

**ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM - SUMMARY**

A.R.S. § 36-2901

Phyllis Biedess, Director

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General Fund and Other Funds		FY 1998 Actual	FY 1999 Estimate	FY 2000 Approved	FY 2001 Approved
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Program Summary

Administration	(SM)	47,814,700	69,392,100	76,441,200	81,996,300
	(TF)	99,703,100	153,963,000	177,537,300	197,979,200
Acute Care	(SM)	519,296,500	536,189,100	518,793,200	539,474,100
	(TF)	1,202,545,900	1,276,092,300	1,288,990,900	1,361,170,000
Long-Term Care	(SM)	150,429,300	167,504,500	174,985,800	192,429,800
	(TF)	423,151,700	488,414,900	517,044,300	568,248,800
<b>Total Appropriations</b>	(SM)	<b>717,540,500</b>	<b>773,085,700</b>	<b>770,220,200</b>	<b>813,900,200</b>
	(TF)	<b>1,725,400,700</b>	<b>1,918,470,200</b>	<b>1,983,572,500</b>	<b>2,127,398,000</b>

Expenditure Detail

FTE Positions	(SM)	1,074.8	1,126.2	1,191.1	1,195.1
	(TF)	2,209.7	2,329.7	2,407.5	2,424.5
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>	(SM)	<b>26,544,500</b>	<b>28,733,000</b>	<b>28,219,700</b>	<b>28,632,400</b>
	(TF)	<b>56,097,900</b>	<b>60,709,300</b>	<b>58,621,400</b>	<b>59,280,400</b>
Special Line Items	(TF)	1,669,302,800	1,857,760,900	1,917,551,100	2,060,717,600
Additional Appropriations	(TF)	0	0	7,400,000	7,400,000
<b>Total Appropriations</b>	(TF)	<b>1,725,400,700</b>	<b>1,918,470,200</b>	<b>1,983,572,500</b> <sup>1/</sup>	<b>2,127,398,000</b> <sup>1/</sup>

Fund Summary

General Fund	480,493,000	502,746,900	493,585,200 <sup>2/</sup>	528,533,600 <sup>2/</sup>
County Funds	211,390,000	221,434,500	221,277,500	224,104,700
Tobacco Tax Funds	25,266,700	36,775,700	38,328,400 <sup>3/</sup>	31,947,300
Tobacco Settlement Funds	0	0	0	8,000,000 <sup>3/</sup>
Donations Fund	0	1,294,200	1,256,200 <sup>2/3/</sup>	1,271,900 <sup>2/3/</sup>
Third Party Collections	1,855,800	1,583,400	1,124,800	882,000
Children's Health Insurance Program Fund	0	38,400,000	60,427,400 <sup>2/3/</sup>	79,452,400 <sup>2/3/</sup>
Federal Funds	1,006,395,200	1,116,235,500	1,167,573,000	1,253,206,100
<b>Total Appropriations</b>	<b>1,725,400,700</b>	<b>1,918,470,200</b>	<b>1,983,572,500</b>	<b>2,127,398,000</b>

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.

<sup>1/</sup> General Appropriation Act appropriation format varies by program.

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

<sup>3/</sup> For FY 2000, Other Appropriated Funds total \$69,683,600. This includes \$8,000,000 in Tobacco Tax Funds, \$1,256,200 from the Donations Fund, and \$60,427,400 from the CHIP Fund. For FY 2001, Other Appropriated Funds total \$88,724,300. This includes \$8,000,000 in Tobacco Settlement Funds, \$1,271,900 from the Donations Fund, and \$79,452,400 from the CHIP Fund.

## 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.*

**Program Change Descriptions** — Unless otherwise stated, all descriptions of funding changes in the individual program descriptions represent Total Funds.

**Overall Funding Changes** – The approved AHCCCS budget for FY 2000 includes an increase of \$65,102,300 TF, or 3.3% above the FY 1999 estimated amount. Funding for the Administration program includes an increase of \$23,574,300 TF, or 15.3%. Caseload growth in ALTCS results in an increase of \$28,629,400. Caseload projections and medical inflation are expected to result in an increase of \$12,898,600 TF in the Acute Care program. Overall, the net General Fund impact of program changes for FY 2000 is a decrease of \$(9,161,700), or (1.8%) below the estimated FY 1999 amount. The county contribution required for the Acute and Long-Term Care programs decreases by \$(157,000), or less than 1%. Finally, expenditures from the Tobacco Tax and Health Care Fund increase from \$36,775,700 to \$38,328,400 in FY 2000.

The approved AHCCCS budget for FY 2001 includes an increase of \$143,825,500 TF, or 7.3% above the FY 2000 level. Funding for the Administration program includes an increase of \$20,441,900 TF, or 11.5%. Caseload growth in ALTCS results in an increase of \$51,204,500. Caseload projections and medical inflation are expected to result in an increase of \$72,179,100 TF in the Acute Care program. Overall, the net General Fund impact of program changes for FY 2001 is an increase of \$34,948,400, or 7.1% above the estimated FY 1999 amount. The county contribution required for the Acute and Long-Term Care programs increases by \$2,827,200, or 1.3%. Finally, expenditures from the Tobacco Tax and Health Care Fund decrease from \$38,328,400 to \$31,947,300 in FY 2001.

**Additional Legislation:** Rural Private Primary Care Providers (Chapter 315) — Transfers \$111,200 annually from the Medically Needy Account of the Tobacco Tax and Health Care Fund to DHS for the rural private primary care provider loan repayment program. For FY 2000, transfers \$2,500,000 from the Medically Needy Account to

DHS for capital project grants to public and non-profit entities that provide health services in rural or medically underserved areas. For FY 2000, transfers \$500,000 from the Medically Needy Account to DHS for pilot programs providing detoxification services in counties with 500,000 or less persons. For FY 2000, transfers \$250,000 from the Medically Needy Account to DHS for telemedicine pilot programs designed to facilitate the provision of medical services to persons living in medically underserved areas.

Tobacco Tax Monies; Allocation (Chapter 307) – Allocates monies from a \$7,500,000 Medically Needy Account appropriation made to DHS in FY 1998 for various public health programs. The bill allocates \$280,000 in FY 2000 for immunization services and outreach; \$661,800 in FY 2000 and \$624,500 in FY 2001 for the immunization information system and associated operating costs; \$350,000 in FY 2000 and FY 2001 for Hepatitis C education and surveillance; \$450,000 in FY 2000 and FY 2001 for osteoporosis prevention; \$119,000 in FY 2000 for an asthma program; \$670,000 in FY 2000 through FY 2003 for the state match for Title V out-of-wedlock pregnancy prevention; \$150,000 in FY 2000 and FY 2001 for epidemiology programs; and \$14,000 in FY 2000 and FY 2001 for public health information programs. After the above allocations (and FY 1998 expenditures) \$100 remains unexpended from the original \$7,500,000 allocation.

Rural Health Clinics (Chapter 149) — For FY 2000, allocates \$95,000 from the Medically Needy Account of the Tobacco Tax and Health Care Fund to DHS for primary care services in Ajo, Arizona.

**Tobacco Settlement** — In November 1998, Arizona signed a settlement agreement in its lawsuit with tobacco companies. The state joined 30 other states in suing tobacco companies for reimbursement of the cost of medical care provided to indigent tobacco users. Arizona will receive approximately \$2,800,000,000 over the first 25 years of the agreement. This includes one-time, or "up-front" payments of \$177,000,000 over 5 years and annual

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

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payments in perpetuity. The amount of the annual payments grows from \$9,000,000 in FY 2000 to \$118,000,000 by FY 2018.

Due to requirements of the settlement and due to a lawsuit filed by the counties, Arizona likely won't receive the monies until FY 2001. As a result, a comprehensive plan for how to expend the monies was not enacted during the 1999 legislative session. The only bill to address the settlement monies was Laws 1999, Chapter 313, which appropriates \$8,000,000 annually beginning in FY 2001 from tobacco settlement funds to AHCCCS for the health care group program. *See the Administration section for further information on Chapter 313.*

**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. Please note that if the expenditures from the Medically Needy Account continue at the current level, the account is projected to have a deficit in FY 2005.

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

<b>Tobacco Tax and Health Care Fund</b>	<b><u>FY 1998</u></b>	<b><u>FY 1999</u></b>	<b><u>FY 2000</u></b>	<b><u>FY 2001</u></b>
<u>Funds Available</u>				
<b>Tobacco Tax Collections</b>	<b>\$114,448,500</b>	<b>\$112,388,400</b> <sup>1/</sup>	<b>\$109,803,500</b> <sup>1/2/</sup>	<b>\$107,278,000</b> <sup>1/2/</sup>
<u>Allocation</u>				
DOR Administration	\$344,000	\$352,600	\$352,600	\$352,600
Transfer to AHCCCS Medically Needy Account	81,503,300	79,825,300	77,978,900	76,175,000
Transfer to DHS Health Education Account	26,779,600	26,228,300	25,621,600	25,028,900
Transfer to DHS Health Research Account	5,821,600	5,701,800	5,569,900	5,441,100
Transfer to DOC Corrections Fund	0	280,400	280,400	280,400
<b>Total Allocation</b>	<b>\$114,448,500</b>	<b>\$112,388,400</b>	<b>\$109,803,400</b>	<b>\$107,278,000</b>
<b>Medically Needy Account</b>				
<u>Funds Available</u>				
Balance Forward	\$89,592,600	\$87,552,800	\$73,129,500	\$67,041,600
Transfer In - Tobacco Tax and Health Care Fund	81,503,300	79,825,300	77,978,900	76,175,000
Interest Revenue	4,648,000	3,886,200	3,777,700	3,580,400
<b>Total Funds Available</b>	<b>\$175,743,900</b>	<b>\$171,264,300</b>	<b>\$154,886,100</b>	<b>\$146,797,000</b>
<u>AHCCCS Allocations</u>				
Offset Loss in Federal Funding	4,145,000	4,542,200	4,542,200	4,542,200
Phase-Down of Quick Pay Discount	7,978,800	7,546,400	6,794,600	8,206,700
\$10 M Hospital Reimbursement	10,000,000	10,000,000	10,000,000	10,000,000
Maternity Length of Stay	1,919,000	4,213,300	2,485,800	2,572,800
HIV/AIDS Treatment	1,223,900	2,473,900	1,229,900	1,349,600
FY 2000 Medical Inflation	0	0	5,276,000	5,276,000
Transplants	1,619,200	3,500,000	3,590,000	3,590,000
Transfer to Med Services Stabilization Fund	15,000,000	1,250,000	0	0
Transfer to Premium Sharing Demo Project	20,325,000	20,400,000	0	0
Transfer to Children's Health Insurance Fund	0	9,251,100	15,172,000	19,833,700
Transfer to DHS Health Crisis Fund	1,000,000	862,800	0	0
Transfer to DES Aging and Adult Administration	500,000	500,000	500,000	500,000
<u>DHS Allocations</u>				
Primary Care Programs	5,983,200	6,240,000	6,240,000	6,240,000
Qualifying Community Health Centers	6,874,900	5,200,000	5,200,000	5,200,000
Community Health Centers	0	0	4,000,000	4,000,000
Telemedicine	368,300	260,000	260,000	0
Mental Health Programs for Non-Title 19	5,000,000	5,200,000	5,200,000	5,200,000
Detoxification Services	500,000	520,000	520,000	0
Renal Disease Management	250,000	260,000	260,000	260,000
Basic Children's Medical Services Program	4,086,300	2,600,000	0	0
Evaluations	242,600	854,200	854,200	854,200
Public Health Education	957,600	0	2,777,800	2,341,500
Rural Primary Care Provider Loan Repay Program	16,100	52,900	139,000	111,200
Primary Care Capital Construction Projects	136,200	2,500,000	2,500,000	0
Salome Health Services	65,000	0	0	0
HIV/AIDS Drug Assistance Program (ADAP)	0	1,700,000	1,000,000	1,000,000
Nonrenal Disease Management	0	208,000	208,000	208,000
CHIP Direct Services	0	8,000,000	1,000,000	1,000,000
Ajo Health Services	0	0	95,000	0
Psychotropic Medications - One-time Allocation	0	0	5,000,000	0
Psychotropic Medications - SMI Non-Title XIX	0	0	3,000,000	3,000,000
<b>Total Allocation</b>	<b>\$88,191,100</b>	<b>\$98,134,800</b>	<b>\$87,844,500</b>	<b>\$85,285,900</b>
<b>Balance Forward</b>	<b>\$87,552,800</b>	<b>\$73,129,500</b>	<b>\$67,041,600</b>	<b>\$61,511,100</b>

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

### AHCCCS Medical Services Stabilization Fund

#### Funds Available

Balance Forward	\$61,267,700	\$80,231,500	\$77,493,100	\$73,367,800
Transfer In - Tobacco Tax Medically Needy	15,000,000	1,250,000	0	0
Interest Revenue	3,963,800	4,011,600	3,874,700	3,668,400
<b>Total Funds Available</b>	<b>\$80,231,500</b>	<b>\$85,493,100</b>	<b>\$81,367,800</b>	<b>\$77,036,200</b>

<u>Allocation - Healthcare Group</u>	\$0	\$8,000,000	\$8,000,000	\$0
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**Balance Forward** **\$80,231,500** **\$77,493,100** **\$73,367,800** **\$77,036,200**

### AHCCCS Premium Sharing Demo Project Fund

#### Funds Available

Balance Forward	\$20,734,000	\$42,216,100	\$51,960,600	\$30,862,400
Transfer In - Tobacco Tax Medically Needy	20,325,000	20,400,000	0	0
Interest Revenue	1,955,200	2,620,800	1,299,000	771,600
<b>Total Funds Available</b>	<b>\$43,014,200</b>	<b>\$65,236,900</b>	<b>\$53,355,600</b>	<b>\$32,205,000</b>

#### Allocation

Administrative Expenses	\$367,000	\$510,600	\$861,400	\$861,400
Services	431,100	12,765,700	21,535,800	21,535,800

**Balance Forward** **\$42,216,100** **\$51,960,600** **\$30,862,400** **\$9,236,800**

### DHS Health Crisis Fund

#### Funds Available

Transfer In - AHCCCS Medically Needy Account	\$1,000,000	\$862,800	\$0	\$0
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<u>Allocation - HIV/AIDS Treatment</u>	862,800	0	0	0
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**Balance Forward** **\$137,200** **\$1,000,000** **\$1,000,000** **\$1,000,000**

### DHS Health Education Account

#### Funds Available

Balance Forward	\$46,013,900	\$51,363,200	\$42,894,900	\$37,301,800
Transfer In - Tobacco Tax and Health Care Fund	26,779,600	26,228,300	25,621,600	25,028,900
Interest Revenue	2,745,900	3,223,900	2,785,300	2,490,800
<b>Total Funds Available</b>	<b>\$75,539,400</b>	<b>\$80,815,400</b>	<b>\$71,301,800</b>	<b>\$64,821,500</b>

<u>Allocation - Administration &amp; Program Costs</u>	\$24,176,200	\$37,920,500	\$34,000,000	\$34,000,000
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**Balance Forward** **\$51,363,200** **\$42,894,900** **\$37,301,800** **\$30,821,500**

### DHS Health Research Account

#### Funds Available

Balance Forward	\$12,099,600	\$14,015,000	\$5,538,700	\$2,895,200
Transfer In - Tobacco Tax and Health Care Fund	5,821,600	5,701,800	5,569,900	5,441,100
Interest Revenue	627,700	843,300	277,700	208,400
<b>Total Funds Available</b>	<b>\$18,548,900</b>	<b>\$20,560,100</b>	<b>\$11,386,300</b>	<b>\$8,544,700</b>

#### Allocation

Disease Control Research Commission	\$4,033,900	\$10,021,400	\$6,491,100	\$5,696,000
Transfer to U of A - Liver Research Institute	500,000	0	0	0
Anticancer Drug Discovery	0	5,000,000	2,000,000	2,000,000
<b>Total Allocation</b>	<b>4,533,900</b>	<b>15,021,400</b>	<b>8,491,100</b>	<b>7,696,000</b>

**Balance Forward** **\$14,015,000** **\$5,538,700** **\$2,895,200** **\$848,700**

<sup>1/</sup> Revenue estimates assume a decrease of (1.8)% based on the actual decrease in FY 1998

<sup>2/</sup> Revenue estimates for FY 2000 and FY 2001 include an additional decrease of 0.5% for a total decrease of (2.3%) to reflect decreased tobacco sales resulting from higher tobacco prices implemented following the settlement of the lawsuit with tobacco companies in November 1998.