund	(58,000)
Federal Medicaid Authority	(5,900)

Proposition 204 expanded AHCCCS coverage up to 100% of the Federal Poverty level (FPL). This line item contains funding for AHCCCS' administration costs of the Proposition 204 program.

Proposition 204 - DES Eligibility

The budget includes $37,716,400 and 603.9 FTE Positions in FY 2012 for Proposition 204 - DES Eligibility costs. These amounts consist of:

General Fund	17,260,800
Budget Neutrality Compliance Fund	3,161,100
Federal Medicaid Authority	17,294,500

These amounts fund the following adjustments:

Statutory Adjustment
The budget includes a decrease of $(94,200) from the General Fund and a corresponding increase from the Budget Neutrality Compliance Fund (BNCF) in FY 2012 to reflect a statutorily-required increase of county contributions in FY 2012 (A.R.S. § 11-292O). *(Please see Table 7 for contributions by county.)*

Statewide Adjustments
The budget includes a decrease of $(400,500) in FY 2012 for statewide adjustments. This amount consists of:

General Fund	(378,200)
Federal Medicaid Authority	(22,300)

Background – 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.

Medical Services

AHCCCS oversees acute care and long term care services as well as the Children's Rehabilitative Services program. Overall formula adjustments are below. A description of program components can be found in the *Other Information* section.

Traditional Medicaid Services

The budget includes $3,276,860,600 in FY 2012 for Traditional Medicaid Services. This amount consists of:

General Fund	936,988,700
County Funds	51,251,500
Prescription Drug Rebate Fund	10,525,700
TTHCF Medically Needy Account	38,295,800
Third Party Collections	194,700
Federal Medicaid Authority	2,239,604,200

These amounts fund the following adjustments:

Formula Adjustment
The budget includes a decrease of $(270,227,300) in FY 2012 for formula adjustments to Traditional Medicaid Services. This amount consists of:

General Fund	228,854,300
Prescription Drug Rebate Fund	5,262,800
County Funds	(186,900)
Federal Medicaid Authority	(504,157,500)

The formula adjustments include:

- A General Fund backfill for a lower federal match rate.
- 2.3% enrollment growth in FY 2012 to a level of 823,500 *(see Table 5).*
- 1.8% increase in fee-for-service, 2.3% increase in reinsurance expenses, and 20% in Medicare premiums.
- Savings from annualizing the April 1, 2011 provider rate reduction.
- $(186,900) decrease in Maricopa County Acute Care contribution under A.R.S § 11-292 with a corresponding General Fund increase.
- An additional $(5,262,800) General Fund savings from drug rebates.

Reduction of Erroneous and Fraudulent Payments

The budget includes a decrease of $(18,148,900) in FY 2012 for reducing erroneous and fraudulent payments. This amount consists of:

General Fund	(6,000,000)
Federal Medicaid Authority	(12,148,900)

The Health Budget Reconciliation Bill (BRB) (Laws 2011, Chapter 31) requires AHCCCS to award a Request For Proposal (RFP) by January 1, 2012 regarding provisions which reduce erroneous and fraudulent payments.

(Please see Other Information for more information.)

Background – Traditional Medicaid Services funds the following populations *(see Chart 1)*:

- Children less than 1, up to 140% FPL
- Children aged 1-5, up to 133% FPL
- Children aged 6-18, up to 100% FPL
- Pregnant women, up to 150% FPL
- Aged, blind, and disabled adults, up to 75% FPL
- Parents, up to 23% FPL
- Women diagnosed through the Breast and Cervical Cancer Screening Program, up to 250% FPL
- Individuals aged 16-64 receiving Supplemental Security Income, up to 250% FPL ("Ticket to Work")

Previously, this line item was comprised of 7 individual line items: Capitation, Reinsurance, Fee-For-Service, Medicare Premiums, Breast and Cervical Cancer, Ticket to Work, and Medicare Clawback Payments.

Proposition 204 Services

The budget includes $1,014,494,200 in FY 2012 for Proposition 204 Services. This amount consists of:

General Fund	129,893,400
Tobacco Settlement Fund	108,211,300
TPTF Proposition 204 Protection Account	40,367,900
Emergency Health Services Account	19,222,900
Prescription Drug Rebate Fund	8,005,500
Federal Medicaid Authority	708,793,200

These amounts fund the following adjustments:

Formula Adjustment

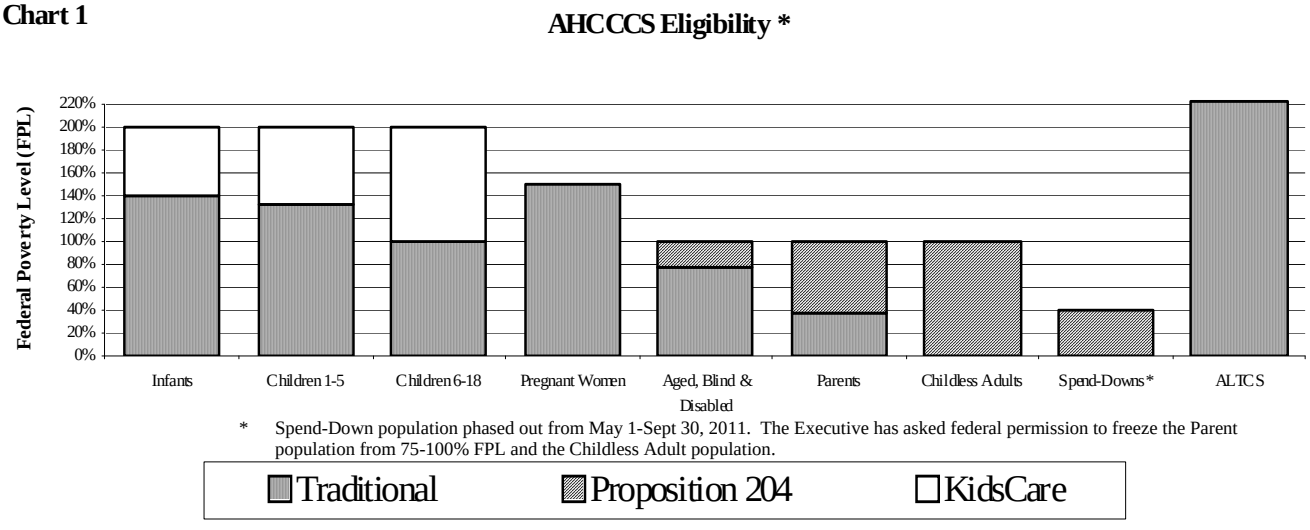
The budget includes a decrease of $(1,625,420,800) in FY 2012 for Proposition 204 Services funding for formula adjustments. This amount consists of:

General Fund	(307,580,900)
Prescription Drug Rebate Fund	4,002,800
Federal Medicaid Authority	(1,321,842,700)

The formula adjustments include:

- A reduction of $(478,902,900) from the General Fund.
- A General Fund backfill for a lower federal match rate.

Chart 1



* Spend-Down population phased out from May 1-Sept 30, 2011. The Executive has asked federal permission to freeze the Parent population from 75-100% FPL and the Childless Adult population.

- 1.8% increase in fee-for-service, 2.3% increase in reinsurance expenses, and 20% in Medicare premiums.
- Savings from annualizing the April 1, 2011 provider rate reduction.
- $(186,900) decrease in Maricopa County Acute Care contribution under A.R.S § 11-292 with a corresponding General Fund increase.
- An additional $(4,002,800) General Fund savings from drug rebates.

The Executive has been given flexibility to implement the $(478,902,900) reduction. *(Please see Other Information for more details.)* Without this reduction, the formula adjustment includes a 2.3% enrollment growth in FY 2012 to a level of 371,700 *(see Table 5).*

Additionally, Laws 2011, Chapter 234 allows local governments, county governments, tribal governments, and universities to provide the state match for Proposition 204 services if General Fund monies are not available, subject to federal approval. This provision expires on September 30, 2013.

Background – The Proposition 204 program serves individuals with incomes that exceed the income limits for the Traditional population, but are below 100% FPL. Although not technically a Proposition 204 program, monies for the "spend-down" program have traditionally been included in Proposition 204 line items. The Executive has received federal approval to phase out the "spend-down" program between May 1 and September 30, 2011.

Previously, this line item was comprised of 5 individual line items: Proposition 204 - Capitation, Proposition 204 - Reinsurance, Proposition 204 - Fee-For-Service, Proposition 204 - Medicare Premiums, and Proposition 204 - County Hold Harmless.

Children's Rehabilitative Services

The budget includes $110,126,600 in FY 2012 for Children's Rehabilitative Services (CRS). This amount consists of:

General Fund	36,410,600
Federal Medicaid Authority	73,716,000

These amounts fund the following adjustments:

Transfer from DHS

The budget includes an increase of $106,411,900 in FY 2012 to transfer CRS from the Department of Health Services (DHS) to AHCCCS. This amount consists of:

General Fund	27,619,200
Federal Medicaid Authority	78,792,700

Formula Adjustment

The budget includes an increase of $3,714,700 in FY 2012 for CRS funding for formula adjustments. This amount consists of:

General Fund	8,791,400
Federal Medicaid Authority	(5,076,700)

This adjustment assumes an enrollment increase of 1.8% from June 2011 to June 2012, no increases in capitation rates above the April 2011 rates, and a General Fund backfill for a lower federal match rate. This would result in approximately 22,200 members per month being served in June 2012 *(see Table 5).*

The CRS program offers health care to children with handicapping or potentially handicapping conditions. Beginning on January 1, 2011, the Executive moved the oversight of the CRS program from DHS to AHCCCS and funding was provided through an interagency agreement. The Health BRB officially transitions responsibility to AHCCCS.

KidsCare

The budget includes $36,067,800 in FY 2012 for KidsCare children's services. This amount consists of:

General Fund	7,524,800
CHIP Fund	28,543,000

These amounts fund the following adjustments:

Formula Adjustment

The budget includes a decrease of $(11,733,500) in FY 2012 for KidsCare Services funding for formula adjustments. This amount consists of:

General Fund	(955,400)
CHIP Fund	(10,778,100)

The formula adjustments include a (21.5)% enrollment decline in FY 2012. The KidsCare program has had an enrollment freeze since January 2010. Enrollment is projected at 18,000 in June 2011 and 14,100 in June 2012 *(see Table 5).*

Background – 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 an approximate 3 to 1 match rate, which is higher than the regular 2 to 1 match in the other programs. The federal 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.

ALTCS Services

The budget includes $1,244,829,000 in FY 2012 for Arizona Long Term Care System (ALTCS) expenditures. This amount consists of:

General Fund	172,812,200
County Contributions	251,732,900
Prescription Drug Rebate Fund	1,468,800
Federal Medicaid Authority	818,815,100

These amounts fund the following adjustments:

Formula Adjustment

The budget includes an increase of $2,519,800 in FY 2012 for ALTCS Services for formula adjustments. This amount consists of:

General Fund	36,894,700
County Contributions	58,854,900
Prescription Drug Rebate Fund	734,400
Federal Medicaid Authority	(93,964,200)

Besides the federal match rate change, the formula adjustments include:

- A General Fund backfill for a lower federal match rate.
- 2.3% enrollment growth in FY 2012 to a level of 28,600 *(see Table 5).*
- An additional $(734,400) savings from drug rebates. This savings is split proportionally between county and state contributions.
- Savings from annualizing the April 1, 2011 provider rate reduction.

The revised FY 2011 federal matching rate will also change county contributions. See *Table 7* for both the revised FY 2011 and new FY 2012 county amounts.

The Health BRB allows AHCCCS to increase county contributions proportionally if the overall costs of the ALTCS program exceed $1,242,309,200 in FY 2011.

ALTCS provides coverage for individuals up to 222% of the FPL, or $24,176 per person. The federal government requires coverage of individuals up to 100% of Supplemental Security Income limit (SSI), which is equivalent to 72% of FPL, or $7,841 per person.

Clients contribute to the cost of their care based on their income and living arrangement, with institutionalized members contributing more of their income to the cost of their care. For FY 2010, AHCCCS estimates that client contributions paid for 7.1% of care.

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 budget includes $13,487,100 in FY 2012 for Disproportionate Share Hospital (DSH) Payments. This amount consists of:

General Fund	3,114,700
Federal Medicaid Authority	10,372,400

This amount funds the following adjustments:

Formula Adjustment

The budget includes a decrease of $(56,100) from the General Fund and a corresponding increase from Federal Medicaid Authority in FY 2012 for DSH Payments due to a change in the federal match rate.

The Health BRB allows local government and public universities to provide additional state match dollars for DSH payments in FY 2011 and FY 2012; contributors may designate specific hospitals to receive state and accompanying matching monies.

Background – This line item represents supplementary payments to hospitals that serve a large, or disproportionate, number of low-income patients, including Yuma Regional Medical Center. *Table 1* displays the allocation of Disproportionate Share Funding.

Table 1

Disproportionate Share Hospital Program

	FY 2011	FY 2012
Eligible Funding		
County-Operated Hospitals	$ 55,507,900	$ 55,507,900
Arizona State Hospital (ASH)	28,474,900	28,474,900
Private Hospitals	9,284,800	9,284,800
Total Allocations	**$ 93,267,600**	**$ 93,267,600**
Distribution of Funding		
Federal DSH to GF (Maricopa)	$ 42,841,600 [1/]	$ 33,154,500
Federal DSH to GF (ASH)	18,750,700	19,334,500
Subtotal	$ 61,592,300	$ 52,489,000
County-Operated Hospitals	4,202,300	4,202,300
Private Hospitals	9,284,800	9,284,800
Total	**$ 75,079,400**	**$ 65,976,100**

1/ FY 2010 payments were not made until FY 2011. Includes a federal match of $32,294,200 for FY 2010, less a reconciliation of $(5,147,900) for FY 2008. Includes a federal match of $32,349,700 for FY 2011, less a reconciliation of $(16,654,400) for FY 2009.

The state only appropriates General Fund dollars for DSH payments to private hospitals ($9,284,800 in total funds in FY 2012). Publicly operated hospitals are required to document uncompensated care costs to the federal

government through a Certified Public Expenditure (CPE) process. Those CPEs result in the drawdown of Federal Funds. The state retains all of the Federal Funds with the exception of $4,202,300 which is allocated to Maricopa Integrated Health System (MIHS).

Rural Hospitals

The budget includes $13,858,100 in FY 2012 for Rural Hospitals. This amount consists of:

General Fund	4,613,000
Federal Medicaid Authority	9,245,100

These amounts fund the following adjustments:

Formula Adjustment
The budget includes an increase of $1,277,300 from the General Fund and a corresponding decrease from Federal Medicaid Authority in FY 2012 for Rural Hospital payments due to a change in the federal match rate.

Background – This line item is comprised of 2 programs. The Rural Hospital Reimbursement program, established in FY 2006, increases inpatient reimbursement rates for qualifying rural hospitals. The Critical Access Hospitals program provides increased reimbursement to small rural hospitals that are federally designated as critical access hospitals. In FY 2010, 19 hospitals qualified for funding from Rural Hospital Reimbursement and 11 from Critical Access Hospitals.

FY 2011 Reduction

Budget Reduction

The budget includes no funding in FY 2012 for a Budget Reduction. This funds the following adjustments:

Eliminate One-Time Reduction
The budget includes an increase of $236,086,000 in FY 2012 to eliminate the one-time reduction. This amount consists of:

General Fund	61,766,900
Federal Medicaid Authority	174,319,100

The reduction has been consolidated into a single line for display purposes. This reduction consists of one-time and ongoing savings. In FY 2012, ongoing savings are located in the relevant line item. *(Please see the FY 2011 Net Funding Changes section for more information.)*

Other Information

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.)*

Proposition 204 and Federal Waiver Request

In January 2011, the Executive proposed eliminating coverage for childless adults and the "spend-down" population and rolling back coverage for approximately 25% of Proposition 204 parents in FY 2012. Under this proposal, most General Fund support for the program would be eliminated. Proposition 204, passed by a voter initiative in 2000, expanded Medicaid to 100% FPL *(see Chart 1)*. Proposition 204 spending occurs in both AHCCCS and DHS. As required by Proposition 204, monies from the Tobacco Settlement Litigation Fund and certain tobacco taxes (the TPTF Proposition 204 Protection Account) would continue to fund this population.

As part of this proposal, the 1st Special Session of the 50th Legislature was convened in January 2011 to approve legislation requiring AHCCCS to seek a waiver of federal maintenance of effort requirements. The 2010 Federal Health Care legislation (The Patient Protection and Affordable Care Act) required states to maintain their existing Medicaid eligibility programs as of March 2010 or potentially lose all their federal Medicaid matching funds.

Upon federal approval, Laws 2011, 1st Special Session, Chapter 1 further required AHCCCS to implement any changes of eligibility necessary to remain within available monies. The federal government subsequently responded to Arizona's request by notifying the state that a maintenance of effort waiver was unnecessary since its Section 1115 Waiver was scheduled to expire at the end of September 2011. Arizona's Medicaid program operates under a Section 1115 Waiver, and this waiver must be renewed every 5 years.

As a result of the federal response, the state was not obligated to continue its coverage of the Proposition 204 expansion population at least through January 2014, when an expansion of Medicaid coverage was scheduled to take effect *(see Federal Health Care Legislation section of the FY 2011 Appropriations Report, p. BH-20)*. The state, however, still needed to submit its Section 1115 Waiver extension to the federal government by March 2011.

By mid-March, the Senate approved a budget that was consistent with the Executive's January proposal. The Senate budget included $(475,000,000) in savings from AHCCCS and $(49,000,000) in savings from DHS.

At the same time, the Executive revised its approach to the AHCCCS and DHS budgets. Based on its March 31 waiver extension request, the Executive's revised proposal includes phasing out the Medicaid "spend-down" program on May 1, 2011, implementing a coverage freeze for childless adults beginning July 1, 2011, and implementing a coverage freeze on parents from 75-100% FPL beginning on October 1, 2011. A freeze allows individuals who are enrolled as of the date of the freeze to continue receiving coverage as long as they are still eligible for the program, but AHCCCS would not accept new applicants. In addition, the revised plan includes a number of other changes as described in *Table 2*, along with the Executive's estimate of savings.

Table 2

Executive Revised Medicaid Plan

Proposal	Savings (in millions)	Health BRB Section
Eliminate "Spend-Down" Program	$ 70.0	
Implement Freeze for Childless Adults	190.0	
Implement Freeze for Parents from 75- 100% FPL	17.0	
Reduce Provider Rates by (5)% and Eliminate Outlier Payments	95.0	32, 11
6-Month Redetermination for Childless Adults and Proposition 204 Parents	15.0	10
State Reimbursement of Medicare Liability	40.0	33
Expand Mandatory Co-Payments	2.7	
Impose New Benefit Limits	40.0	
Eliminate Non-Emergency Transportation for Some Recipients	1.0	
Institute Fee for Missed Appointments	0.0	
Total	**$470.7**	

As of this writing, the federal government has not yet responded to the state's 1115 waiver extension other than to permit the phase out of the "spend-down" population as of May 2011.

As the Executive was submitting its waiver extension to the federal government, the Legislature approved the FY 2012 budget and transmitted the bills to the Executive, which ultimately signed the legislation. The final budget included savings similar to the Senate proposal, but with a slightly different split as shown below in *Table 3.*

While the approved budget included $(524,000,000) in savings, the waiver plan was estimated to generate only $(470,700,000). That difference was mostly addressed by shifting $50,000,000 of FY 2011 bills back to FY 2010, thereby freeing up $(50,000,000) *(see FY 2011 Net Funding Changes discussion below).*

Table 3

FY 2012 Medicaid Budget Reduction

	Adjustment
AHCCCS Savings	$(478,902,900)
DHS Savings	(43,530,800)
DES Savings	(1,566,300)
Total	**$(524,000,000)**

Budget Legislation

The approved budget legislation includes numerous provisions to facilitate the enactment of the waiver plan if it is approved by the federal government. Those provisions, along with others, are described in this section.

The Health Budget Reconciliation Bill (BRB) (Laws 2011, Chapter 31) includes the following provisions:

Available Funding

Section 34 authorizes AHCCCS, notwithstanding any other law, to adopt rules to implement a program within its available appropriations to 1) make changes to the amount, scope or duration of services, 2) establish and maintain rules regarding standards, methods and procedures for determining eligibility within the available appropriation and 3) make changes to reimbursement rates and methodologies, including rules relating to cost sharing.

If the federal waiver request is not approved, Section 38 states that it is the intent of the Legislature that AHCCCS continue to implement a program within the available appropriation.

Cost Sharing

Section 11 requires AHCCCS to implement a $15 monthly premium for AHCCCS members (not to exceed $60 per household) and a co-pay of $5 for a physician visit, $10 for an urgent care visit and $30 for an emergency room visit. The Medicaid waiver plan, however, includes lower cost-sharing requirements. Section 38 directs AHCCCS to implement the Section 11 provisions if the waiver request is denied.

Covered Services

Section 13 eliminates non-emergency transportation as a covered service, with the exception of stretcher vans and ambulances. This provision would apply to all AHCCCS recipients. The Medicaid waiver plan, however, applies to all non-emergency transportation but for only non-disabled childless adults and parents in Maricopa and Pima Counties (non-disabled childless adults and parents in other counties would pay a co-pay). Section 38 directs AHCCCS to implement the Section 13 provisions if the waiver request is denied.

Section 38 also states that it is the intent of the Legislature to fund the coverage of transplant services eliminated in the FY 2011 budget.

Changes to Rates
The Health BRB provides a number of changes to rates as described below:

Provider Rates
Section 31 prohibits AHCCCS from increasing provider rates in the 2012 contract year beyond what they are paying at the end of the 2011 contract year. Section 32 allows AHCCCS to make an additional (5)% provider rate reduction as of October 1, 2011. The Executive's revised Medicaid plan incorporates a (5)% reduction for all providers.

Administrative Costs
Section 30 continues to reduce the risk contingency rate setting for all managed care organizations by 50% and impose a 5.88% reduction on funding for all managed care organizations administrative funding levels.

A risk contingency is added to capitation rates to cover unforeseen circumstances and/or pricing mismatches (e.g. actual trends differ from assumptions). If this risk contingency is not necessary, or is insufficient, it is retained as profit (or loss) and there is no limit. Previously, risk contingency was set at 2%.

In the Acute Care Program, an 8.5% administrative expense had been built into the capitation rates when they are developed. For the ALTCS Program, the administrative expense built into the majority of the capitation rates was 8%; some contractors have a lower percentage.

Ambulance Rates
Section 13 sets ambulance payments at 72.2% of the DHS-set rate from April 1, 2011 to September 30, 2011. AHCCCS is permitted to reduce rates an additional (5)% from October 1, 2011 to September 30, 2012. It further prohibits AHCCCS from recognizing any increases in ambulance rates that are provided by DHS from July 2, 2011 to September 30, 2011. This is also part of the Executive's revised Medicaid plan.

Outlier Payments
Section 11 eliminates the requirement for AHCCCS to make outlier payments for inpatient hospital services. AHCCCS currently pays a flat rate for inpatient hospital stays which are within a certain dollar range. Hospital stays that exceed that threshold are provided with additional compensation. The elimination of outlier payments is part of the Executive's revised Medicaid plan.

Redetermination
Section 10 clarifies that redeterminations shall occur at least annually. Currently almost all recipients are required to re-qualify annually. In the revised Medicaid plan, the Executive proposes to change redetermination periods to 6 months for childless adults and Proposition 204 parents.

Erroneous Payments
Section 33 permits AHCCCS to recover erroneous Medicare payments the state has made due to errors on behalf of the federal government. Credits may be used to pay for the AHCCCS program in the year they are received. This proposal is included in the Executive's revised Medicaid plan.

Additionally, Section 36 continues to state that it is the intent of the Legislature that AHCCCS comply with the federal False Claims Act, achieve the maximum savings as possible under the federal act, and to consider best available technologies to reduce fraud.

Prescription Drug Rebate Fund
Section 14 creates the Prescription Drug Rebate Fund as a partially-appropriated fund. The fund is to be used for administration and the state share of prescription drug rebates.

Missed Appointment Fee
Laws 2011, Chapter 234 allows physicians to charge a $25 fee for missed appointments. The physician may also prohibit the member from rescheduling until they have paid their missed appointment fee. This initiative is also included in the Executive's revised Medicaid plan.

FY 2012 Overall AHCCCS Formula Adjustments

The budget includes $50,567,600 from the General Fund for AHCCCS formula changes in FY 2012 as delineated by *Table 4*. Changes are described in further detail below the table.

Table 4

FY 2012 General Fund Formula Changes

	Adjustment
Federal Match Rate Backfill & Caseload Growth	$558,425,000 1/
4/1 Provider Rate Annualization	(49,365,100) 1/
Reduction in Spending	(478,902,900)
Prescription Drug Rebates	(10,000,000) 1/
Eligibility Verification	(6,000,000)
Children's Rehabilitative Services	36,410,600
Total	**$ 50,567,600**

1/ The combination of these issues equals the growth in the formula changes line in the statewide Detailed List of General Fund Changes by Agency as adjusted for the FY 2011 Proposition 204 savings.

Federal Match Rate Backfill & Caseload Growth

The budget includes an increase of $558,425,000 for the federal match rate backfill and caseload growth. The majority of this amount is due to a decline in the federal match rate. From October 2008 until June 2011, states received an enhanced federal match rate. The FY 2011

blended federal match rate was 74.05% for most Medicaid services. This declines to 66.94% in FY 2012. Additionally, caseloads are expected to grow 1.9% to a level of 1,368,500 *(see Table 5*) prior to the Medicaid waiver plan. The $558,425,000 amount includes $50,000,000 to backfill for one-time FY 2011 savings.

Overall FY 2012 AHCCCS caseloads will depend on whether the federal government allows AHCCCS to freeze certain populations. At the time of this writing, the Executive has received permission from the federal government to phase out the "spend-down" program but is awaiting answers on the other provisions. Although the "spend-down" population is not technically a Proposition 204 population, it has traditionally been funded in those line items. As of March 2011, there were approximately 6,500 people enrolled in that program.

If the federal government approves the Medicaid waiver plan, the June 2012 Proposition 204 caseload would be reduced by approximately 6,700 for the Medicaid "spend-down" elimination, 110,000 for the childless adult freeze and 26,000 for the 75-100% parent freeze.

Table 5

JLBC Forecasted Member Months[1/]
Prior to Medicaid Waiver Plan

Population	June 2011	June 2012	% Change
Traditional Capitation	804,835	823,535	2.3%
Prop 204 Capitation	363,295	371,651	2.3
Children's Rehabilitative Services	21,837	22,229	1.8
KidsCare-Children	17,953	14,092	(21.5)
Long-Term Care	27,932	28,574	2.3
Fee-For-Service/Other	106,442	108,387	1.8
Total AHCCCS	**1,342,294** [2/]	**1,368,468** [3/]	**1.9**

1/ The figures represent point-in-time estimates. The Fee-For-Service/Other population includes the Dual Eligible (Medicare Premiums), Ticket to Work, and Breast and Cervical Cancer populations.
2/ Represents revised forecast.
3/ Actual caseloads may be lower due to the $(478,902,900) General Fund reduction.

4/1 Provider Rate Adjustments

The budget includes $(49,365,100) to annualize the savings associated with the April 1, 2011 (5)% provider rate reduction. The FY 2011 mid-year reversion savings of $(12,807,500) will grow to $(62,172,600) for a full year in FY 2012.

Reduction in Spending

The budget includes a $(478,902,900) General Fund reduction in spending. This is described in more detail in the *Proposition 204 Services and Federal Waiver Request* narrative.

Drug Rebates

The federal Affordable Care Act requires drug manufacturers to provide rebates for drugs sold to Medicaid managed care plans. AHCCCS issued a Request for Proposal to hire a vendor to oversee the collection of drug rebates, and the rebates began to be processed during spring 2011. The FY 2012 General Appropriation Act appropriated 2 FTE Positions to oversee this program. The FY 2012 budget includes an additional $(10,000,000) more in General Fund savings compared to the FY 2011 budget for a total of $(20,000,000) in savings.

Eligibility Verification and Children's Rehabilitative Services

The budget includes $(6,000,000) in General Fund savings from a new Request for Proposal to reduce erroneous and fraudulent payments and $36,410,600 to shift the Children's Rehabilitative Services program to AHCCCS. These items are discussed in more detail above.

Payment Deferral

The budget includes a total of $344,344,800 in FY 2012 of continued payment deferrals. This amount consists of:

General Fund	117,688,200
Federal Medicaid Authority	226,656,600

The FY 2011 Health BRB (Laws 2010, 7th Special Session, Chapter 10) required AHCCCS to defer capitation payments in the amount of $344,201,700 in FY 2011. The FY 2011 General Appropriation Act (Laws 2010, 7th Special Session, Chapter 1) made an advanced appropriation of $344,344,800 (the same amount plus interest) in FY 2012. The FY 2012 General Appropriation Act (Laws 2011, Chapter 24) also required AHCCCS to make a FY 2012 deferral of $344,201,700 and made an advanced appropriation of $344,344,800 in FY 2013.

FY 2011 Net Funding Changes

The FY 2011 budget initially had a shortfall of $121,250,600 due to a lower than anticipated federal match rate. The American Recovery and Reinvestment Act of 2009 (ARRA) increased the Medicaid match rate for most services to 75.9% (KidsCare remained unchanged). The FY 2011 budget assumed the continuation of that rate through the end of FY 2011. The federal government subsequently decided to phase down that match rate as of January 2011. The final blended FY 2011 FMAP is 74.1%.

While the lower FMAP rate created an initial shortfall in FY 2011, it was offset by a number of different items. These items are discussed in more detail below *(see Table 6).*

Table 6

FY 2011 General Fund Budget Changes

	Adjustment
Lower Federal Match Rate & Lower Caseloads	$ 64,160,800 1/
Co-Pay Implementation	(4,007,400) 1/
Other Capitation Adjustments	(26,112,800) 1/
Reconciliation Recoupments	(18,000,000) 1/
Drug Rebates	(10,000,000) 1/
4/1 Provider Rate Adjustment	(12,807,500)
FY 2010 Revertments	(50,000,000)
5/1 Medicaid "Spend-Down"	(5,000,000)
Total	**$(61,766,900)**

1/ The combination of these issues equals the $6,040,600 formula changes line in the statewide Detailed List of General Fund Changes by Agency.

Although the enhanced match rate was estimated to generate $652,651,700 in General Fund savings in the original FY 2011 budget, the lower than anticipated rate reduced that amount. Declining caseloads were able to offset much of the lost Federal Funds. While the original FY 2011 budget funded a June 2011 caseload of 1,450,200, the current projection is 1,342,300. Together, these 2 items generate an additional cost of $64,160,800.

AHCCCS is expected to generate FY 2011 savings through 7 initiatives. First, AHCCCS began implementation of co-pays for certain AHCCCS adult populations. This is expected to generate $(4,007,400) in General Fund savings. Second, AHCCCS made additional capitation rate adjustments in October 2011, reducing anticipated General Fund expenses by approximately $(26,112,800). This includes adjustments for utilization and other program changes. 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. Third, health plans repaid $(18,000,000) in reconciliation recoupments. Health plans are limited to a specific percentage of profits in any given contract period. When they exceed this level, AHCCCS receives reconciliation recoupments. Fourth, savings from drug rebates, as described above, are expected to generate $(10,000,000) of General Fund savings in FY 2011. Fifth, AHCCCS reduced capitation rates beginning on April 1, 2011, saving approximately $(12,807,500) from the General Fund. Sixth, AHCCCS will use $50,000,000 in FY 2010 revertments to pay FY 2010 bills which they did not receive until FY 2011. Finally, the budget includes $(5,000,000) of savings associated with the May 1, 2011 elimination of the medical "spend-down" population *(See Proposition 204 and Federal Waiver Section).*

County Contributions

County governments make 4 different payments to defray the AHCCCS budget's costs, as summarized in *Table 7.*

The counties' single largest contribution is the ALTCS program. 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:

Table 7

County Contributions

	FY 2011				FY 2012			
County	**BNCF**	**Acute**	**DUC**	**ALTCS**	**BNCF**	**Acute**	**DUC**	**ALTCS**
Apache	$ 102,700	$268,800	$ 87,300	$ 485,000	$ 104,200	$ 268,800	$ 87,300	$ 631,800
Cochise	191,700	2,214,800	162,700	4,140,300	194,300	2,214,800	162,700	5,309,100
Coconino	189,100	742,900	160,500	1,455,400	191,700	742,900	160,500	1,896,300
Gila	77,600	1,413,200	65,900	1,670,700	78,700	1,413,200	65,900	2,113,600
Graham	55,200	536,200	46,800	1,098,000	56,000	536,200	46,800	1,430,800
Greenlee	14,200	190,700	12,000	124,600	14,400	190,700	12,000	162,300
La Paz	29,400	212,100	24,900	636,800	29,800	212,100	24,900	827,500
Maricopa	0	20,761,900	0	118,573,200	0	20,575,000	0	154,518,900
Mohave	220,700	1,237,700	187,400	5,629,100	223,800	1,237,700	187,400	7,335,500
Navajo	144,600	310,800	122,800	2,006,700	146,700	310,800	122,800	2,614,500
Pima	1,314,500	14,951,800	1,115,900	30,705,400	1,333,000	14,951,800	1,115,900	39,653,400
Pinal	257,200	2,715,600	218,300	11,455,700	260,800	2,715,600	218,300	15,702,000
Santa Cruz	60,800	482,800	51,600	1,476,300	61,600	482,800	51,600	1,933,300
Yavapai	243,000	1,427,800	206,200	7,228,300	246,400	1,427,800	206,200	9,586,200
Yuma	216,600	1,325,100	183,900	6,192,500	219,700	1,325,100	183,900	8,017,700
Subtotal	**$3,117,300**	**$48,792,200**	**$2,646,200**	**$192,878,000** 1/2/	**$3,161,100**	**$48,605,300**	**$2,646,200**	**$251,732,900**
Total				**$247,433,700** 3/	**$306,145,500**			

1/ This amount reflects revised contributions to account for the lower enhanced FMAP in FY 2011.
2/ The Health BRB allows AHCCCS to increase county contributions proportionally if the overall of the ALTCS program exceeds $1,242,309,200.
3/ The Health BRB requires AHCCCS to transfer any excess monies back to the counties by December 31, 2012 if the counties' proportion of the state match exceeds the portion allowed to comply with the federal Affordable Care Act.

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 FY 2010 ALTCS utilization.
3. Each county's contribution is then limited to 90¢ per $100 of net assessed property value. In FY 2012, this provision provides 1 county with a total of $3,903,800 in 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 2012, this provision provides 3 counties with a total of $15,753,600 in 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 2012 no counties qualify for this relief.
6. The state pays for county costs above the average statewide per capita ($37.64 in FY 2012). In FY 2012, this provision provides 7 counties with a total of $12,274,400 in relief.

In FY 2012, provisions 3 through 6 of the ALTCS formula result in the state providing a total of $31,931,800 in relief to 10 counties.

In FY 2011, the county share increased from $187,507,000 to $192,878,000, a change of $5,371,000, due to lower than expected federal match partially offset by lower than budgeted caseloads. In FY 2012, the budget includes an increase of $58,854,900 to $251,732,900 to account for caseload growth and FMAP adjustments.

The Health BRB includes a provision requiring AHCCCS to distribute any excess funding in the ALTCS program in FY 2012 proportionally between the counties and state.

The Health BRB also includes a provision that if the cost of the ALTCS program exceeds the amount specified in the General Appropriation Act in FY 2012 the director of AHCCCS can charge counties a proportional share of the additional costs.

Program Components

Traditional Medicaid, Proposition 204, KidsCare, and ALTCS services include the following costs:

Capitation

The majority of AHCCCS payments are made through monthly capitated payments. This follows a health maintenance organization (HMO) model in which capitated providers accept a predetermined rate for each member. In FY 2012, the average capitation rate is expected to be approximately $350 per member per month (or $4,200 annually). Of that amount, $116 is from state match and $234 from Federal Medicaid Authority. This calculation includes the annualization of the April 1, 2011 provider rate reduction but does not include any new program changes or provider rate reductions in FY 2012.

Reinsurance

Reinsurance is a stop-loss program for health plans and program contractors for patients with unusually high costs. The health plan is responsible for paying all of a member's costs until an annual deductible has been met.

Fee-for-Service

Rather than using Capitation, Fee-For-Service payments are made for 4 programs: 1) federally-mandated services for Native Americans living on-reservations; 2) rural Federally Qualified Health Centers (FQHC); 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.

Medicare Premiums

AHCCCS provides funding for the purchase of Medicare Part B (supplemental medical insurance) and Part A (hospital insurance). Purchasing supplemental coverage reduces state expenditures since the federal Medicare program absorbs a portion of the costs. In addition, this includes the cost of premiums for certain disabled workers and low-income Qualified Medicare Beneficiaries.

Clawback

AHCCCS is not required to pay for prescription drug costs for members who are eligible for Medicare. Instead, AHCCCS is required to make "Clawback" payments to Medicare based on a certain percent (80.0% in 2012) of the estimated drug costs.

Graduate Medical Education

The Graduate Medical Education (GME) program reimburses hospitals with graduate medical education programs for the additional costs of treating AHCCCS members with graduate medical students. A.R.S. § 36-2903.01 allows local, county, and tribal governments, along with public universities to provide state match for GME, and entities may designate the recipients of such funds.

While the budget includes no General Fund GME support, AHCCCS' budget permits federal expenditure authority for the non-AHCCCS match. AHCCCS expects to receive federal matching funds of $73,679,600 in FY 2012 for GME based on $38,210,400 in local and university funds.

Tobacco Tax Allocation

Table 8 is a summary of the tobacco tax allocations.

Table 8

Summary of Tobacco Tax and Health Care Fund and Tobacco Products Tax Fund

	FY 2010	FY 2011	FY 2012
Medically Needy Account			
Funds Available			
Balance Forward	$ 486,600	$ 3,805,300	$ 4,163,100
Transfer In - Tobacco Tax and Health Care Fund	49,883,800	47,869,700	47,869,700
Transfer In - Tobacco Products Tax Fund	27,081,300	25,950,900	25,950,900
Total Funds Available	**$77,451,700**	**$77,625,900**	**$77,983,700**
Allocations			
AHCCCS			
Traditional Medicaid State Match Appropriation	$38,295,800	$38,295,800	$38,295,800
Total AHCCCS Allocations	**$38,295,800**	**$38,295,800**	**$38,295,800**
DHS			
Behavioral Health GF Offset	$35,006,300	$34,767,000	$34,767,000
Folic Acid	338,600	400,000	400,000
Total DHS Allocations	**$35,344,900**	**$35,167,000**	**$35,167,000**
Administrative Adjustments	(5,700)	0	0
Balance Forward	**$ 3,805,300**	**$ 4,163,100**	**$ 4,520,900**
AHCCCS Proposition 204 Protection Account			
Funds Available			
Balance Forward	$ 0	$ 0	$ 0
Transfer In - Tobacco Products Tax Fund	43,614,400	40,367,900	40,367,900
Total Funds Available	**$43,614,400**	**$40,367,900**	**$40,367,900**
Allocations			
AHCCCS State Match	$43,614,400	$40,367,900	$40,367,900
Balance Forward	**$ 0**	**$ 0**	**$ 0**
AHCCCS Emergency Health Services Account			
Funds Available			
Balance Forward	$ 173,900	$ 3,900	$ 0
Transfer In - Tobacco Products Tax Fund	20,060,200	19,222,900	19,222,900
Total Funds Available	**$20,234,100**	**$19,226,800**	**$19,222,900**
Allocations			
AHCCCS State Match Appropriation	$20,230,200	$19,222,900	$19,222,900
Administrative Adjustments	0	3,900	0
Balance Forward [1/]	**$ 3,900**	**$ 0**	**$ 0**
DHS Health Education Account			
Funds Available			
Balance Forward	$ 6,772,600	$ 6,311,000	$ 4,868,200
Transfer In - Tobacco Tax and Health Care Fund	16,531,900	15,654,000	15,654,000
Transfer In - Tobacco Products Tax Fund	2,019,300	1,916,000	1,916,000
Total Funds Available	**$25,323,800**	**$23,881,000**	**$22,438,200**
Allocations			
Tobacco Education and Prevention Program	$16,349,600	$16,349,600	$16,349,600
Leading Causes of Death - Prevention and Detection	2,663,200	2,663,200	2,663,200
Balance Forward	**$ 6,311,000**	**$ 4,868,200**	**$ 3,425,400**
Health Research Account			
Funds Available			
Balance Forward	$ 3,717,300	$ 2,114,400	$ 1,291,600
Transfer In - Tobacco Tax and Health Care Fund	3,563,000	3,419,200	3,419,200
Transfer In - Tobacco Products Tax Fund	5,048,300	4,805,700	4,805,700
Interest Revenue	27,300	0	0
Total Funds Available	**$12,355,900**	**$10,339,300**	**$9,516,500**
Allocations			
Biomedical Research	$ 9,741,500	$ 8,547,700	$ 7,547,700
Alzheimer's Disease Research	0	0	1,000,000
Biotechnology (Laws 2002, Ch. 186)	500,000	500,000	500,000
Balance Forward	**$ 2,114,400**	**$ 1,291,600**	**$ 468,800**

1/ Any unencumbered funds in the Emergency Health Services Account are transferred to the Proposition 204 Protection Account at the end of each year.