
AHCCCS and Department of Health Services

January 26-27, 2016

Appropriations Committee Hearings

JLBC

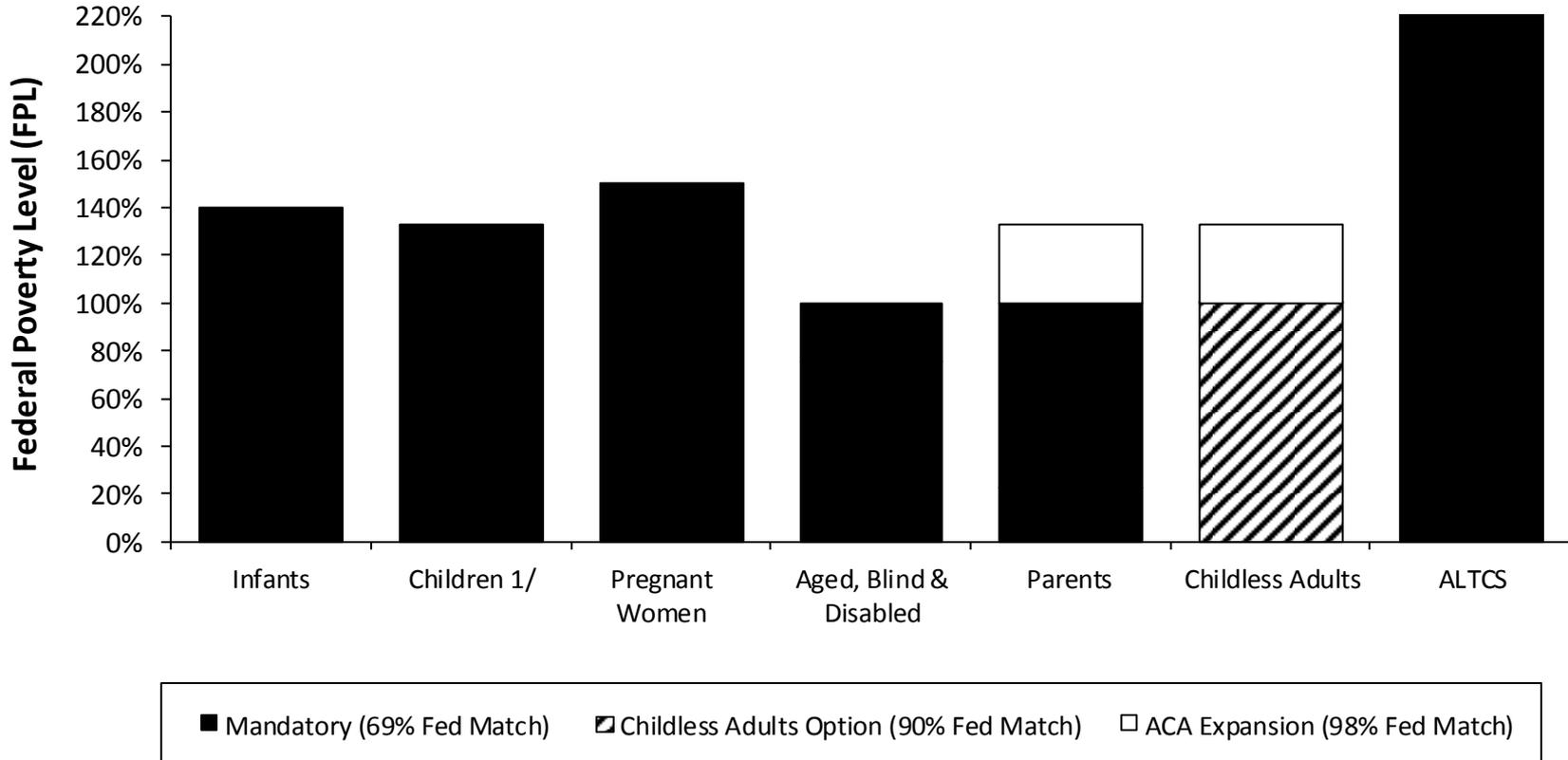
AHCCCS

- Total '17 Baseline Funding

		<u>\$ in M</u>	
	<u>Acute</u>	<u>Behavioral</u>	<u>Total</u>
	<u>Care</u>	<u>Health</u>	
General Fund	\$1,256	\$545	\$1,801
Other State Match	982	35	1,017
Federal Medicaid Authority	6,996	1,420	8,416
Other Funds	<u>330</u>	<u>2</u>	<u>333</u>
Total Funds	\$9,564	\$2,003	\$11,567

- ❑ The '17 Baseline shifts \$517 M of DHS Behavioral Health General Fund costs to AHCCCS plus \$28 M of caseload growth

Medicaid Eligibility



1/ KidsCare enrollees and children ages 6 - 18 years with income from 100 - 133% FPL receive a 100% federal match, beginning October 1, 2015.

Baseline General Fund Medicaid Growth

GF \$ in M Above Prior Year

<u>'17</u>	<u>'18</u>	<u>'19</u>
79	77	98

- ❑ Baseline includes the following formula assumptions:
 - 2.5% annual enrollment growth
 - 1.5% capitation rate growth in '17 and '18 and 3.0% in '19
 - Savings of federal match rate gradually increasing from 68.8% in '16 to 69.5% in '19
 - Continued reversal of (5)% '16 rate reduction
- ❑ Baseline includes additional '17 cost sharing savings and third party liability recoveries enacted in the '16 budget

Enrollment Grew Rapidly in 1st Half of '16

- ❑ AHCCCS population grew by 136k, or 8.3%, since June '15
- ❑ Base population grew by 91k, or 7.0%, during this time
- ❑ Reasons for growth not well understood

Medicaid Enrollment

	June '15 <u>(Actual)</u>	January '16 <u>(Actual)</u>	June '16 <u>(Projected)</u>
Adult Expansion	62,000	80,000	90,000
Childless Adults	279,000	306,000	314,000
Base Population	<u>1,297,000</u>	<u>1,388,000</u>	<u>1,432,000</u>
Total	1,638,000	1,774,000	1,836,000

AHCCCS Baseline Comparison to Executive Budget

	GF \$ in M Above Prior Year		
	<u>'17</u>	<u>'18</u>	<u>'19</u>
Baseline	79	77	98
Executive Caseloads	<u>30</u>	<u>56</u>	<u>74</u>
Baseline Above Exec.	48	21	23

- ❑ Base enrollment has grown 7% since June 2015; while JLBC Baseline assumes another 3.2% growth during remainder of '16, Executive assumes flat caseloads for the rest of the year
- ❑ Executive's steady tobacco tax forecast accounts for \$8 M of the difference in '17 and \$2 - 3 M in '18 and '19. Baseline assumes continued decline in tobacco tax collections

Executive Already Reversed '16 (5)% Rate Cut

- ❑ '16 budget originally included \$(37) M of GF savings for a rate cut of up to (5)% to most providers
- ❑ Executive was able to eliminate rate cut due to alternative savings:
 - \$15 M of lower-than-budgeted capitation rates
 - \$22 M of higher-than-budgeted spending of Prescription Drug Rebate Fund (PDRF) money

Cost Sharing and Third Party Liability Savings

- ❑ Enacted '16 budget included '17 savings in AHCCCS for cost sharing provisions and third party liability recoveries
- ❑ \$(1.4) M in savings for cost sharing provisions:
 - 2% premium for adults 100-133% FPL
 - \$25 co-pay for adult non-emergency use of emergency rooms
 - No longer funding non-emergency use of medical transportation services by adults 100-133% FPL
 - AHCCCS waiver submission requests authority from the federal government to enact these and additional cost sharing initiatives
 - Baseline excludes estimates for some of the additional initiatives AHCCCS proposes, due to uncertainty over federal approval
- ❑ \$(5.2) M in added third party liability recoveries for Behavioral Health services provided to enrollees with other insurance

Executive Budget '17 GF Policy Issues

	<u>GF \$ in M</u>
<input type="checkbox"/> Restore preventive dental services for ALTCS <ul style="list-style-type: none">• Covers services such as cleaning, x-rays and fillings• Excludes any offsetting savings from ER services	\$1.3
<input type="checkbox"/> IT Security and Software Performance <ul style="list-style-type: none">• 3rd party review of security and 4 new FTE positions• Unclear how Executive is coordinating with statewide IT	\$0.8
<input type="checkbox"/> 3 Collections and Fraud Prevention FTE Positions <ul style="list-style-type: none">• Excludes collections or recovery savings• AHCCCS could implement on its own with savings	\$0.1
<input type="checkbox"/> Hiring Freeze Lump Sum Reductions <ul style="list-style-type: none">• Unclear interaction with requested staff increases. As a result, Executive should specify reductions.	\$(0.6)

'17 Behavioral Health Consolidation

- ❑ As required in '16 budget, Behavioral Health Services is transferred from DHS to AHCCCS in '17
- ❑ Outgrowth of efforts to integrate care and to increase administrative efficiency
- ❑ \$517 M General Fund, \$1.9 B Total Funds, and 112 FTEs shifted to AHCCCS
- ❑ Includes both Medicaid and non-Medicaid behavioral health programs

'17 Behavioral Health Administrative Costs

- ❑ The Executive Budget includes \$(0.6) M General Fund and \$(2.2) M Total Fund savings in administrative costs:
 - \$(2.0) M for 24 FTEs that are not transferring from DHS
 - \$(0.2) M for savings in Risk Management and Rent
- ❑ The Baseline includes these savings, but only as a starting point for discussions on administrative costs
- ❑ There is potential for greater savings
 - DHS eliminated 34 FTEs, but AHCCCS added 10 FTEs
 - No savings taken in Central Administration in DHS

Department of Health Services

- 3 Principal Functions

'17 Baseline GF Spending

	<u>GF \$ in M</u>
Arizona State Hospital	59.6
Public Health and Family Health	6.5
Administration, including:	19.3
- Licensing	
- State Health Laboratory	
Total	<u>\$85.4</u>

Department of Health Services

- Total '17 Baseline Funding

	<u>\$ in M</u>
General Fund	85.4
Arizona State Hospital Fund	9.6
Other Appropriated Funds	41.5
Federal Funds	249.6
Non-Appropriated Funds	<u>65.5</u>
Total Resources	\$451.6

Department of Health Services

- Arizona State Hospital Executive Policy Issues

GF \$ in M

- | | |
|--|-------|
| <input type="checkbox"/> 29 FTE Positions – Nursing and Security Staff | \$1.5 |
| <ul style="list-style-type: none">• ASH risked losing federal certification due to deficiencies in quality of care• There is not enough information to evaluate the magnitude of the staffing increase• Executive’s \$(1.8) million hiring freeze savings could offset ASH staffing increases | |
| <input type="checkbox"/> ASH Fund Shortfall | \$5.7 |
| <ul style="list-style-type: none">• ASH receiving lower-than-anticipated revenues from counties and Medicaid reimbursement• The Baseline requires AHCCCS to transfer \$1.2 million in Non-Medicaid SMI monies to ASH• Actual size of shortfall is likely less than half of the proposed Executive backfill | |

AHCCCS and DHS

- Website links

JLBC Baseline

[Arizona Health Care Cost Containment System](#)
[Department of Health Services](#)

Executive Budget

[Arizona Health Care Cost Containment System](#)
[Department of Health Services](#)