

**AZ HEALTH CARE COST CONTAINMENT SYSTEM - ADMINISTRATION**

**A.R.S. § 36-2901**

<b>General Fund, Federal Funds, and Other Funds</b>		<b>FY 1998 Actual</b>	<b>FY 1999 Estimate</b>	<b>FY 2000 Approved</b>	<b>FY 2001 Approved</b>
FTE Positions	(SM)	1,074.8	1,126.2	1,191.1 <sup>1/</sup>	1,195.1 <sup>1/</sup>
	(TF)	2,209.7	2,329.7	2,407.5 <sup>1/</sup>	2,424.5 <sup>1/</sup>
Personal Services	(SM)	12,884,400	14,474,200	14,532,700	14,823,300
	(TF)	29,188,500	31,896,900	31,817,000	32,453,400
Employee Related Expenditures	(SM)	3,115,400	3,398,600	3,396,400	3,518,300
	(TF)	6,836,500	7,330,300	7,212,800	7,472,500
Professional and Outside Services	(SM)	2,497,400	2,342,500	2,222,600	2,222,600
	(TF)	5,170,100	5,784,800	4,572,700	4,572,700
Travel - In State	(SM)	99,800	130,300	123,800	123,800
	(TF)	203,300	266,300	253,300	253,300
Travel - Out of State	(SM)	18,200	30,500	25,000	25,000
	(TF)	34,500	57,900	46,900	46,900
Other Operating Expenditures	(SM)	6,638,300	7,233,700	6,852,200	6,852,400
	(TF)	12,188,500	12,844,200	12,302,200	12,065,100
Equipment	(SM)	1,291,000	1,123,200	1,067,000	1,067,000
	(TF)	2,476,500	2,528,900	2,416,500	2,416,500
<b>Operating Subtotal</b>	<b>(GF)</b>	<b>26,544,500</b>	<b>28,733,000</b>	<b>28,219,700</b>	<b>28,632,400</b>
	<b>(TF)</b>	<b>56,097,900</b>	<b>60,709,300</b>	<b>58,621,400</b>	<b>59,280,400</b>
ADOA Data Center Charges	(SM)	1,580,300	1,742,500	1,742,500 <sup>2/</sup>	1,742,500 <sup>2/</sup>
	(TF)	4,325,300	4,978,600	4,978,600 <sup>2/</sup>	4,978,600 <sup>2/</sup>
Indian Advisory Council	(SM)	101,800	106,000	108,200	110,200
	(TF)	200,100	209,300	213,100	216,700
DES Eligibility	(SM)	18,807,400	19,417,300	21,150,400 <sup>3/</sup>	21,506,000 <sup>3/</sup>
	(TF)	37,614,800	38,731,700	42,197,400 <sup>3/</sup>	42,909,800 <sup>3/</sup>
DES Disability Determination	(SM)	84,600	104,200	0	0
	(TF)	169,300	208,200	0	0
DES PASARR	(SM)	17,000	20,900	0	0
	(TF)	67,800	81,800	0	0
DES MEDICS	(SM)	53,700	48,000	0	0
	(TF)	107,400	96,000	0	0
DES Title XIX Pass-Through	(SM)	0	0	126,100 <sup>3/</sup>	127,800 <sup>3/</sup>
	(TF)	0	0	292,300 <sup>3/</sup>	296,500 <sup>3/</sup>
DHS Licensure	(SM)	451,400	478,000	0	0
	(TF)	768,900	804,500	0	0
DHS PASARR	(SM)	29,300	52,400	0	0
	(TF)	114,800	212,900	0	0
DHS Indirect Cost-Licensure	(SM)	144,700	144,500	0	0
	(TF)	236,800	236,500	0	0
DHS Title XIX Pass-Through	(SM)	0	0	717,700 <sup>4/</sup>	729,600 <sup>4/</sup>
	(TF)	0	0	1,378,100 <sup>4/</sup>	1,398,800 <sup>4/</sup>
Health Care Group Administration	(SM)	0	9,294,200	1,270,000	1,285,700
	(TF)	0	9,294,200	1,270,000	1,285,700
Office of Administrative Hearings	(SM)	0	0	0	0
	(TF)	0	0	159,000	160,300
CHIP - Administration	(SM)	0	925,100	1,376,400	1,821,400
	(TF)	0	3,840,000	5,506,400	7,289,400
CHIP - Services	(SM)	0	8,326,000	13,730,200	18,040,700
	(TF)	0	34,560,000	54,921,000	72,163,000
<b>Total</b>	<b>(SM)</b>	<b>47,814,700</b>	<b>69,392,100</b>	<b>68,441,200</b>	<b>73,996,300</b>
	<b>(TF)</b>	<b>99,703,100</b>	<b>153,963,000</b>	<b>169,537,300<sup>5/</sup></b>	<b>189,979,200<sup>5/</sup></b>

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**Additional Appropriations -**

Appropriation; AHCCCS;	(SM)	0	0	8,000,000	8,000,000
Healthcare Group Ch. 313	(TF)	<u>0</u>	<u>0</u>	<u>8,000,000</u>	<u>8,000,000</u>
<b>Total Appropriations</b>	(SM)	<b>47,814,700</b>	<b>69,392,100</b>	<b>76,441,200</b>	<b>81,996,300</b>
	(TF)	<b>99,703,100</b>	<b>153,963,000</b>	<b>177,537,300</b> <sup>6/</sup>	<b>197,979,200</b> <sup>6/</sup>

Fund Summary

General Fund		49,279,700	50,846,800	52,078,400 <sup>7/</sup>	52,862,300 <sup>7/</sup>
Donations Fund		0	1,294,200	1,256,200 <sup>7/</sup>	1,271,900 <sup>7/</sup>
Tobacco Tax Funds		0	8,000,000	8,000,000	0
Tobacco Settlement Fund		0	0	0	8,000,000
Children's Health Insurance Program Fund		0	38,400,000	60,427,400	79,452,400
Federal Funds		<u>50,423,400</u>	<u>55,422,000</u>	<u>55,775,300</u>	<u>56,392,600</u>
<b>Total Appropriations</b>		<b>99,703,100</b>	<b>153,963,000</b>	<b>177,537,300</b>	<b>197,979,200</b>

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

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

**Program 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, adjudicating provider or eligibility grievances, policy development and research, and agency finance and accounting. Additionally, the Administration performs eligibility determinations for the Arizona Long-Term Care System and for SSI Medical Assistance only (MAO) Eligibility. Eligibility for the Acute Care program is conducted by the Department of Economic Security (DES), counties, and the federal Social Security Administration. The appropriation for DHS – AHCCCS represents an allocation of costs incurred by the Department of Health Services (DHS) in its role of performing licensing and inspections of Title XIX-certified nursing care facilities. This function is a federal Medicaid requirement and is conducted in accordance with an intergovernmental agreement between AHCCCS and DHS.

**Equipment** — The approved FY 2000 amount includes \$1,067,000 General Fund (GF) and \$2,416,500 Total Funds (TF) for replacement equipment. This amount is continued in FY 2001. The approved amount provides funding to replace personal computers, laptop computers, servers, printers, telecommunications and imaging equipment, alternative fuel vehicles, copiers, and other equipment.

**Expand Early Fraud Detection Unit** — The approved FY 2000 amount includes an increase of 4 FTE Positions and \$128,100 from the General Fund to expand the Early Fraud Detection Unit in Maricopa County and to begin the program in Pima County. This amount is continued in FY 2001. County eligibility workers perform AHCCCS eligibility determinations at the hospital for state-only groups such as the Medically Needy/Medically Indigent

- 1/ Includes 704.9 SM and 1,333.9 TF FTE Positions funded from Special Line Items in FY 2000. Includes 721.9 SM and 1350.9 TF FTE Positions funded from Special Line Items in FY 2001.
- 2/ It is the intent of the Legislature that the appropriation for the Department of Administration Data Center charges be used only for the payment of charges incurred by the department for the use of computing services provided by the Department of Administration Data Center. (General Appropriation Act footnote)
- 3/ The amounts appropriated for the Department of Economic Security Special Line Items 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)
- 4/ The amounts appropriated for the Department of Health Services Special Line Items shall be used for intergovernmental agreements with the Department of Health Services for the purpose of Medicaid-related licensure, certification and registration, and other functions. (General Appropriation Act footnote)
- 5/ General Appropriation Act funds appropriated as an Operating Lump Sum with Special Line Items for the Program.
- 6/ Of the \$177,537,300 expenditure authority for Administration in FY 2000, \$52,078,400 is appropriated from the state General Fund, \$1,256,200 is appropriated from the Donations Fund, and \$60,427,400 is appropriated from the Children's Health Insurance Program Fund. Of the \$197,979,200 expenditure authority for Administration in FY 2001, \$52,862,300 is appropriated from the state General Fund, \$1,271,900 is appropriated from the Donations Fund, and \$79,452,400 is appropriated from the Children's Health Insurance Fund. (General Appropriation Act footnote, as adjusted for state employee pay increase, as amended by Laws 1999, Chapter 313)
- 7/ These amounts represent direct appropriations. All other expenditures are part of total expenditure authority.

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(MN/MI) and State Emergency Services. The fraud investigators review all AHCCCS applications at the hospital and conduct home visits to verify inconsistent information prior to approval. It is anticipated that the expansion of this unit will result in savings of \$(1,000,000) GF in Acute Care costs in FY 2001. These savings have been incorporated in the Acute Care program. *See the Acute Care program for further information.*

**Decision Support System** — The approved FY 2000 amount includes a one-time amount of \$340,500 in federal expenditure authority for the continued development of the Decision Support System (DSS). The approved FY 2001 includes a one-time amount of \$102,900 in federal expenditure authority for maintenance and on-going costs associated with the DSS project. The state match of \$109,500 in FY 2000 and \$116,100 in FY 2001 will be funded through the agency's base budget.

**Administration Reduction** — The approved amount includes a reduction of (7.6) FTE Positions and \$(537,900) GF and (16.6) FTE Positions and \$(1,080,200) TF in FY 2000 due to caseload declines. For example, across all rate codes in the Acute Care program, caseloads have declined 12% from FY 1993 to FY 1998. Across the different age categories, Temporary Assistance for Needy Families (TANF) caseloads have experienced a total decline of 8% from FY 1993 to FY 1998. The most dramatic decline has been in the state-only rate codes where there has been a total caseload decline of 63%. This amount is continued in FY 2001.

**ADOA Data Center Charges** — The Special Line Item reflects costs associated with the agency's usage of mainframe computing services provided by the Arizona Department of Administration (ADOA). This Special Line Item is funded by the General Fund and Federal Funds.

**Indian Advisory Council** — The Advisory Council on Indian Health Care was established in Laws 1989, Chapter 293 to assist in developing a comprehensive health care delivery system for Arizona's Native American population. This Special Line Item is funded by the General Fund and Federal Funds.

**DES Eligibility** — The Department of Economic Security (DES), through an intergovernmental agreement with AHCCCS, performs eligibility determinations for the AHCCCS Acute Care program. DES staff, in addition to conducting eligibility determinations for the TANF Cash Assistance program, also evaluates applications for AHCCCS eligibility. DES eligibility staff also takes applications for "Medical Assistance Only" (MAO) in the federal SOBRA program for pregnant women and children.

The approved amount includes a reduction of (80.2) FTE Positions and \$(2,928,400) GF and (160.4) FTE Positions and \$(5,856,800) TF in FY 2000 due to caseload declines. Although enrollment in TANF has decreased approximately 47% from its average FY 1995 level, there has not been a corresponding reduction in Eligibility Interviewer positions. This amount is continued in FY 2001. *See the DES Benefits & Medical Eligibility narrative for further details.*

The federal government is changing how costs for eligibility determination are allocated, which results in a shift of costs from the TANF program in DES to AHCCCS. Prior to the change, costs were often allocated to TANF, which was designated as the primary program. Now costs are allocated to all benefiting programs based on the relative benefits derived from each program. The approved FY 2000 amount includes an increase of \$4,360,500 GF and \$8,721,000 TF to address this change in how costs are allocated. TANF savings are being reallocated in the DES budget. This amount is continued in FY 2001. *See the DES Benefits & Medical Eligibility for further detail.*

**DES Disability Determination Services Administration (DDSA)** — DDSA, through an intergovernmental agreement with AHCCCS, determines disability entitlement for the Arizona Long-Term Care System and the Federal Emergency Services program. This Special Line Item is funded by the General Fund and Federal Funds. In FY 2000, funding for this activity has been transferred into the DES Title XIX Pass-Through Special Line Item.

**DES Preadmission Screening and Annual Resident Review (PASARR)** — DES PASARR, through an intergovernmental agreement with AHCCCS, 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. While DES-DDSA determines eligibility, the DES-PASARR program determines whether an individual requires active treatment for a behavioral health condition and proper placement. This Special Line Item is funded by the General Fund and Federal Funds. In FY 2000, funding for this activity has been transferred into the DES Title XIX Pass-Through Special Line Item.

**DES Medical Eligibility Determinations and Information Control System (MEDICS)** — DES MEDICS is an automated system for determining AHCCCS eligibility in the federal SOBRA program for pregnant women and children and other AFDC-related MAO programs. The lease-purchase is expected to be complete in FY 1999; therefore, this Special Line Item is eliminated in FY 2000.

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**DES Title XIX Pass-Through** — This Special Line Item contains funding for programs administered by DES through an intergovernmental agreement, which were previously listed as separate Special Line Items. The consolidated Special Line Items are DES Disability Determination and DES PASARR. They have been consolidated because they both represent pass-through funds for programs administered by DES and do not need to be identified separately. *See relevant Special Line Item descriptions for further information on services provided with these pass-through funds.*

**DHS Licensure** — The Department of Health Services (DHS), through an intergovernmental agreement with AHCCCS, is responsible for federally required inspection and licensure of Title XIX-certified nursing care facilities. In FY 2000, funding for this activity has been transferred into the DHS Title XIX Pass-Through Special Line Item.

**DHS PASARR** — DHS PASARR, through an intergovernmental agreement with AHCCCS, conducts Level II psychiatric evaluations of Title XIX-certified nursing facility patients who have been identified through a Level I screening as potentially having a mental illness. In FY 2000, funding for this activity has been transferred into the DHS Title XIX Pass-Through Special Line Item.

**DHS Indirect Costs Licensure** — Represents the cost of administrative functions performed by non-Licensure Division staff in support of the Licensure Division. In FY 2000, funding for this activity has been transferred into the DHS Title XIX Pass-Through Special Line Item.

**DHS Title XIX Pass-Through** — This Special Line Item contains funding for programs administered by DHS, which were previously listed as separate Special Line Items. The consolidated Special Line Items are DHS Licensure, DHS PASARR, and DHS Indirect Cost-Licensure. They have been consolidated because they all represent pass-through funds for programs administered by DHS and do not need to be identified separately. *See relevant Special Line Item descriptions for further information on services provided with these pass-through funds.*

The approved FY 2000 amount includes an increase of \$62,100 TF for DHS Licensure staffing and indirect costs related to DHS Licensure. Growth in ALTCS enrollment has created an increased demand for Title XIX certified nursing facilities, which must be inspected and licensed by the DHS Licensure staff. This amount is continued in FY 2001. *See the DHS Administration narrative for further discussion.*

**Healthcare Group Administration** — The Healthcare Group Program administers a health insurance program for small businesses and political subdivisions of the state. Its

administration funding comes from premiums paid by program participants and is deposited in the AHCCCS Donations Fund. Pursuant to Laws 1997, Chapter 210 the administrative costs for the Healthcare Group program are subject to legislative appropriation beginning in FY 1999.

The approved FY 2000 amount includes a total of 14 FTE Positions and \$1,270,000 from the AHCCCS Donations Fund. The approved FY 2001 amount includes a total of 14 FTE Positions and \$1,285,700 from the AHCCCS Donations Fund.

Laws 1998, Chapter 214 transferred \$8,000,000 from the Tobacco Tax Medical Services Stabilization Fund in FY 1999 to provide reinsurance to Healthcare Group health plans. In FY 1998, Healthcare Group health plans' costs exceeded the amount they received in premiums. This situation appeared to be the result of several factors, including changes in federal law and actions by private insurance companies. These changes resulted in the pool of Healthcare Group participants containing fewer healthy members and more members with pre-existing conditions and high health care costs.

Laws 1999, Chapter 313 continues the allocation of \$8,000,000 to provide reinsurance to Healthcare Group health plans. In FY 2000, the \$8,000,000 is appropriated from the Tobacco Tax Medical Services Stabilization Fund. In FY 2001, and each year thereafter, \$8,000,000 is appropriated from the Tobacco Settlement Fund. *See discussion under Additional Appropriations for further detail.*

**Office of Administrative Hearings** — The AHCCCS hearing and grievance staff has been transferred to the Office of Administrative Hearings (OAH) pursuant to Laws 1998, Chapter 57. The transfer includes a total of \$294,900 GF and \$13,800 OF for 6 FTE Positions. In addition, 3 positions funded from Federal Funds will be transferred to OAH, for a total of 9 FTE Positions. AHCCCS will retain the federal monies associated with these 3 positions in this Special Line Item and will transfer the monies to OAH annually through an interagency agreement. *See the Office of Administrative Hearings budget for further discussion.*

### **Children's Health Insurance Program**

Laws 1998, Chapter 4, 4<sup>th</sup> Special Session established the Children's Health Insurance Program (CHIP). CHIP provides health insurance coverage to uninsured children whose families meet certain income requirements and is funded from the Children's Health Insurance Fund, which consists of 25% state funds and 75% federal matching funds. The Medically Needy Account of the Tobacco Tax and Health Care Fund provides the monies for the state share of the program. The health insurance benefits

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<b>Table 1</b>			
<b>Children's Health Insurance Program Funding Summary</b>			
		<b><u>FY 2000</u></b>	<b><u>FY 2001</u></b>
CHIP Member Years		45,635	61,392
<b><u>CHIP Services:</u></b>			
Capitation	TT	\$13,110,500	\$17,338,000
	FF	39,331,500	52,014,100
Fee-for-Service	TT	411,000	442,600
	FF	1,233,000	1,327,800
Reinsurance	TT	208,700	260,100
	FF	<u>626,300</u>	<u>780,400</u>
<b>Total CHIP Services</b>	<b>TT</b>	<b>\$13,730,200</b>	<b>\$18,040,700</b>
	<b>FF</b>	<b><u>\$41,190,800</u></b>	<b><u>\$54,122,300</u></b>
	<b>OF</b>	<b>\$54,921,000</b>	<b>\$72,163,000</b>
<b><u>CHIP Administration:</u></b>			
Administration	TT	1,112,800	1,557,800
	FF	3,602,900	4,940,900
Indirect	TT	263,600	263,600
	FF	<u>527,100</u>	<u>527,100</u>
<b>Total CHIP Administration</b>	<b>TT</b>	<b>\$1,376,400</b>	<b>\$1,821,400</b>
	<b>FF</b>	<b><u>\$4,130,000</u></b>	<b><u>\$5,468,000</u></b>
	<b>OF</b>	<b>\$5,506,400</b>	<b>7,289,400</b>
<b>Total CHIP Program</b>	<b>TT</b>	<b>\$15,106,600</b>	<b>\$19,862,100</b>
	<b>FF</b>	<b><u>\$45,320,800</u></b>	<b><u>\$59,590,300</u></b>
	<b>OF</b>	<b><u>\$60,427,400</u></b>	<b><u>\$79,452,400</u></b>
TT = Tobacco Tax - Medically Needy Account			
FF = Federal Funds			
OF = CHIP Fund			

provided by the program are equivalent to the state employee benefit package.

CHIP covers children whose income is too high to be eligible for Title XIX and who have been uninsured for the prior year. The federal guidelines (Title XXI) that govern all states' CHIP programs require all children to be screened for Title XIX eligibility prior to enrollment in CHIP. Eligibility for Arizona's CHIP program was set at 150% of the Federal Poverty Level (FPL) in FY 1999, 175% FPL in FY 2000 and 200% FPL in FY 2001 and thereafter under the enabling legislation. However, Laws 1999, Chapter 313 accelerated the phase-in of these income limits by 1 year, setting eligibility at 200% FPL beginning October 1, 1999.

Funding for the CHIP program is divided into 2 Special Line Items: CHIP Administration and CHIP Services. The following sections provide a description of these 2

components of CHIP. Program funding is shown in more detail in *Table 1*.

**CHIP - Administration** — The approved FY 2000 amount includes an increase of 66 FTE Positions and \$297,600 in Tobacco Tax Medically Needy Account monies and \$1,030,000 in Federal Funds for a combined increase of \$1,327,600 OF for CHIP Administration costs. For FY 2001, the approved amount includes a further increase of 17 FTE Positions and \$444,000 in Tobacco Tax Medically Needy Account monies and \$1,339,000 in Federal Funds for a combined increase of \$1,783,000 OF for increased administration and outreach costs. *See Table 1 for further detail.* A.R.S. § 36-2981 allows AHCCCS to use 10% of total acute care program costs for administration and outreach expenditures. Most of the increase is for additional eligibility interviewers.

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**CHIP - Services** — The approved FY 2000 amount includes an increase of \$5,404,200 in Tobacco Tax monies and \$14,956,800 in Federal Funds, for a combined increase of \$20,361,000 OF for enrollment growth and inflation in the program. The approved FY 2001 amount includes a further increase of \$4,310,600 in Tobacco Tax monies and \$12,931,500 in Federal Funds for a combined increase of \$17,242,100 OF in CHIP program costs. *See Table 1 for further detail.* The approved amount is based on caseload growth of 151% in FY 2000 and an additional 35% in FY 2001, for a total of 45,635 member years in FY 2000 and 61,392 member years in FY 2001. This reflects the phasing-in of the program. The approved amount also assumes growth of 3.5% in both years for medical inflation.

**Additional Appropriations:** Appropriation: AHCCCS: Healthcare Group (Chapter 313) — For FY 2000, appropriates \$8,000,000 from the Tobacco Tax Medical Services Stabilization Fund to provide reinsurance to Healthcare Group health plans. AHCCCS is required to establish a methodology to allocate the annual appropriation on a reconciliation approach based on audited data. The appropriations provided for reinsurance are exempt from lapsing. However, monies that are unexpended or unencumbered by December 31 of each year are to offset the appropriation for the following fiscal year. In FY 2001, and each year thereafter, \$8,000,000 is appropriated from Tobacco Settlement monies for the provision of reinsurance to Healthcare group health plans. *See the Tobacco Settlement section in the Summary for further information.*

The bill also establishes authority for AHCCCS to enter into agreements with other states to provide information technology services and retain monies earned from these contracts for various purposes.

