BILL # HB 2057

TITLE: long-term care; county contribution

SPONSOR: Graf

STATUS: As Introduced

REQUESTED BY: House

PREPARED BY: Timothy Sweeney

FISCAL ANALYSIS

Description

HB 2057 modifies the requirements for county contributions to the Arizona Long-Term Care System (ALTCS). Currently, the state pays for 50% of growth in the ALTCS program and counties pay the remaining share of program growth. There are also 3 mechanisms known as "circuit breakers" which are designed to limit county spending on the program. The bill adds a fourth circuit breaker which limits ALTCS annual growth, beginning in FY 2006, to 10% for counties with populations less than 200,000 persons that did not qualify for any of the 3 circuit breakers existing in FY 2003. The bill requires the state to pay for all growth in the ALTCS program above 10% for those counties.

Estimated Impact

The JLBC Staff estimates that the bill will have no fiscal impact, at least, through FY 2006. This legislation would have a General Fund cost, however, if any county qualifies for the new circuit breaker. Based on current ALTCS growth forecasts, the JLBC Staff estimates that no counties will qualify for the additional circuit breaker in FY 2006, as growth from FY 2005 to FY 2006 is projected at less than 10% for counties with less than 200,000 persons.

The calculations for the ALTCS county contributions are based upon many variable factors; therefore these projections should be viewed with caution. Because there are many factors affecting the cost of the ALTCS program for each individual county, there is a potential cost related to the new circuit breaker should growth in any eligible county exceed 10%.

AHCCCS does not currently have a cost estimate for this legislation.

Background

Prior to 1998, a portion of the sales tax revenue distributed to counties was withheld to cover the state match portion of ALTCS. Monies were withheld from the counties based on the percentages of long-term care utilization in FY 1988, which were set in statute (hereafter referred to as the "statutory percentages").

In FY 1998, pursuant to Laws 1997, 2nd Special Session, Chapter 2, the state began paying for 50% of the growth in ALTCS state match costs. In addition, the legislation phased in over a 4-year period, county contributions based upon the actual county ALTCS utilization percentages rather than the statutory percentages. Thus, the county portion of the state match for ALTCS is distributed among the counties based upon the percentage of the total long-term care expenditures in each county two fiscal years prior to the current fiscal year (henceforth the "utilization percentages").

Numerous circuit breakers were also established to address specific county concerns. The following permanent circuit breakers were effective beginning in FY 2001:

1. A county's contribution is limited to $0.90 per $100 of net assessed property value. If a county's contribution is calculated to be greater than $0.90 per $100 of the county's net assessed value, then the contribution is adjusted so that the imputed tax rate equals $0.90. The state picks up the remainder of the county's contribution.

2. Counties with Native American population representing at least 20% of the county's total population (according to the most recent decennial census), contribute an amount equal to the prior year's contribution plus ½ of the difference between the prior year's contribution if it had been calculated using the statutory percentages and the current year's

contribution if it were calculated using the statutory percentages. The state pays the difference between this and what is calculated using the utilization percentages.

3. After the reductions generated by the above circuit breakers are taken, any county that is contributing more than if contributions were based on the statutory percentages will have its contribution reduced to an amount equal to its prior year's contribution plus ½ of the difference between the prior year's contribution if it had been calculated using the statutory percentages and the current year's contribution if it were calculated using the statutory percentages. The state pays the difference between this and what is calculated using the utilization percentages.

H.B. 2057 adds a fourth circuit breaker which specifies that, beginning FY 2006, any county that did not benefit from the other 3 circuit breakers in FY 2003 and that has a population of less than 200,000 persons shall contribute an amount that equals no more than a 10% increase above the prior fiscal year's contribution. The state would pay for the difference between this and the amount calculated using the utilization percentages.

Analysis

We modified the current ALTCS model to incorporate the additional circuit breaker required by the bill. The circuit breaker does not affect the estimated total cost of the ALTCS program, but does affect the portion of the costs that are paid by the state relative to the portion paid by the counties.

The current ALTCS model calculates county contributions in each year based upon utilization percentages. We examined the historical county utilization percentages and did not observe a discernible trend in utilization changes by county. Although we acknowledge that the utilization percentages are likely to change, we are not able to develop reliable estimates of how the utilization will change by county. Therefore, we used the most recent utilization data (from FY 2003) to calculate the utilization percentages for FY 2004 through FY 2006. Again, because these percentages are likely to change and any changes would affect a county's contribution growth, our estimates should be viewed with caution.

The circuit breaker applies only to counties with populations under 200,000. The bill does not specify which population estimates will be used to determine county population, so we used data from the most recent decennial census to determine which counties had populations under 200,000 – Apache, Cochise, Coconino, Gila, Graham, Greenlee, La Paz, Mohave, Navajo, Pinal, Santa Cruz, Yavapai, and Yuma.

The bill also specifies that the new circuit breaker applies only to counties that were not affected by the 3 existing circuit breakers (discussed above) in FY 2003. In FY 2003, 7 counties were affected by the circuit breakers. The remaining 8 counties that were not affected, and thus those counties that could potentially be eligible for the new circuit breaker are: Gila, Greenlee, La Paz, Maricopa, Mohave, Pima, Santa Cruz, and Yuma. Of these counties, only Gila, Greenlee, La Paz, Mohave, Santa Cruz, and Yuma would be eligible based on both the population requirement and the FY 2003 circuit breaker requirement.

Based upon the above assumptions, we calculated that no eligible counties would face growth of greater than 10% from FY 2005 to FY 2006. However, the forecasts for the ALTCS program are generally speculative. Because there are many variables that determine a specific county's contribution to the program, it is difficult for us to project future year county costs with certainty. Therefore, while we do not have county-specific estimates for FY 2007 and beyond, the bill could result in increased costs to the General Fund in the future. A county's contribution is dependent both upon growth in the ALTCS program as a whole and the percentage of the total program costs attributable to individuals within the county. If a county's ALTCS utilization increases substantially, its ALTCS obligation would reflect a corresponding increase. If an eligible county's ALTCS obligation increases by more than 10% from one fiscal year to the next, the state would have to pay any cost above the 10% increase.

Local Government Impact

Because the counties pay for 50% of the growth in the ALTCS program, any cost to the General Fund as a result of this bill would also yield corresponding savings to the counties. Because we currently estimate no change to the General Fund, there is no local impact through at least FY 2006.