

ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM - SUMMARY

A.R.S. § 36-2901

Phyllis Biedess, Director

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General Fund, Federal Funds and Other Funds	FY 1999 Actual	FY 2000 Estimate	FY 2001 Approved
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Program Summary

Administration	(SM) 60,982,000	76,567,400	82,533,600
	(TF) 121,752,800	177,848,300	198,824,100
Acute Care	(SM) 404,314,400	518,793,200	593,248,000
	(TF) 1,191,958,800	1,288,990,900	1,441,907,500
Long-Term Care	(SM) 167,553,300	174,985,800	188,657,800
	(TF) 461,600,500	517,044,300	556,712,300
Total Appropriations	(SM) 632,849,700	770,346,400	864,439,400
	(TF) 1,775,312,100	1,983,883,500	2,197,443,900

Expenditure Detail

FTE Positions	(SM) 1,126.2	1,191.1	1,196.4
	(TF) 2,329.7	2,407.5	2,425.0
Personal Services	(SM) 14,019,600	14,618,800	14,995,600
	(TF) 30,498,200	31,989,200	32,798,000
Employee Related Expenditures	(SM) 3,291,900	3,407,100	3,539,800
	(TF) 6,996,700	7,234,200	7,515,500
Professional and Outside Services	(SM) 2,268,900	2,222,600	2,222,600
	(TF) 4,206,400	4,572,700	4,572,700
Travel - In State	(SM) 126,200	123,800	123,800
	(TF) 264,800	253,300	253,300
Travel - Out of State	(SM) 29,500	25,000	25,000
	(TF) 40,300	46,900	46,900
Other Operating Expenditures	(SM) 7,006,500	6,852,200	6,852,400
	(TF) 12,125,200	12,302,200	12,065,100
Equipment	(SM) 1,087,900	1,067,000	1,067,000
	(TF) 4,702,700	2,416,500	2,416,500
Operating Subtotal	(SM) 27,830,500	28,316,500	28,826,200
	(TF) 58,834,300	58,815,000	59,668,000
Special Line Items	(TF) 1,716,477,800	1,925,068,500	2,137,575,900
Additional Appropriations	(TF) 0	0	200,000
Total Appropriations	(TF) 1,775,312,100	1,983,883,500	2,197,443,900^{1/}

Fund Summary

General Fund	466,616,100	493,682,000	528,927,400 ^{2/}
County Funds	221,434,500	221,277,500	224,104,700
Tobacco Tax Funds	33,636,200	38,276,200 ^{3/}	31,648,500
Tobacco Settlement Fund	0	0	8,000,000 ^{24/}
Donations Fund	918,800	1,256,300	1,272,000 ^{24/}
Third Party Collections	1,448,100	1,124,800	882,000
Children's Health Insurance Program Fund	10,083,800	60,544,700	79,686,900 ^{24/}
Federal Funds	1,041,174,600	1,167,722,000	1,253,698,800
State Funding Set-Aside	0	0	50,086,700
Total Fund Set-Aside	0	0	69,223,600
Total Appropriations	1,775,312,100	1,983,883,500	2,197,443,900

SM = State Match, and consists of the state General Fund, Tobacco Tax, Third Party Collections, County, CHIP, Tobacco Settlement, and Donations Funds.

TF = Total Funds, and represents the sum of the State Match and Federal Funds.

ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM – SUMMARY (Cont'd)

Agency Description — *The Arizona Health Care Cost Containment System (AHCCCS) is Arizona's alternative to a traditional fee-for-service Medicaid system. Started in 1982, 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 members gain eligibility through a variety of federal and state programs. In some cases, eligibility based on federal programs is tied to the applicant also being eligible for a cash assistance program, such as Supplemental Security Income (SSI). Although another cash assistance program, Aid to Families with Dependent Children (AFDC), was replaced and its automatic link to eligibility severed, citizens who meet AFDC eligibility criteria as of July 16, 1996 will remain eligible for AHCCCS. Low-income pregnant women and children can qualify under a federal "medical assistance only" category. Other individuals not meeting federal eligibility requirements but either indigent or having catastrophic medical expenses may qualify for state-supported assistance in the Medically Needy/Medically Indigent (MN/MI) program or other state-only eligibility programs. In addition to an acute medical services program, AHCCCS also operates the Arizona Long-Term Care System (ALTCS), a Medicaid program that provides long-term nursing care in nursing facilities or home and community based settings.*

Overall Funding Changes — While no formal action was taken in the 2000 Legislative Session, there is an anticipated FY 2001 State Funding (SF) and Total Fund (TF) shortfall for the AHCCCS program. The FY 2001 estimated shortfall is \$50,086,700 SF and \$69,223,600 TF as of March 2000. The JLBC Staff had previously estimated the FY 2001 shortfall to be approximately \$52,801,100 SF and \$66,054,100 TF. However, actual caseloads from December 1999 to March 2000 have been slightly lower than the projections used to develop the previous estimate.

The main components driving the FY 2001 estimated shortfall are higher than originally projected medical inflation and enrollment growth, and Reinsurance program changes in the Acute Care program. The estimate also incorporates savings from the Long-Term Care program, where costs have been lower than originally projected.

Funding Source — A funding source for the potential shortfall in FY 2001 will need to be determined; however, one possibility is the Medical Stabilization Fund (*see Acute Care program for further discussion*). The FY 2001 funding requirement is presented in terms of State Funds (SF) and Total Funds (TF). As noted, SF will ultimately depend on the funding source chosen for the state match. TF represents the combined total of state matching and Federal Funds.

Additional Legislation: Tax Correction Act of 2000 (Chapter 63) — This legislation includes a technical change to the language governing the expenditure limit for Maricopa and Pima Counties. This change will allow the expenditure limit to be appropriately adjusted for Disproportionate Share Payments.

Tobacco Escrow Accounts; Model Statute (Chapter 83) — Enacts the model statute described in the Master Settlement Agreement entered into on November 23, 1998, between the State of Arizona and participating tobacco product manufacturers.

Appropriation: Psychotropic and Antidepressant Medications (Chapter 304) — Appropriates \$13,600,000 from the Medically Needy Account of the Tobacco Tax and Health Care Fund to the Department of Health Services for psychotropic and other mental health medications. In addition, this legislation transfers unexpended monies from 2 FY 1999 appropriations back into the Medically Needy Account. The bill transfers the unexpended balance from the CHIP Direct Services line item (estimated to be approximately \$7,000,000), and \$6,600,000 in unexpended FY 1999 and FY 2000 Tobacco Tax funding from the Children's Health Insurance Program Fund back into the Medically Needy Account.

Tobacco Tax Distribution — Although tobacco tax revenues derived from the voter-approved 40 cents per pack cigarette/tobacco tax increase are spent by several agencies, a consolidated statement is presented on the following page.

1/ General Appropriation Act appropriation format varies by program.

2/ These amounts represent direct appropriations. All other expenditures are part of total expenditure authority.

3/ For FY 2000, the total tobacco tax funding is \$38,276,200. Of this amount, \$8,000,000 is a direct appropriation to Healthcare Group.

4/ For FY 2001, Other Appropriated Funds total \$88,958,900. This includes \$8,000,000 in Tobacco Settlement Funds, \$1,272,000 from the Donations Fund, and \$79,686,900 from the CHIP Fund.

ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM – SUMMARY (Cont'd)

Tobacco Tax and Health Care Fund	FY 1999	FY 2000	FY 2001
<u>Funds Available</u>			
Tobacco Tax Collections	\$113,094,200	\$111,397,800 ^{1/}	\$109,726,800 ^{1/}
<u>Allocation</u>			
DOR Administration	\$358,200	\$352,600	\$352,600
Transfer to AHCCCS Medically Needy Account	80,526,900	79,117,700	77,924,200
Transfer to DHS Health Education Account	26,457,500	25,995,800	25,603,600
Transfer to DHS Health Research Account	5,751,600	5,651,300	5,566,000
Transfer to DOC Corrections Fund	0	280,400	280,400
Total Allocation	\$113,094,200	\$111,397,800	\$109,726,800
Medically Needy Account			
<u>Funds Available</u>			
Balance Forward	\$83,081,800	\$89,672,200	\$87,497,500
Revertments ^{2/}	11,930,200	0	13,600,000
Transfer In - Tobacco Tax and Health Care Fund	80,526,900	79,117,700	77,924,200
Interest Revenue	3,600,600	4,167,500	4,135,500
Total Funds Available	\$179,139,500	\$172,957,400	\$183,157,200
<u>AHCCCS Allocations</u>			
Offset Loss in Federal Funding	\$ 4,096,500	\$ 4,542,200	\$ 4,542,200
Phase-Down of Quick Pay Discount	6,300,600	6,794,600	8,206,700
\$10 M Hospital Reimbursement	10,000,000	10,000,000	10,000,000
Maternity Length of Stay	4,213,300	2,485,800	2,572,800
HIV/AIDS Treatment	1,025,800	1,229,900	1,349,600
FY 2000 Medical Inflation	0	5,276,000	5,276,000
Transplants	1,311,800	3,590,000	3,590,000
Transfer to Medical Services Stabilization Fund	0	0	0
Transfer to Premium Sharing Demo Project Fund	20,400,000	400,000	0
Transfer to Children's Health Insurance Fund	9,251,100	15,172,000	19,833,700
Transfer to DHS Health Crisis Fund	862,800	21,000	0
Transfer to DES Aging and Adult Administration	500,000	500,000	500,000
<u>DHS Allocations</u>			
Primary Care Programs	5,619,700	6,240,000	6,240,000
Qualifying Community Health Centers	4,998,600	5,200,000	5,200,000
Community Health Centers	0	4,000,000	4,000,000
Telemedicine	126,300	260,000	0
Mental Health Programs for Non-Title 19	5,096,800	5,200,000	5,200,000
Detoxification Services	513,600	520,000	0
Renal Disease Management	239,100	260,000	260,000
Basic Children's Medical Services Program	2,294,300	0	0
Evaluations	298,400	854,200	854,200
Public Health Education ^{3/}	0	0	0
Rural Primary Care Provider Loan Repay Program	111,200	111,200	111,200
Primary Care Capital Construction Projects	2,500,000	2,500,000	0
Salome Health Services	0	0	0
HIV/AIDS Drug Assistance Program (ADAP)	1,698,100	1,000,000	1,000,000
Nonrenal Disease Management	9,300	208,000	208,000
CHIP Direct Services	8,000,000	1,000,000	1,000,000
Ajo Health Services	0	95,000	0
Psychotropic Medications - SMI Non-Title XIX	0	8,000,000	16,600,000
Total Allocation	\$89,467,300	\$85,459,900	\$96,544,400
Balance Forward	\$89,672,200	\$87,497,500	\$86,612,800

1/ Revenue estimates assume a decrease of (1.5)%. Revenues actually declined by (1.8)% in FY 1998 and (1.18)% in FY 1999.

2/ Revertments include monies transferred pursuant to Laws 2000, Chapter 304 and unexpended DHS allocations.

3/ Shown as expended in FY 1998 when appropriated.

ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM – SUMMARY (Cont'd)

	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>
AHCCCS Medical Services Stabilization Fund			
<u>Funds Available</u>			
Balance Forward	\$80,231,500	\$76,528,700	\$72,355,100
Transfer In - Tobacco Tax Medically Needy	0	0	0
Interest Revenue	4,297,200	3,826,400	3,617,800
Total Funds Available	\$84,528,700	\$80,355,100	\$75,972,900
<u>Allocation - Healthcare Group</u>	\$8,000,000	\$8,000,000	\$0
Balance Forward	\$76,528,700	\$72,355,100	\$75,972,900
AHCCCS Premium Sharing Demo Project Fund			
<u>Funds Available</u>			
Balance Forward	\$42,363,700	\$58,398,600	\$38,616,000
Transfer In - Tobacco Tax Medically Needy	20,400,000	400,000	0
Interest Revenue	3,172,300	2,323,700	1,335,000
Premiums Collected	735,800	1,344,800	1,425,900
Total Funds Available	\$66,671,800	\$62,467,100	\$41,376,900
<u>Allocation</u>			
Administrative Expenses	\$428,600	\$799,800	\$888,900
Services	7,844,600	23,051,300	22,944,100
Balance Forward	\$58,398,600	\$38,616,000	\$17,543,900
DHS Health Crisis Fund			
<u>Funds Available</u>			
Balance Forward	\$137,200	\$971,000	\$1,000,000
Transfer In - AHCCCS Medically Needy Account	862,800	29,000	0
Total Funds Available	\$1,000,000	\$1,000,000	\$1,000,000
<u>Allocation</u>			
Governor's Office of Domestic Violence	\$8,000	\$0	\$0
Allocation - HIV/AIDS Treatment	21,000	0	0
Balance Forward	\$971,000	\$1,000,000	\$1,000,000
DHS Health Education Account			
<u>Funds Available</u>			
Balance Forward	\$51,363,200	\$42,677,900	\$37,457,500
Transfer In - Tobacco Tax and Health Care Fund	26,457,500	25,995,800	25,603,600
Interest Revenue	2,777,700	2,783,800	2,513,000
Total Funds Available	\$80,598,400	\$71,457,500	\$65,574,100
<u>Allocation - Administration & Program Costs</u>	\$37,920,500	\$34,000,000	\$34,000,000
Balance Forward	\$42,677,900	\$37,457,500	\$31,574,100
DHS Health Research Account			
<u>Funds Available</u>			
Balance Forward	\$14,385,100	\$9,501,100	\$7,040,100
Transfer In - Tobacco Tax and Health Care Fund	5,751,600	5,651,300	5,566,000
Interest Revenue	454,700	378,800	315,200
Total Funds Available	\$20,591,400	\$15,531,200	\$12,921,300
<u>Allocation</u>			
Disease Control Research Commission	\$6,090,300	\$6,491,100	\$5,696,000
Transfer to U of A - Liver Research Institute	0	0	0
Anticancer Drug Discovery	5,000,000	2,000,000	2,000,000
Balance Forward	\$9,501,100	\$7,040,100	\$5,225,300

[Click here for more information from the initial biennial appropriations report \(June 1999\)](#)