Program Summary
Arizona Health Care Cost Containment System
County AHCCCS-Related Payments

Program Overview

County funds contribute to Arizona Health Care Cost Containment System (AHCCCS) costs but in widely different amounts, depending on the program.

County payments for AHCCCS-related costs have been both revenues and expenses for the state. The vast majority of county payments have served as revenue to the state. These revenues come in 4 categories for FY 2012: (1) $251.7 million for Long-Term Care, (2) $48.6 million for acute care contributions, (3) $2.6 million for uncompensated care contributions, and (4) $3.2 million for the Budget Neutrality Compliance Fund. The expenses to the state in FY 2012 are $4.2 million in Disproportionate Share Hospital Payments. In prior years, it had also included $4.8 million in Proposition 204 – County Hold Harmless payments. *(Please see Table 1 below for more detail.)*

Program Trends

While the county governments have had a long history of contributing to costs associated with the AHCCCS programs, their share of the total state AHCCCS costs has been steadily declining. In FY 2001, total net county contributions represented 31% of AHCCCS' appropriated state budget, while in FY 2012 the county contributions made up 18%. During this time, both county and state costs increased, but the state share grew by 129%, whereas the county portion increased by 37%.

There are 2 primary reasons for the decline in county share of AHCCCS costs: (1) statutory total funding formulas that remain largely unchanged from year to year and (2) funding formula increases that do not match program growth. The 2 county funds in the Acute Care system have no programmed annual growth. From FY 2006 through FY 2012 the total revenues from these funds were further reduced with a change in Maricopa County's contribution to these funds. The county funding requirements for Long-Term Care and administration costs have annual formula increases, but these increases fall short of the percentage increase of the overall costs. Additionally, in FY 2007 a new relief measure further reduced counties' Long-Term Care contributions.

American Recovery and Reinvestment Act

Typically, the state receives an approximate 2:1 match for most Medicaid expenditures; however, due to the 2009 American Recovery and Reinvestment Act (ARRA), the match was increased to approximately 3:1 from October 1, 2008 to June 30, 2011.

Table 1

AHCCCS County Payments Overview
Funding History [1/]

	FY 2001	FY 2007	FY 2010 [2/]	FY 2011 [2/]	FY 2012
Overall AHCCCS Program					
Total Expenditures	$2,329,510,200	$5,064,091,600	$ 7,068,138,100	$7,467,131,900	$5,886,837,600
State General Fund (GF)/County Portion	730,147,500	1,405,780,700	1,453,825,800	1,809,841,000	1,669,880,500
State General Fund Portion	506,027,300	1,132,444,300	1,217,129,600	1,314,973,600	1,363,735,000
State Share of GF/County Portion	69%	81%	84%	85%	15%
County Portion	224,120,200	273,336,400	236,696,200	247,433,700	306,145,500
County Share of GF/County Portion	31%	19%	16%	15%	18%
County Portion Detail					
Long-Term Care	157,415,200	221,196,800	186,816,400	192,878,000	251,732,900
Acute Care Contribution	66,905,500	51,787,100	49,065,700	48,792,200	48,605,300
Uncompensated Care Contribution	0	2,646,200	2,646,200	2,646,200	2,646,200
Budget Neutrality Compliance Fund	0	2,531,900	2,993,500	3,117,300	3,161,100
Proposition 204 - County Hold Harmless	0	(4,825,600)	(4,825,600)	0	0
County Total Net Payments	**$ 224,120,200** [3/]	**$ 273,336,400**	**$ 236,696,200**	**$ 247,433,700**	**$ 306,145,500**

1/ Does not include the $4.2 million Disproportionate Share Hospital payment to Maricopa County in FY 2007 – FY 2012 or $13.1 million in FY 2001.
2/ Reflects the enhanced federal match for the entire year.
3/ Includes $(200,500) in payments to Navajo and Apache Counties.

As part of the ARRA provisions, states were prohibited from charging counties a higher proportion of costs than would have been paid without the ARRA provisions. During the time period, counties were expected to save approximately $(204.3) million. While the ARRA enhanced match rate has expired, the state is still prohibited from charging counties a higher proportion of costs than what they charged in March 2010 due to the federal Affordable Care Act.

Program Funding

Long-Term Care

Prior to 1988, counties paid 100% of long-term care costs. In 1988, the state began to pay 50% of the annual growth of long-term care costs. Prior year utilization rates are used to divide the total county costs amongst all counties. The current funding structure is set up to have the state and counties share the long-term care caseload growth in a 50/50 split.

There are several "circuit breakers" that place a limit on the amounts that counties pay, which results in some counties not paying all 50% of their county's growth, and not paying their utilization share of ALTCS services. Circuit breakers are described in more detail in the *FY 2012 Appropriations Report*.

County funds made up $157 million, or 82%, of the total state long-term care costs in FY 2001, and are projected to cover $252 million, or 59%, of the long-term care costs in FY 2012.

Acute Care

There are 2 separate acute care payments. One payment is the general acute care county contribution and the other payment is the uncompensated care contribution (DUC). Both of these payments are determined by total statutory amounts divided up by percentage shares to be paid by each county. Monies have been collected from the counties for acute care costs since FY 1982 when the state took over responsibility of providing medical services to indigent people.

Acute Care county contributions are withheld by the State Treasurer from monies paid to the counties. The statutory total for acute care has not been changed since FY 2006, except for Maricopa County. DUC was begun in FY 2002 as set forth in Laws 2001, Chapter 344, Section 100. Since FY 2003, total DUC payments have remained unchanged, except for eliminating the Maricopa County contribution in FY 2006.

Acute care costs have been the fastest growing component of AHCCCS, growing by 243% since FY 2001. In FY 2001, counties paid for approximately 14% of the state's acute care costs and are projected to cover 3.8% of the state's acute care costs in FY 2012. Total county dollar contributions have also declined and for FY 2012 it is estimated that the county contributions will be $(15.7) million less than FY 2001.

Budget Neutrality Compliance Fund

In FY 2002, the state mandated county contributions to help cover the cost of Proposition 204. These contributions went into a new fund called the Budget Neutrality Compliance Fund (BNCF). These contributions are based on a percentage formula where each county pays a percentage of the total statutory figure. The total county contribution is to be increased annually based on the Gross Domestic Product (GDP) price deflator. According to A.R.S. § 41-563, the GDP price deflator refers to "the average of the 4 implicit price deflators for the gross domestic product reported by the United States Department of Commerce for the 4 quarters of the calendar year."

Since FY 2003, the county contributions into the BNCF have been included as a fund source for the Administration cost center of AHCCCS. Prior to FY 2006, these contributions represented about 7% of total state administrative costs. With the reduction in Maricopa County contributions starting in FY 2006 (Maricopa County agreed to retain responsibility for adult probation costs in exchange for a reduction in other county contributions), the county contributions represent about 4.0% of total state administrative costs in FY 2012.

Proposition 204 - County Hold Harmless Payments

From FY 2003 through FY 2010, 6 counties received an additional payment totaling $4.8 million yearly. This payment was made so that counties were "held harmless" for formula changes that were made due to the implementation of Proposition 204. This payment was eliminated in the FY 2011 budget.

Disproportionate Share Hospital Payments

Arizona's Disproportionate Share Hospital (DSH) Payments has been in operation since 1992. Section 1923 of the federal Social Security Act established DSH programs to compensate hospitals that serve a disproportionate share of low-income patients. Through intergovernmental transfers and the use of Federal Funds, this program results in a net gain to all parties involved.

Maricopa County netted $13.1 million in FY 2001. In FY 2002, the voters passed Proposition 204, which expanded the population eligible for AHCCCS. Subsequently, the involved parties developed a new financial sharing agreement to hold all parties harmless with the implementation of Proposition 204.

Table 2

AHCCCS FY 2012 Revenues (Payments) by County

County	Long Term Care	Acute	DUC	BNCF	County Totals	% of Total	% of State Population [2/]
Apache	$ 631,800	$ 268,800	$ 87,300	$ 104,200	$ 1,092,100	0.4%	1.1%
Cochise	5,309,100	2,214,800	162,700	194,300	7,880,900	2.6%	2.1%
Coconino	1,896,300	742,900	160,500	191,700	2,991,400	1.0%	2.1%
Gila	2,113,600	1,413,200	65,900	78,700	3,671,400	1.2%	0.8%
Graham	1,430,800	536,200	46,800	56,000	2,069,800	0.7%	0.6%
Greenlee	162,300	190,700	12,000	14,400	379,400	0.1%	0.1%
La Paz	827,500	212,100	24,900	29,800	1,094,300	0.4%	0.3%
Maricopa	154,518,900	20,575,000	-	-	175,093,900	57.2%	59.7%
Mohave	7,335,500	1,237,700	187,400	223,800	8,984,400	2.9%	3.1%
Navajo	2,614,500	310,800	122,800	146,700	3,194,800	1.0%	1.7%
Pima	39,653,400	14,951,800	1,115,900	1,333,000	57,054,100	18.6%	15.3%
Pinal	15,702,000	2,715,600	218,300	260,800	18,896,700	6.2%	5.9%
Santa Cruz	1,933,300	482,800	51,600	61,600	2,529,300	0.8%	0.7%
Yavapai	9,586,200	1,427,800	206,200	246,400	11,466,600	3.7%	3.3%
Yuma	8,017,700	1,325,100	183,900	219,700	9,746,400	3.2%	3.1%
Totals	**$251,732,900**	**$48,605,300**	**$2,646,200**	**$3,161,100**	**$306,145,500** [1/]	**100.0%**	**100.0%**

1/ Does not include the $4.2 million Disproportionate Share Hospital payment to Maricopa County.
2/ Population percentages based on the 2010 Census.

With the passage of Proposition 414 in November 2003 by voters in Maricopa County, the Maricopa County Integrated Health System (MIHS) was formed; MIHS took over the health care system from Maricopa County in January 2005. This has added an additional entity in the transfer of DSH payments in Maricopa County.

In prior years, the state made an $88.9 million DSH payment to Maricopa County and then withheld $84.7 million of the County's transaction privilege taxes, for a net gain to Maricopa County of $4.2 million. As part of the 2006 waiver renewal process, the federal government began to require AHCCCS to utilize a different DSH mechanism for Maricopa County beginning in FY 2008. Under this mechanism, Maricopa County must certify that they have expended monies that would qualify as DSH expenditures in an amount at least equal to the amount budgeted for DSH expenditures. The state then appropriates $4.2 million to Maricopa County and deposits the remaining amount into the state General Fund (an estimated $33.2 million in FY 2012).

In FY 2008, MIHS did not certify their expenditures prior to the federal deadline, and the state filed suit against MIHS. A hearing was held, and the Superior Court ordered MIHS to provide the certification.

DSH payments to private hospitals were decreased in FY 2010 and FY 2011. MIHS has continued to receive the $4.2 million appropriation. DSH payments are not included in the total county contributions shown in *Table 1*.