

REFERENCE TITLE: health and welfare; budget reconciliation.

State of Arizona  
House of Representatives  
Forty-seventh Legislature  
Second Regular Session  
2006

## HB 2872

Introduced by  
Representative Boone (with permission of committee on Rules)

### AN ACT

AMENDING SECTION 11-292, ARIZONA REVISED STATUTES; AMENDING SECTION 36-341, ARIZONA REVISED STATUTES, AS ADDED BY LAWS 2004, CHAPTER 117, SECTION 8; REPEALING SECTION 36-341, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2004, CHAPTER 117, SECTION 9; AMENDING SECTION 36-341.01, ARIZONA REVISED STATUTES; AMENDING TITLE 36, CHAPTER 5.1, ARTICLE 1, ARIZONA REVISED STATUTES, BY ADDING SECTION 36-574; AMENDING TITLE 36, CHAPTER 29, ARTICLE 1, ARIZONA REVISED STATUTES, BY ADDING SECTIONS 36-2901.06 AND 36-2921; AMENDING SECTIONS 36-2903.01, 36-2941, 36-2959 AND 36-3403, ARIZONA REVISED STATUTES; REPEALING SECTION 36-3415, ARIZONA REVISED STATUTES; AMENDING TITLE 36, CHAPTER 34, ARTICLE 1, ARIZONA REVISED STATUTES, BY ADDING A NEW SECTION 36-3415; AMENDING SECTIONS 38-654 AND 41-1542, ARIZONA REVISED STATUTES; REPEALING LAWS 2004, CHAPTER 117, SECTIONS 12 AND 13; MAKING APPROPRIATIONS; RELATING TO HEALTH AND WELFARE BUDGET RECONCILIATION.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 11-292, Arizona Revised Statutes, is amended to  
3 read:

4 11-292. Medical care; definition

5 A. The board of supervisors, subject to the applicable provisions of  
6 title 42, chapter 17, articles 2 and 3, shall include in its annual budget an  
7 amount equal to fifty per cent of the amount budgeted by the county board of  
8 supervisors or the amount expended, whichever is less, for the  
9 hospitalization and medical care of the indigent sick pursuant to this  
10 article for fiscal year 1980-1981, except for Yuma and La Paz counties. The  
11 contribution amounts of those counties shall be equal to the amount Yuma  
12 county would have made pursuant to this subsection if a division had not  
13 occurred apportioned between the counties. The office of the auditor general  
14 shall determine the amount Yuma county would otherwise have included if a  
15 division had not occurred and shall then determine the contribution amounts  
16 of Yuma and La Paz counties based on the proportionate share of the estimated  
17 population in these counties as of July 1, 1982.

18 B. For fiscal year 1994-1995, and for each fiscal year thereafter, the  
19 state treasurer shall withhold an amount sufficient to meet the county  
20 portion of the nonfederal costs of providing long-term care system services,  
21 pursuant to title 36, chapter 29, article 2, excluding services to the  
22 developmentally disabled, from monies otherwise payable to the county under  
23 section 42-5029, subsection D, paragraph 2. This amount and the state  
24 portion of the nonfederal costs shall be specified in the annual  
25 appropriation for the maintenance and operation of the Arizona health care  
26 cost containment system. For fiscal years 1994-1995, 1995-1996 and  
27 1996-1997, monies shall be withheld from each county based on the following  
28 percentages derived from a state auditor general's certified audit of fiscal  
29 year 1987-1988 county long-term care and home health care expenditures,  
30 except that amounts withheld shall be adjusted to reflect amounts paid by  
31 counties pursuant to section 36-2952:

32	1. Apache:	0.22%
33	2. Cochise:	2.49%
34	3. Coconino:	0.66%
35	4. Gila:	2.56%
36	5. Graham:	0.64%
37	6. Greenlee:	0.34%
38	7. La Paz:	0.34%
39	8. Maricopa:	56.55%
40	9. Mohave:	2.73%
41	10. Navajo:	0.91%
42	11. Pima:	20.55%

1	12. Pinal:	5.09%
2	13. Santa Cruz:	1.05%
3	14. Yavapai:	3.12%
4	15. Yuma:	2.75%

5 C. In each fiscal year, of the total amount that is specified in the  
6 annual appropriation as the nonfederal portion of the cost of providing  
7 long-term care services **AND THAT PORTION OF THE PHASED-DOWN MEDICARE**  
8 **PRESCRIPTION DRUG STATE CONTRIBUTION ATTRIBUTABLE TO THE ARIZONA LONG-TERM**  
9 **CARE SYSTEM**, excluding services ~~to~~ **AND PHASED-DOWN MEDICARE PRESCRIPTION DRUG**  
10 **STATE CONTRIBUTION COSTS ASSOCIATED WITH** the developmentally disabled, and  
11 that represents an increase from the amount that was specified in the annual  
12 appropriation for the prior fiscal year, the state shall pay fifty per cent  
13 of the increase. The remaining nonfederal portion of the costs shall be  
14 apportioned among the counties according to the proportion that each county's  
15 net nonfederal expenditures for long-term care services, excluding services  
16 to the developmentally disabled, bears to the total nonfederal expenditure  
17 for all counties two fiscal years earlier, with the following adjustments in  
18 the following order:

19 1. If the resulting net county contribution when expressed as an  
20 imputed property tax rate per one hundred dollars of net assessed value  
21 exceeds ninety cents, the county's contribution shall be reduced so that the  
22 imputed property tax rate equals ninety cents and the difference shall be  
23 paid by the state.

24 2. Any county with a native American population that represents at  
25 least twenty per cent of the county's total population according to the most  
26 recent United States decennial census shall contribute an amount equal to the  
27 prior fiscal year's contribution plus fifty per cent of the difference  
28 between the prior year's contribution were it calculated using the percentage  
29 in subsection B of this section and the current year's contribution as if its  
30 share of the total nonfederal portion of the long-term care costs had been  
31 calculated using the percentage prescribed in subsection B of this section  
32 and the state shall pay any difference from the amount otherwise required by  
33 this subsection.

34 3. If, after making the adjustments in this subsection, a county would  
35 contribute more than if its contribution were calculated using the percentage  
36 prescribed in subsection B of this section multiplied by the total nonfederal  
37 costs of long-term care services, excluding services to the developmentally  
38 disabled, the county's contribution shall be reduced to the sum of its prior  
39 year's contribution plus fifty per cent of the difference between the prior  
40 year's contribution were it calculated using the percentage in subsection B  
41 of this section and the current year's contribution as if its share of the  
42 total nonfederal portion of long-term care costs had been calculated using  
43 the percentage prescribed in subsection B of this section and the state shall  
44 pay any difference from the amount otherwise required by this subsection.

1 D. The director of the Arizona health care cost containment system  
2 administration shall notify each county of the amount determined pursuant to  
3 subsection A of this section to be included in its annual budget no later  
4 than May 1 of each year.

5 E. If a county does not provide funding as specified in subsection A  
6 of this section, the state treasurer shall subtract the amount owed to the  
7 Arizona health care cost containment system fund by the county from any  
8 payments required to be made by the state treasurer to that county pursuant  
9 to section 42-5029, subsection D, paragraph 2, plus interest on that amount  
10 pursuant to section 44-1201 retroactive to the first day the funding was due.  
11 If the monies the state treasurer withholds are insufficient to meet that  
12 county's funding requirement as specified in subsection A of this section,  
13 the state treasurer shall withhold from any other monies payable to that  
14 county from whatever state funding source is available an amount necessary to  
15 fulfill that county's requirement. The state treasurer shall not withhold  
16 distributions from the highway user revenue fund pursuant to title 28,  
17 chapter 18, article 2.

18 F. Each month payment of an amount equal to one-twelfth of the total  
19 amount determined pursuant to subsection A of this section shall be made to  
20 the state treasurer. ~~Beginning October 1, 1989,~~ Payment of this amount shall  
21 be made to the state treasurer on or before the fifth day of each  
22 month. Upon request from the director of the Arizona health care cost  
23 containment system administration, the state treasurer shall require that up  
24 to three months' payments be made in advance, if necessary.

25 G. The state treasurer shall deposit the amounts paid pursuant to  
26 subsection F of this section and amounts withheld pursuant to subsection E of  
27 this section in the Arizona health care cost containment system fund  
28 established ~~pursuant to~~ BY section 36-2913.

29 H. If payments made pursuant to subsection F of this section exceed  
30 the amount required to meet the costs incurred by the Arizona health care  
31 cost containment system for the hospitalization and medical care of a person  
32 who is defined as an eligible person pursuant to section 36-2901, paragraph  
33 6, subdivision (a), the director of the Arizona health care cost containment  
34 system administration may instruct the state treasurer either to reduce  
35 remaining payments to be paid pursuant to this section by a specified amount  
36 or to provide to the counties specified amounts from the Arizona health care  
37 cost containment system fund.

38 I. The amount of the county contribution to the Arizona health care  
39 cost containment system fund established ~~in~~ BY section 36-2913 shall not  
40 exceed thirty-three per cent of the amount that the system administration  
41 expended in the county for fiscal year 1983-1984. For the purposes of this  
42 subsection, system administration expenditures in a county for fiscal year  
43 1983-1984 are the total capitation and fee for service amounts paid by the  
44 system administration to providers in a county before February 1, 1986 for

1 services rendered during fiscal year 1983-1984 to persons eligible for the  
2 system.

3 J. The state treasurer shall deposit amounts withheld pursuant to  
4 subsection E of this section in the Arizona health care cost containment  
5 system fund established by section 36-2913.

6 K. The state treasurer shall deposit the monies withheld from the  
7 counties and contributed by the state pursuant to subsection B of this  
8 section in the long-term care system fund established by section 36-2913, in  
9 twelve equal monthly installments. The monthly installments shall be  
10 deposited in the fund by the state treasurer by the fourth working day of  
11 each month.

12 L. By July 1 or within sixty days after enactment of the annual  
13 appropriation for the maintenance and operation of the Arizona health care  
14 cost containment system, whichever is later, and after consulting with the  
15 joint legislative budget committee and the governor's office of strategic  
16 planning and budgeting, the state treasurer shall notify each county of the  
17 amount to be withheld pursuant to subsection B of this section.

18 M. If the monies deposited in the long-term care system fund pursuant  
19 to subsection K of this section are insufficient to meet the funding  
20 requirement as specified in the annual appropriation for the maintenance and  
21 operation of the Arizona health care cost containment system pursuant to  
22 subsection B of this section, the state treasurer shall withhold from any  
23 other monies payable to that county from any available state funding source,  
24 other than the highway user revenue fund, the amount required to fulfill  
25 fifty per cent of the funding requirement and shall deposit the monies in the  
26 long-term care system fund. The state shall pay the remaining fifty per cent  
27 of the funding requirement.

28 N. If any monies in the funds for the purpose of title 36, chapter 29,  
29 article 2 remain unexpended at the end of the fiscal year, the director of  
30 the Arizona health care cost containment system administration shall specify  
31 to the state treasurer the amount to be withdrawn from the long-term care  
32 system fund. Of the amount specified, the state treasurer shall distribute  
33 fifty per cent to the counties pursuant to subsection B or C of this section.  
34 The remaining fifty per cent shall be distributed to the state.

35 O. The board of supervisors of a county that is a program contractor  
36 pursuant to section 36-2940 shall include in its annual budget, subject to  
37 title 42, chapter 17, articles 2 and 3, monies received from the Arizona  
38 health care cost containment system fund and long-term care system fund for  
39 the purposes of title 36, chapter 29, article 2.

40 P. Notwithstanding any law to the contrary, beginning in fiscal year  
41 2005-2006 and in each fiscal year thereafter, the state treasurer shall  
42 withhold a total of two million three hundred ninety-five thousand four  
43 hundred dollars for the county contribution for the administrative costs of  
44 implementing sections 36-2901.01 and 36-2901.04 beginning with the second  
45 monthly distribution of transaction privilege tax revenues otherwise

1 distributable after subtracting any amounts withheld for the county long-term  
2 care contribution. Beginning in fiscal year 2006-2007, the state treasurer  
3 shall adjust the amount withheld according to the annual changes in the GDP  
4 price deflator and as calculated by the joint legislative budget committee  
5 staff. Beginning in fiscal year 2006-2007, the joint legislative budget  
6 committee shall calculate an additional adjustment of the allocation required  
7 by this subsection based on changes in the population as reported by the  
8 department of economic security. For the purposes of this subsection, "GDP  
9 price deflator" has the same meaning prescribed in section 41-563. Each  
10 county's annual contribution is as follows:

- 11 1. Apache, 3.296 per cent.
- 12 2. Cochise, 6.148 per cent.
- 13 3. Coconino, 6.065 per cent.
- 14 4. Gila, 2.491 per cent.
- 15 5. Graham, ~~1.7110~~ 1.7710 per cent.
- 16 6. Greenlee, 0.455 per cent.
- 17 7. La Paz, 0.9430 per cent.
- 18 8. Mohave, 7.079 per cent.
- 19 9. Navajo, 4.640 per cent.
- 20 10. Pima, 42.168 per cent.
- 21 11. Pinal, 8.251 per cent.
- 22 12. Santa Cruz, 1.950 per cent.
- 23 13. Yavapai, 7.794 per cent.
- 24 14. Yuma, 6.949 per cent.

25 Q. The state treasurer shall deposit the amounts paid pursuant to  
26 subsection P of this section in the budget neutrality compliance fund  
27 established by section 36-2928.

28 R. For the purposes of this section, "net assessed value" includes the  
29 values used to determine voluntary contributions collected pursuant to title  
30 9, chapter 4, article 3 and title 48, chapter 1, article 8.

31 Sec. 2. Section 36-341, Arizona Revised Statutes, as added by Laws  
32 2004, chapter 117, section 8, is amended to read:

33 36-341. Fees received by state and local registrars

34 A. The state registrar shall establish by rule the fees, if any, to be  
35 charged for searches, copies of registered certificates, certified copies of  
36 registered certificates, amending registered certificates and correcting  
37 certificates.

38 B. In addition to fees collected pursuant to subsection A of this  
39 section, the state registrar shall assess an additional one dollar surcharge  
40 on fees for all certified copies of registered birth certificates. The state  
41 registrar shall deposit, pursuant to sections 35-146 and 35-147, all monies  
42 received from the surcharge in the confidential intermediary and fiduciary  
43 fund established by section 8-135.

44 C. The state registrar shall keep a true and accurate account of all  
45 fees collected by the state registrar under this chapter and, ~~until July 1,~~

1 ~~2006~~, shall deposit, pursuant to sections 35-146 and 35-147, forty per cent  
2 of these monies in the vital records electronic systems fund established by  
3 section 36-341.01 and the remaining sixty per cent in the state general  
4 fund. ~~Beginning on July 1, 2006, the state registrar shall deposit, pursuant~~  
5 ~~to sections 35-146 and 35-147, all of these monies in the state general fund.~~

6 D. A local registrar shall keep a true and accurate account of all  
7 fees collected by the local registrar under this chapter and shall deposit  
8 them with the county treasurer to be credited to a special registration and  
9 statistical revenue account of the health department fund.

10 E. In addition to fees collected pursuant to subsection A of this  
11 section, the department shall assess an additional one dollar surcharge on  
12 fees for all certified copies of registered death certificates. The  
13 department shall deposit, pursuant to sections 35-146 and 35-147, monies  
14 received from the surcharge in the child fatality review fund established by  
15 section 36-3504.

16 F. The state registrar may exempt an agency as defined in section  
17 41-1001 from any fee required by this section, section 8-135 or section  
18 36-3504.

19 Sec. 3. Repeal

20 Section ~~36-341~~, Arizona Revised Statutes, as amended by Laws 2004,  
21 chapter 117, section 9, is repealed.

22 Sec. 4. Section 36-341.01, Arizona Revised Statutes, is amended to  
23 read:

24 36-341.01. Vital records electronic systems fund; purpose;  
25 nonlapsing

26 A. The vital records electronic systems fund is established consisting  
27 of monies collected pursuant to section 36-341. The director shall  
28 administer the fund. The director shall use fund monies for costs associated  
29 with the vital records automation system.

30 B. Fund monies:

31 1. Do not revert to the state general fund.

32 ~~2. Are exempt from the provisions of section 35-190 relating to~~  
33 ~~lapsing of appropriations.~~

34 ~~3. Are continuously appropriated.~~

35 2. ARE SUBJECT TO LEGISLATIVE APPROPRIATION.

36 C. On notice from the director, the state treasurer shall invest and  
37 divest the monies in the fund as provided by section 35-313, and monies  
38 earned from investment shall be credited to the fund.

39 Sec. 5. Title 36, chapter 5.1, article 1, Arizona Revised Statutes, is  
40 amended by adding section 36-574, to read:

41 36-574. Children's autism services; contract

42 SUBJECT TO LEGISLATIVE APPROPRIATION, IN ADDITION TO ANY EXISTING  
43 AUTISM SERVICES, THE DEPARTMENT MAY PROVIDE CHILDREN'S AUTISM SERVICES  
44 THROUGH THE DIVISION OF DEVELOPMENTAL DISABILITIES TO SERVE CHILDREN WHO  
45 HAVE, OR WHO ARE AT RISK OF HAVING, AUTISM BY ENTERING INTO A CONTRACT WITH

1 ANY ORGANIZATION FOR TRAINING AND OVERSIGHT OF HABILITATION WORKERS TO  
2 UTILIZE INTENSIVE BEHAVIORAL TREATMENT THROUGH APPLIED BEHAVIORAL ANALYSIS.

3 Sec. 6. Title 36, chapter 29, article 1, Arizona Revised Statutes, is  
4 amended by adding section 36-2901.06, to read:

5 36-2901.06. Capitation rate adjustments; limitation

6 CAPITATION RATE ADJUSTMENTS SHALL BE LIMITED TO UTILIZATION OF EXISTING  
7 SERVICES AND INFLATION UNLESS POLICY CHANGES, INCLUDING CREATION OR EXPANSION  
8 OF PROGRAMS, HAVE BEEN APPROVED BY THE LEGISLATURE.

9 Sec. 7. Section 36-2903.01, Arizona Revised Statutes, is amended to  
10 read:

11 36-2903.01. Additional powers and duties

12 A. The director of the Arizona health care cost containment system  
13 administration may adopt rules that provide that the system may withhold or  
14 forfeit payments to be made to a noncontracting provider by the system if the  
15 noncontracting provider fails to comply with this article, the provider  
16 agreement or rules that are adopted pursuant to this article and that relate  
17 to the specific services rendered for which a claim for payment is made.

18 B. The director shall:

19 1. Prescribe uniform forms to be used by all contractors. The rules  
20 shall require a written and signed application by the applicant or an  
21 applicant's authorized representative, or, if the person is incompetent or  
22 incapacitated, a family member or a person acting responsibly for the  
23 applicant may obtain a signature or a reasonable facsimile and file the  
24 application as prescribed by the administration.

25 2. Enter into an interagency agreement with the department to  
26 establish a streamlined eligibility process to determine the eligibility of  
27 all persons defined pursuant to section 36-2901, paragraph 6, subdivision  
28 (a). At the administration's option, the interagency agreement may allow the  
29 administration to determine the eligibility of certain persons including  
30 those defined pursuant to section 36-2901, paragraph 6, subdivision (a).

31 3. Enter into an intergovernmental agreement with the department to:

32 (a) Establish an expedited eligibility and enrollment process for all  
33 persons who are hospitalized at the time of application.

34 (b) Establish performance measures and incentives for the department.

35 (c) Establish the process for management evaluation reviews that the  
36 administration shall perform to evaluate the eligibility determination  
37 functions performed by the department.

38 (d) Establish eligibility quality control reviews by the  
39 administration.

40 (e) Require the department to adopt rules, consistent with the rules  
41 adopted by the administration for a hearing process, that applicants or  
42 members may use for appeals of eligibility determinations or  
43 redeterminations.

1 (f) Establish the department's responsibility to place sufficient  
2 eligibility workers at federally qualified health centers to screen for  
3 eligibility and at hospital sites and level one trauma centers to ensure that  
4 persons seeking hospital services are screened on a timely basis for  
5 eligibility for the system, including a process to ensure that applications  
6 for the system can be accepted on a twenty-four hour basis, seven days a  
7 week.

8 (g) Withhold payments based on the allowable sanctions for errors in  
9 eligibility determinations or redeterminations or failure to meet performance  
10 measures required by the intergovernmental agreement.

11 (h) Recoup from the department all federal fiscal sanctions that  
12 result from the department's inaccurate eligibility determinations. The  
13 director may offset all or part of a sanction if the department submits a  
14 corrective action plan and a strategy to remedy the error.

15 4. By rule establish a procedure and time frames for the intake of  
16 grievances and requests for hearings, for the continuation of benefits and  
17 services during the appeal process and for a grievance process at the  
18 contractor level. Notwithstanding sections 41-1092.02, 41-1092.03 and  
19 41-1092.05, the administration shall develop rules to establish the procedure  
20 and time frame for the informal resolution of grievances and appeals. A  
21 grievance that is not related to a claim for payment of system covered  
22 services shall be filed in writing with and received by the administration or  
23 the prepaid capitated provider or program contractor not later than sixty  
24 days after the date of the adverse action, decision or policy implementation  
25 being grieved. A grievance that is related to a claim for payment of system  
26 covered services must be filed in writing and received by the administration  
27 or the prepaid capitated provider or program contractor within twelve months  
28 after the date of service, within twelve months after the date that  
29 eligibility is posted or within sixty days after the date of the denial of a  
30 timely claim submission, whichever is later. A grievance for the denial of a  
31 claim for reimbursement of services may contest the validity of any adverse  
32 action, decision, policy implementation or rule that related to or resulted  
33 in the full or partial denial of the claim. A policy implementation may be  
34 subject to a grievance procedure, but it may not be appealed for a hearing.  
35 The administration is not required to participate in a mandatory settlement  
36 conference if it is not a real party in interest. In any proceeding before  
37 the administration, including a grievance or hearing, persons may represent  
38 themselves or be represented by a duly authorized agent who is not charging a  
39 fee. A legal entity may be represented by an officer, partner or employee  
40 who is specifically authorized by the legal entity to represent it in the  
41 particular proceeding.

42 5. Apply for and accept federal funds available under title XIX of the  
43 social security act (P.L. 89-97; 79 Stat. 344; 42 United States Code section  
44 1396 (1980)) in support of the system. The application made by the director  
45 pursuant to this paragraph shall be designed to qualify for federal funding

1 primarily on a prepaid capitated basis. Such funds may be used only for the  
2 support of persons defined as eligible pursuant to title XIX of the social  
3 security act or the approved section 1115 waiver.

4 6. At least thirty days before the implementation of a policy or a  
5 change to an existing policy relating to reimbursement, provide notice to  
6 interested parties. Parties interested in receiving notification of policy  
7 changes shall submit a written request for notification to the  
8 administration.

9 C. The director is authorized to apply for any federal funds available  
10 for the support of programs to investigate and prosecute violations arising  
11 from the administration and operation of the system. Available state funds  
12 appropriated for the administration and operation of the system may be used  
13 as matching funds to secure federal funds pursuant to this subsection.

14 D. The director may adopt rules or procedures to do the following:

15 1. Authorize advance payments based on estimated liability to a  
16 contractor or a noncontracting provider after the contractor or  
17 noncontracting provider has submitted a claim for services and before the  
18 claim is ultimately resolved. The rules shall specify that any advance  
19 payment shall be conditioned on the execution before payment of a contract  
20 with the contractor or noncontracting provider that requires the  
21 administration to retain a specified percentage, which shall be at least  
22 twenty per cent, of the claimed amount as security and that requires  
23 repayment to the administration if the administration makes any overpayment.

24 2. Defer liability, in whole or in part, of contractors for care  
25 provided to members who are hospitalized on the date of enrollment or under  
26 other circumstances. Payment shall be on a capped fee-for-service basis for  
27 services other than hospital services and at the rate established pursuant to  
28 subsection G or H of this section for hospital services or at the rate paid  
29 by the health plan, whichever is less.

30 3. Deputize, in writing, any qualified officer or employee in the  
31 administration to perform any act that the director by law is empowered to do  
32 or charged with the responsibility of doing, including the authority to issue  
33 final administrative decisions pursuant to section 41-1092.08.

34 4. Notwithstanding any other law, require persons eligible pursuant to  
35 section 36-2901, paragraph 6, subdivision (a), section 36-2931, paragraph 5  
36 and section 36-2981, paragraph 6 to be financially responsible for any cost  
37 sharing requirements established in a state plan or a section 1115 waiver and  
38 approved by the centers for medicare and medicaid services. Cost sharing  
39 requirements may include copayments, coinsurance, deductibles, enrollment  
40 fees and monthly premiums for enrolled members, including households with  
41 children enrolled in the Arizona long-term care system.

42 E. The director shall adopt rules which further specify the medical  
43 care and hospital services which are covered by the system pursuant to  
44 section 36-2907.

1 F. In addition to the rules otherwise specified in this article, the  
2 director may adopt necessary rules pursuant to title 41, chapter 6 to carry  
3 out this article. Rules adopted by the director pursuant to this subsection  
4 shall consider the differences between rural and urban conditions on the  
5 delivery of hospitalization and medical care.

6 G. For inpatient hospital admissions and all outpatient hospital  
7 services before March 1, 1993, the administration shall reimburse a  
8 hospital's adjusted billed charges according to the following procedures:

9 1. The director shall adopt rules that, for services rendered from and  
10 after September 30, 1985 until October 1, 1986, define "adjusted billed  
11 charges" as that reimbursement level that has the effect of holding constant  
12 whichever of the following is applicable:

13 (a) The schedule of rates and charges for a hospital in effect on  
14 April 1, 1984 as filed pursuant to chapter 4, article 3 of this title.

15 (b) The schedule of rates and charges for a hospital that became  
16 effective after May 31, 1984 but before July 2, 1984, if the hospital's  
17 previous rate schedule became effective before April 30, 1983.

18 (c) The schedule of rates and charges for a hospital that became  
19 effective after May 31, 1984 but before July 2, 1984, limited to five per  
20 cent over the hospital's previous rate schedule, and if the hospital's  
21 previous rate schedule became effective on or after April 30, 1983 but before  
22 October 1, 1983. For the purposes of this paragraph, "constant" means equal  
23 to or lower than.

24 2. The director shall adopt rules that, for services rendered from and  
25 after September 30, 1986, define "adjusted billed charges" as that  
26 reimbursement level that has the effect of increasing by four per cent a  
27 hospital's reimbursement level in effect on October 1, 1985 as prescribed in  
28 paragraph 1 of this subsection. Beginning January 1, 1991, the Arizona  
29 health care cost containment system administration shall define "adjusted  
30 billed charges" as the reimbursement level determined pursuant to this  
31 section, increased by two and one-half per cent.

32 3. In no event shall a hospital's adjusted billed charges exceed the  
33 hospital's schedule of rates and charges filed with the department of health  
34 services and in effect pursuant to chapter 4, article 3 of this title.

35 4. For services rendered the administration shall not pay a hospital's  
36 adjusted billed charges in excess of the following:

37 (a) If the hospital's bill is paid within thirty days of the date the  
38 bill was received, eighty-five per cent of the adjusted billed charges.

39 (b) If the hospital's bill is paid any time after thirty days but  
40 within sixty days of the date the bill was received, ninety-five per cent of  
41 the adjusted billed charges.

42 (c) If the hospital's bill is paid any time after sixty days of the  
43 date the bill was received, one hundred per cent of the adjusted billed  
44 charges.

1           5. The director shall define by rule the method of determining when a  
2 hospital bill will be considered received and when a hospital's billed  
3 charges will be considered paid. Payment received by a hospital from the  
4 administration pursuant to this subsection or from a contractor either by  
5 contract or pursuant to section 36-2904, subsection I shall be considered  
6 payment of the hospital bill in full, except that a hospital may collect any  
7 unpaid portion of its bill from other third party payors or in situations  
8 covered by title 33, chapter 7, article 3.

9           H. For inpatient hospital admissions and outpatient hospital services  
10 on and after March 1, 1993 the administration shall adopt rules for the  
11 reimbursement of hospitals according to the following procedures:

12           1. For inpatient hospital stays, the administration shall use a  
13 prospective tiered per diem methodology, using hospital peer groups if  
14 analysis shows that cost differences can be attributed to independently  
15 definable features that hospitals within a peer group share. In peer  
16 grouping the administration may consider such factors as length of stay  
17 differences and labor market variations. If there are no cost differences,  
18 the administration shall implement a stop loss-stop gain or similar  
19 mechanism. Any stop loss-stop gain or similar mechanism shall ensure that  
20 the tiered per diem rates assigned to a hospital do not represent less than  
21 ninety per cent of its 1990 base year costs or more than one hundred ten per  
22 cent of its 1990 base year costs, adjusted by an audit factor, during the  
23 period of March 1, 1993 through September 30, 1994. The tiered per diem  
24 rates set for hospitals shall represent no less than eighty-seven and  
25 one-half per cent or more than one hundred twelve and one-half per cent of  
26 its 1990 base year costs, adjusted by an audit factor, from October 1, 1994  
27 through September 30, 1995 and no less than eighty-five per cent or more than  
28 one hundred fifteen per cent of its 1990 base year costs, adjusted by an  
29 audit factor, from October 1, 1995 through September 30, 1996. For the  
30 periods after September 30, 1996 no stop loss-stop gain or similar mechanisms  
31 shall be in effect. An adjustment in the stop loss-stop gain percentage may  
32 be made to ensure that total payments do not increase as a result of this  
33 provision. If peer groups are used the administration shall establish  
34 initial peer group designations for each hospital before implementation of  
35 the per diem system. The administration may also use a negotiated rate  
36 methodology. The tiered per diem methodology may include separate  
37 consideration for specialty hospitals that limit their provision of services  
38 to specific patient populations, such as rehabilitative patients or children.  
39 The initial per diem rates shall be based on hospital claims and encounter  
40 data for dates of service November 1, 1990 through October 31, 1991 and  
41 processed through May of 1992.

42           2. For rates effective on October 1, 1994, and annually thereafter,  
43 the administration shall adjust tiered per diem payments for inpatient  
44 hospital care by the data resources incorporated market basket index for  
45 prospective payment system hospitals. For rates effective beginning on

1 October 1, 1999, the administration shall adjust payments to reflect changes  
 2 in length of stay for the maternity and nursery tiers.

3 3. Through June 30, 2004, for outpatient hospital services, the  
 4 administration shall reimburse a hospital by applying a hospital specific  
 5 outpatient cost-to-charge ratio to the covered charges. Beginning on July 1,  
 6 2004 through June 30, 2005, the administration shall reimburse a hospital by  
 7 applying a hospital specific outpatient cost-to-charge ratio to covered  
 8 charges. If the hospital increases its charges for outpatient services filed  
 9 with the Arizona department of health services pursuant to chapter 4, article  
 10 3 of this title, by more than 4.7 per cent for dates of service effective on  
 11 or after July 1, 2004, the hospital specific cost-to-charge ratio will be  
 12 reduced by the amount that it exceeds 4.7 per cent. If charges exceed 4.7  
 13 per cent, the effective date of the increased charges will be the effective  
 14 date of the adjusted Arizona health care cost containment system  
 15 cost-to-charge ratio. The administration shall develop the methodology for a  
 16 capped fee-for-service schedule and a statewide cost-to-charge ratio. Any  
 17 covered outpatient service not included in the capped fee-for-service  
 18 schedule shall be reimbursed by applying the statewide cost-to-charge ratio  
 19 that is based on the services not included in the capped fee-for-service  
 20 schedule. Beginning on July 1, 2005, the administration shall reimburse  
 21 clean claims with dates of service on or after July 1, 2005, based on the  
 22 capped fee-for-service schedule or the statewide cost-to-charge ratio  
 23 established pursuant to this paragraph. The administration may make  
 24 additional adjustments to the outpatient hospital rates established pursuant  
 25 to this section based on other factors, including the number of beds in the  
 26 hospital, specialty services available to patients and the geographic  
 27 location of the hospital.

28 4. Except if submitted under an electronic claims submission system, a  
 29 hospital bill is considered received for purposes of this paragraph on  
 30 initial receipt of the legible, error-free claim form by the administration  
 31 if the claim includes the following error-free documentation in legible form:

- 32 (a) An admission face sheet.
- 33 (b) An itemized statement.
- 34 (c) An admission history and physical.
- 35 (d) A discharge summary or an interim summary if the claim is split.
- 36 (e) An emergency record, if admission was through the emergency room.
- 37 (f) Operative reports, if applicable.
- 38 (g) A labor and delivery room report, if applicable.

39 Payment received by a hospital from the administration pursuant to this  
 40 subsection or from a contractor either by contract or pursuant to section  
 41 36-2904, subsection I is considered payment by the administration or the  
 42 contractor of the administration's or contractor's liability for the hospital  
 43 bill. A hospital may collect any unpaid portion of its bill from other third  
 44 party payors or in situations covered by title 33, chapter 7, article 3.

1           5. For services rendered on and after October 1, 1997, the  
2 administration shall pay a hospital's rate established according to this  
3 section subject to the following:

4           (a) If the hospital's bill is paid within thirty days of the date the  
5 bill was received, the administration shall pay ninety-nine per cent of the  
6 rate.

7           (b) If the hospital's bill is paid after thirty days but within sixty  
8 days of the date the bill was received, the administration shall pay one  
9 hundred per cent of the rate.

10           (c) If the hospital's bill is paid any time after sixty days of the  
11 date the bill was received, the administration shall pay one hundred per cent  
12 of the rate plus a fee of one per cent per month for each month or portion of  
13 a month following the sixtieth day of receipt of the bill until the date of  
14 payment.

15           6. In developing the reimbursement methodology, if a review of the  
16 reports filed by a hospital pursuant to section 36-125.04 indicates that  
17 further investigation is considered necessary to verify the accuracy of the  
18 information in the reports, the administration may examine the hospital's  
19 records and accounts related to the reporting requirements of section  
20 36-125.04. The administration shall bear the cost incurred in connection  
21 with this examination unless the administration finds that the records  
22 examined are significantly deficient or incorrect, in which case the  
23 administration may charge the cost of the investigation to the hospital  
24 examined.

25           7. Except for privileged medical information, the administration shall  
26 make available for public inspection the cost and charge data and the  
27 calculations used by the administration to determine payments under the  
28 tiered per diem system, provided that individual hospitals are not identified  
29 by name. The administration shall make the data and calculations available  
30 for public inspection during regular business hours and shall provide copies  
31 of the data and calculations to individuals requesting such copies within  
32 thirty days of receipt of a written request. The administration may charge a  
33 reasonable fee for the provision of the data or information.

34           8. The prospective tiered per diem payment methodology for inpatient  
35 hospital services shall include a mechanism for the prospective payment of  
36 inpatient hospital capital related costs. The capital payment shall include  
37 hospital specific and statewide average amounts. For tiered per diem rates  
38 beginning on October 1, 1999, the capital related cost component is frozen at  
39 the blended rate of forty per cent of the hospital specific capital cost and  
40 sixty per cent of the statewide average capital cost in effect as of January  
41 1, 1999 and as further adjusted by the calculation of tier rates for  
42 maternity and nursery as prescribed by law. The administration shall adjust  
43 the capital related cost component by the data resources incorporated market  
44 basket index for prospective payment system hospitals.

1           9. FOR GRADUATE MEDICAL EDUCATION PROGRAMS:  
2           (a) Beginning September 30, 1997, the administration shall establish a  
3 separate graduate medical education program to reimburse hospitals that had  
4 graduate medical education programs that were approved by the administration  
5 as of October 1, 1999. The administration shall separately account for  
6 monies for the graduate medical education program based on the total  
7 reimbursement for graduate medical education reimbursed to hospitals by the  
8 system in federal fiscal year 1995-1996 pursuant to the tiered per diem  
9 methodology specified in this section. The graduate medical education  
10 program reimbursement shall be adjusted annually by the increase or decrease  
11 in the index published by the ~~data-resources-incorporated~~ GLOBAL INSIGHT  
12 hospital market basket index for prospective hospital reimbursement. Subject  
13 to legislative appropriation, on an annual basis, each qualified hospital  
14 shall receive a single payment from the graduate medical education program  
15 that is equal to the same percentage of graduate medical education  
16 reimbursement that was paid by the system in federal fiscal year 1995-1996.  
17 Any reimbursement for graduate medical education made by the administration  
18 shall not be subject to future settlements or appeals by the hospitals to the  
19 administration. THE MONIES AVAILABLE UNDER THIS SUBDIVISION SHALL NOT EXCEED  
20 THE FISCAL YEAR 2005-2006 APPROPRIATION ADJUSTED ANNUALLY BY THE INCREASE OR  
21 DECREASE IN THE INDEX PUBLISHED BY THE GLOBAL INSIGHT HOSPITAL MARKET BASKET  
22 INDEX FOR PROSPECTIVE HOSPITAL REIMBURSEMENT, EXCEPT FOR MONIES DISTRIBUTED  
23 FOR EXPANSIONS PURSUANT TO SUBDIVISION (b) OF THIS PARAGRAPH.  
24           (b) BEGINNING JULY 1, 2006, THE ADMINISTRATION SHALL DISTRIBUTE ANY  
25 MONIES APPROPRIATED FOR GRADUATE MEDICAL EDUCATION ABOVE THE AMOUNT  
26 PRESCRIBED IN SUBDIVISION (a) OF THIS PARAGRAPH IN THE FOLLOWING ORDER OR  
27 PRIORITY:  
28           (i) FOR THE DIRECT COSTS TO SUPPORT THE EXPANSION OF GRADUATE MEDICAL  
29 EDUCATION PROGRAMS ESTABLISHED BETWEEN OCTOBER 2, 1999 AND JULY 1, 2006 AT  
30 HOSPITALS THAT DO NOT RECEIVE PAYMENTS PURSUANT TO SUBDIVISION (a) OF THIS  
31 PARAGRAPH. THESE PROGRAMS MUST BE APPROVED BY THE ADMINISTRATION.  
32           (ii) FOR THE DIRECT COSTS TO SUPPORT THE EXPANSION OF GRADUATE MEDICAL  
33 EDUCATION PROGRAMS ESTABLISHED ON OR BEFORE OCTOBER 1, 1999. THESE PROGRAMS  
34 MUST BE APPROVED BY THE ADMINISTRATION.  
35           (iii) FOR THE DIRECT COSTS OF GRADUATE MEDICAL EDUCATION PROGRAMS  
36 ESTABLISHED ON OR AFTER JULY 1, 2006. THESE PROGRAMS MUST BE APPROVED BY THE  
37 ADMINISTRATION.  
38           (c) THE ADMINISTRATION SHALL DEVELOP, BY RULE, THE FORMULA BY WHICH  
39 THE MONIES ARE DISTRIBUTED.  
40           (d) EACH GRADUATE MEDICAL EDUCATION PROGRAM THAT RECEIVES FUNDING  
41 PURSUANT TO SUBDIVISION (b) OF THIS PARAGRAPH SHALL IDENTIFY AND REPORT TO  
42 THE ADMINISTRATION THE NUMBER OF NEW RESIDENCY POSITIONS CREATED BY THE  
43 FUNDING PROVIDED IN THIS PARAGRAPH, INCLUDING POSITIONS IN RURAL AREAS. THE  
44 ADMINISTRATION SHALL REPORT TO THE JOINT LEGISLATIVE BUDGET COMMITTEE BY

1 FEBRUARY 1 OF EACH YEAR ON THE NUMBER OF NEW RESIDENCY POSITIONS AS REPORTED  
2 BY THE GRADUATE MEDICAL EDUCATION PROGRAMS.

3 (e) FOR THE PURPOSES OF THIS PARAGRAPH, "GRADUATE MEDICAL EDUCATION  
4 PROGRAM" MEANS A PROGRAM, INCLUDING AN APPROVED FELLOWSHIP, THAT PREPARES A  
5 PHYSICIAN FOR THE INDEPENDENT PRACTICE OF MEDICINE BY PROVIDING DIDACTIC AND  
6 CLINICAL EDUCATION IN A MEDICAL DISCIPLINE TO A MEDICAL STUDENT WHO HAS  
7 COMPLETED A RECOGNIZED UNDERGRADUATE MEDICAL EDUCATION PROGRAM.

8 10. The prospective tiered per diem payment methodology for inpatient  
9 hospital services may include a mechanism for the payment of claims with  
10 extraordinary operating costs per day. For tiered per diem rates effective  
11 beginning on October 1, 1999, outlier cost thresholds are frozen at the  
12 levels in effect on January 1, 1999 and adjusted annually by the  
13 administration by the data resources incorporated market basket index for  
14 prospective payment system hospitals.

15 11. Notwithstanding section 41-1005, subsection A, paragraph 9, the  
16 administration shall adopt rules pursuant to title 41, chapter 6 establishing  
17 the methodology for determining the prospective tiered per diem payments.

18 I. The director may adopt rules that specify enrollment procedures  
19 including notice to contractors of enrollment. The rules may provide for  
20 varying time limits for enrollment in different situations. The  
21 administration shall specify in contract when a person who has been  
22 determined eligible will be enrolled with that contractor and the date on  
23 which the contractor will be financially responsible for health and medical  
24 services to the person.

25 J. The administration may make direct payments to hospitals for  
26 hospitalization and medical care provided to a member in accordance with this  
27 article and rules. The director may adopt rules to establish the procedures  
28 by which the administration shall pay hospitals pursuant to this subsection  
29 if a contractor fails to make timely payment to a hospital. Such payment  
30 shall be at a level determined pursuant to section 36-2904, subsection H or  
31 I. The director may withhold payment due to a contractor in the amount of  
32 any payment made directly to a hospital by the administration on behalf of a  
33 contractor pursuant to this subsection.

34 K. The director shall establish a special unit within the  
35 administration for the purpose of monitoring the third party payment  
36 collections required by contractors and noncontracting providers pursuant to  
37 section 36-2903, subsection B, paragraph 10 and subsection F and section  
38 36-2915, subsection E. The director shall determine by rule:

39 1. The type of third party payments to be monitored pursuant to this  
40 subsection.

41 2. The percentage of third party payments that is collected by a  
42 contractor or noncontracting provider and that the contractor or  
43 noncontracting provider may keep and the percentage of such payments that the  
44 contractor or noncontracting provider may be required to pay to the  
45 administration. Contractors and noncontracting providers must pay to the

1 administration one hundred per cent of all third party payments that are  
2 collected and that duplicate administration fee-for-service payments. A  
3 contractor that contracts with the administration pursuant to section  
4 36-2904, subsection A may be entitled to retain a percentage of third party  
5 payments if the payments collected and retained by a contractor are reflected  
6 in reduced capitation rates. A contractor may be required to pay the  
7 administration a percentage of third party payments that are collected by a  
8 contractor and that are not reflected in reduced capitation rates.

9 L. The administration shall establish procedures to apply to the  
10 following if a provider that has a contract with a contractor or  
11 noncontracting provider seeks to collect from an individual or financially  
12 responsible relative or representative a claim that exceeds the amount that  
13 is reimbursed or should be reimbursed by the system:

14 1. On written notice from the administration or oral or written notice  
15 from a member that a claim for covered services may be in violation of this  
16 section, the provider that has a contract with a contractor or noncontracting  
17 provider shall investigate the inquiry and verify whether the person was  
18 eligible for services at the time that covered services were provided. If  
19 the claim was paid or should have been paid by the system, the provider that  
20 has a contract with a contractor or noncontracting provider shall not  
21 continue billing the member.

22 2. If the claim was paid or should have been paid by the system and  
23 the disputed claim has been referred for collection to a collection agency or  
24 referred to a credit reporting bureau, the provider that has a contract with  
25 a contractor or noncontracting provider shall:

26 (a) Notify the collection agency and request that all attempts to  
27 collect this specific charge be terminated immediately.

28 (b) Advise all credit reporting bureaus that the reported delinquency  
29 was in error and request that the affected credit report be corrected to  
30 remove any notation about this specific delinquency.

31 (c) Notify the administration and the member that the request for  
32 payment was in error and that the collection agency and credit reporting  
33 bureaus have been notified.

34 3. If the administration determines that a provider that has a  
35 contract with a contractor or noncontracting provider has billed a member for  
36 charges that were paid or should have been paid by the administration, the  
37 administration shall send written notification by certified mail or other  
38 service with proof of delivery to the provider that has a contract with a  
39 contractor or noncontracting provider stating that this billing is in  
40 violation of federal and state law. If, twenty-one days or more after  
41 receiving the notification, a provider that has a contract with a contractor  
42 or noncontracting provider knowingly continues billing a member for charges  
43 that were paid or should have been paid by the system, the administration may  
44 assess a civil penalty in an amount equal to three times the amount of the  
45 billing and reduce payment to the provider that has a contract with a

1 contractor or noncontracting provider accordingly. Receipt of delivery  
2 signed by the addressee or the addressee's employee is prima facie evidence  
3 of knowledge. Civil penalties collected pursuant to this subsection shall be  
4 deposited in the state general fund. Section 36-2918, subsections C, D and  
5 F, relating to the imposition, collection and enforcement of civil penalties,  
6 ~~applies~~ APPLY to civil penalties imposed pursuant to this paragraph.

7 M. The administration may conduct postpayment review of all claims  
8 paid by the administration and may recoup any monies erroneously paid. The  
9 director may adopt rules that specify procedures for conducting postpayment  
10 review. A contractor may conduct a postpayment review of all claims paid by  
11 the contractor and may recoup monies that are erroneously paid.

12 N. The director or the director's designee may employ and supervise  
13 personnel necessary to assist the director in performing the functions of the  
14 administration.

15 O. The administration may contract with contractors for obstetrical  
16 care who are eligible to provide services under title XIX of the social  
17 security act.

18 P. Notwithstanding any law to the contrary, on federal approval the  
19 administration may make disproportionate share payments to private hospitals,  
20 county operated hospitals, including hospitals owned or leased by a special  
21 health care district, and state operated institutions for mental disease  
22 beginning October 1, 1991 in accordance with federal law and subject to  
23 legislative appropriation. If at any time the administration receives  
24 written notification from federal authorities of any change or difference in  
25 the actual or estimated amount of federal funds available for  
26 disproportionate share payments from the amount reflected in the legislative  
27 appropriation for such purposes, the administration shall provide written  
28 notification of such change or difference to the president and the minority  
29 leader of the senate, the speaker and the minority leader of the house of  
30 representatives, the director of the joint legislative budget committee, the  
31 legislative committee of reference and any hospital trade association within  
32 this state, within three working days not including weekends after receipt of  
33 the notice of the change or difference. In calculating disproportionate  
34 share payments as prescribed in this section, the administration may use  
35 either a methodology based on claims and encounter data that is submitted to  
36 the administration from contractors or a methodology based on data that is  
37 reported to the administration by private hospitals and state operated  
38 institutions for mental disease. The selected methodology applies to all  
39 private hospitals and state operated institutions for mental disease  
40 qualifying for disproportionate share payments.

41 Q. Notwithstanding any law to the contrary, the administration may  
42 receive confidential adoption information to determine whether an adopted  
43 child should be terminated from the system.

1 R. The adoption agency or the adoption attorney shall notify the  
2 administration within thirty days after an eligible person receiving services  
3 has placed that person's child for adoption.

4 S. If the administration implements an electronic claims submission  
5 system it may adopt procedures pursuant to subsection H of this section  
6 requiring documentation different than prescribed under subsection H,  
7 paragraph 4 of this section.

8 Sec. 8. Title 36, chapter 29, article 1, Arizona Revised Statutes, is  
9 amended by adding section 36-2921, to read:

10 36-2921. Hospital loan program; residencies; fund; program  
11 termination

12 A. THE ADMINISTRATION SHALL ESTABLISH A HOSPITAL LOAN PROGRAM TO FUND  
13 START-UP AND ONGOING COSTS FOR RESIDENCY PROGRAMS IN ACCREDITED HOSPITALS.

14 B. HOSPITALS RECEIVING LOANS PURSUANT TO SUBSECTION C OF THIS SECTION  
15 MUST PARTNER WITH ARIZONA-BASED ACCREDITED ALLOPATHIC OR OSTEOPATHIC MEDICAL  
16 SCHOOLS. RESIDENCY PROGRAMS AT HOSPITALS RECEIVING LOANS PURSUANT TO  
17 SUBSECTION C OF THIS SECTION MAY ACCEPT RESIDENTS FROM IN-STATE OR  
18 OUT-OF-STATE PUBLIC OR PRIVATE MEDICAL SCHOOLS.

19 C. INTEREST-FREE LOANS MAY BE PROVIDED IN AN AMOUNT OF UP TO FIVE  
20 HUNDRED THOUSAND DOLLARS PER YEAR FOR ONE HOSPITAL PER COUNTY IF THE HOSPITAL  
21 ESTABLISHES A NEW RESIDENCY PROGRAM OF AT LEAST SIX RESIDENTS OR ADDS A NEW  
22 SPECIALTY AREA TO AN EXISTING RESIDENCY PROGRAM WITH AT LEAST FOUR NEW  
23 RESIDENTS.

24 D. THE ADMINISTRATION SHALL DISTRIBUTE LOANS IN THE FOLLOWING ORDER OF  
25 PRIORITY:

26 1. FOR NEW OR EXPANDED RESIDENCY PROGRAMS IN ACCREDITED HOSPITALS IN  
27 COUNTIES WITH A POPULATION OF LESS THAN FIVE HUNDRED THOUSAND PERSONS THAT  
28 SUBMIT LOAN APPLICATIONS ON OR BEFORE SEPTEMBER 1, 2007.

29 2. FOR NEW OR EXPANDED RESIDENCY PROGRAMS IN ACCREDITED HOSPITALS IN  
30 ANY COUNTY.

31 E. REPAYMENT OF LOANS SHALL BEGIN EITHER AT THE TIME FEDERAL  
32 REIMBURSEMENTS FOR GRADUATE MEDICAL EDUCATION PURSUANT TO TITLE XVIII AND  
33 TITLE XIX OF THE SOCIAL SECURITY ACT BEGIN OR FIVE YEARS AFTER THE DATE OF  
34 THE LOAN, WHICHEVER IS EARLIER, AND SHALL BE COMPLETED NO MORE THAN TEN YEARS  
35 AFTER THE DATE OF THE LOAN.

36 F. THE HOSPITAL LOAN RESIDENCY FUND IS ESTABLISHED CONSISTING OF  
37 LEGISLATIVE APPROPRIATIONS AND LOAN REPAYMENT MONIES. THE DIRECTOR SHALL  
38 ADMINISTER THE FUND. MONIES IN THE FUND ARE EXEMPT FROM THE PROVISIONS OF  
39 SECTION 35-190 RELATING TO LAPSING OF APPROPRIATIONS.

40 G. THE PROGRAM ESTABLISHED BY THIS SECTION ENDS ON JULY 1, 2017  
41 PURSUANT TO SECTION 41-3102.

42 Sec. 9. Section 36-2941, Arizona Revised Statutes, is amended to read:

43 36-2941. Establishment of capitation rates

44 A. The administration shall establish capitation rates based on an  
45 actuarial study for the department. The capitation rate shall be based on

1 the estimated cost of providing services pursuant to this article to members  
2 who have been determined eligible pursuant to section 36-2933.

3 B. At least thirty days before finalizing the capitation rates, the  
4 administration shall send written notice of the proposed capitation rates to  
5 the department.

6 C. CAPITATION RATE ADJUSTMENTS SHALL BE LIMITED TO UTILIZATION OF  
7 EXISTING SERVICES AND INFLATION UNLESS POLICY CHANGES, INCLUDING CREATION OR  
8 EXPANSION OF PROGRAMS, HAVE BEEN APPROVED BY THE LEGISLATURE.

9 Sec. 10. Section 36-2959, Arizona Revised Statutes, is amended to  
10 read:

11 36-2959. Reimbursement rates; capitation rates; annual review

12 A. The department shall contract with an independent consulting firm  
13 for an annual study of the adequacy and appropriateness of title XIX  
14 reimbursement rates to service providers for the developmentally disabled  
15 program of both the Arizona long-term care system and the state only program.  
16 The consultant shall also include a recommendation for annual inflationary  
17 costs. The department may require, and the department's contracted providers  
18 shall provide, financial data to the department in the format prescribed by  
19 the department to assist in the study. A complete study of reimbursement  
20 rates shall be completed no less than once every five years.

21 B. CAPITATION RATE ADJUSTMENTS SHALL BE LIMITED TO UTILIZATION OF  
22 EXISTING SERVICES AND INFLATION UNLESS POLICY CHANGES, INCLUDING CREATION OR  
23 EXPANSION OF PROGRAMS, HAVE BEEN APPROVED BY THE LEGISLATURE.

24 ~~B-~~ C. The administration shall contract with an independent  
25 consulting firm for an annual study of the adequacy and appropriateness of  
26 title XIX reimbursement rates to service providers for the elderly and  
27 physically disabled program of the Arizona long-term care system. The  
28 administration may require, and the administration's contracted providers  
29 shall provide, financial data to the administration in the format prescribed  
30 by the administration to assist in the study. A complete study of  
31 reimbursement rates shall be completed no less than once every five years.  
32 In determining the adequacy of the rates in the five year study, the  
33 consulting firm shall examine in detail the costs associated with the  
34 delivery of services, including programmatic, administrative and indirect  
35 costs in providing services in rural and urban Arizona.

36 ~~C-~~ D. ~~Starting on October 1, 2002,~~ The department and the  
37 administration shall provide each of their reports to the joint legislative  
38 budget committee and the administration by October 1 of each year.

39 ~~D-~~ E. The department shall include the results of the study in its  
40 yearly capitation rate request to the administration.

41 ~~E-~~ F. If results of the study are not completely incorporated into  
42 the capitation rate, the ~~Arizona health care cost containment system~~  
43 administration shall provide a report to the joint legislative budget  
44 committee within thirty days of setting the final capitation rate, ~~discussing~~  
45 **INCLUDING** reasons for differences between the rate and the study.

1           Sec. 11. Section 36-3403, Arizona Revised Statutes, is amended to  
2 read:

3           36-3403. Powers and duties of the deputy director; study;  
4           capitation rates

5           A. The deputy director may, on approval of the director:

6           1. Employ professional, secretarial and clerical staff as are  
7 determined necessary by the director to carry out the functions and duties of  
8 the division, subject to legislative appropriation.

9           2. Contract for the services of consultants and other persons which  
10 are reasonably necessary to enable the division to carry out its functions  
11 and duties, subject to legislative appropriation.

12           3. Contract and incur obligations which are reasonably necessary  
13 within the general scope of the division.

14           4. Adopt rules which are necessary to carry out the requirements of  
15 the division.

16           5. Contract or enter into intergovernmental agreements with other  
17 public and private nonprofit agencies and entities.

18           6. Use monies, facilities or services to provide matching  
19 contributions under federal or other programs which further the objectives  
20 and programs of the division.

21           7. Accept gifts, grants, matching monies or direct payments from  
22 public or private agencies or private persons and enterprises for the conduct  
23 of programs which are consistent with the general purposes and objectives of  
24 the division.

25           8. Lease at fair market value real property currently occupied by the  
26 southern Arizona mental health center for the purposes of operating a private  
27 nonprofit behavioral health care facility. Monies collected from the lease  
28 of the real property shall be deposited into the building renewal fund  
29 established pursuant to section 36-545.09.

30           B. The deputy director shall administer:

31           1. Unified mental health programs, to include the functions of the  
32 state hospital and community mental health.

33           2. Addictive behavior programs to include alcohol and drug abuse.

34           C. Notwithstanding any other law the deputy director may waive or  
35 reduce the requirements for local match.

36           D. The superintendent of the Arizona state hospital shall be appointed  
37 by the deputy director, subject to the approval of the director, and shall  
38 report directly to the deputy director.

39           E. The department shall contract with an independent consulting firm  
40 for an annual study of the adequacy and appropriateness of title XIX  
41 reimbursement rates to providers of behavioral health services. The  
42 department may require, and the department's contracted providers shall  
43 provide, financial data to the department in the format prescribed by the  
44 department to assist in the study. A complete study of reimbursement rates  
45 shall be completed no less than once every five years. The department shall

1 provide the report to the joint legislative budget committee and the Arizona  
 2 health care cost containment system ADMINISTRATION by October 1, 2002, ~~and~~  
 3 BY OCTOBER 1 OF each year thereafter. The department shall include the  
 4 results of the study in its yearly capitation request to the Arizona health  
 5 care cost containment system ADMINISTRATION. If results of the study are not  
 6 completely incorporated into the capitation rate, the Arizona health care  
 7 cost containment system administration shall provide a report to the joint  
 8 legislative budget committee within thirty days of setting the final  
 9 capitation rate, ~~discussing~~ INCLUDING reasons for differences between the  
 10 rate and the study.

11 F. CAPITATION RATE ADJUSTMENTS SHALL BE LIMITED TO UTILIZATION OF  
 12 EXISTING SERVICES AND INFLATION UNLESS POLICY CHANGES, INCLUDING CREATION OR  
 13 EXPANSION OF PROGRAMS, HAVE BEEN APPROVED BY THE LEGISLATURE.

14 Sec. 12. Repeal

15 Section 36-3415, Arizona Revised Statutes, is repealed.

16 Sec. 13. Title 36, chapter 34, article 1, Arizona Revised Statutes, is  
 17 amended by adding a new section 36-3415, to read:

18 36-3415. Children's autism services; contracts

19 SUBJECT TO LEGISLATIVE APPROPRIATION, THE DEPARTMENT MAY PROVIDE  
 20 CHILDREN'S AUTISM SERVICES TO SERVE CHILDREN THROUGH FIVE YEARS OF AGE WHO  
 21 HAVE, OR WHO ARE AT RISK OF HAVING, AUTISM BY ENTERING INTO CONTRACTS WITH  
 22 THE FOLLOWING PROVIDERS FOR THE FOLLOWING SERVICES:

23 1. AN ESTABLISHED FIRM THAT SPECIALIZES IN AUTISM SERVICES AND RELATED  
 24 DISORDERS AND THAT EMPLOYS AT LEAST FIVE NATIONALLY BOARD CERTIFIED BEHAVIOR  
 25 ANALYSTS, ONE OF WHOM IS A STATE-LICENSED PSYCHOLOGIST. THE CONTRACT SHALL  
 26 BE FOR SERVICES THAT UTILIZE TECHNIQUES OF DISCRETE TRIAL AND NATURAL  
 27 ENVIRONMENT INTENSIVE BEHAVIORAL TREATMENT THROUGH APPLIED BEHAVIORAL  
 28 ANALYSIS.

29 2. AN AUTISM AND RESEARCH FIRM THAT IS BASED IN THIS STATE AND THAT  
 30 HAS RAISED AT LEAST FIFTEEN MILLION DOLLARS OF PRIVATE SECTOR MONIES. THE  
 31 CONTRACT SHALL BE FOR PROVIDING TODDLERS WITH AUTISM SERVICES THAT UTILIZE  
 32 INTENSIVE EARLY INTERVENTION.

33 Sec. 14. Section 38-654, Arizona Revised Statutes, is amended to read:

34 38-654. Special employee health insurance trust fund; purpose;  
 35 investment of monies; use of monies; exemption from  
 36 lapsing; annual report

37 A. There is established a special employee health insurance trust fund  
 38 for the purpose of administering the state employee health insurance benefit  
 39 plans. The fund shall consist of legislative appropriations, monies  
 40 collected from the employer and employees for the health insurance benefit  
 41 plans and investment earnings on monies collected from employees. The fund  
 42 shall be administered by the director of the department of administration.  
 43 Monies in the fund that are determined by the legislature to be for  
 44 administrative expenses of the department of administration, including monies

1 authorized by subsection D, paragraph 4 of this section, are subject to  
2 legislative appropriation.

3 B. On notice from the department of administration, the state  
4 treasurer shall invest and divest monies in the fund as provided by section  
5 35-313, and monies earned from investment shall be credited to the fund.  
6 There shall be a separate accounting of monies contributed by the employer,  
7 monies collected from state employees and investment earnings on monies  
8 collected from employees. Monies collected from state employees for health  
9 insurance benefit plans shall be expended prior to expenditure of monies  
10 contributed by the employer.

11 C. The director of the department of administration may authorize the  
12 employer health insurance contributions by fund to be payable in advance  
13 whether the budget unit is funded in whole or in part by state monies. By  
14 July 15 each year, the joint legislative budget committee staff shall  
15 determine the amount appropriated for employer health insurance  
16 contributions. The department of administration may transfer to the special  
17 employee health insurance trust fund in whole or in part the amount  
18 appropriated to budget units for employer health insurance contributions as  
19 deemed necessary.

20 D. Monies in the fund shall be used by the department of  
21 administration for the following purposes for the benefit of officers and  
22 employees who participate in a health insurance benefit plan pursuant to this  
23 article:

24 1. To administer a health insurance benefit program for state officers  
25 and employees.

26 2. To pay health insurance premiums, claims costs and related  
27 administrative expenses.

28 3. To apply against future premiums, claims costs and related  
29 administrative expenses.

30 4. To apply the equivalent of not more than one dollar fifty cents for  
31 each employee for each month to administer applicable federal and state laws  
32 relating to health insurance benefit programs and to design, implement and  
33 administer improvements to the employee health insurance or benefit program.

34 E. ~~The provisions of~~ Subsection D of this section shall not be  
35 construed to require that all monies in the special employee health insurance  
36 trust fund shall be used within any one or more fiscal years. Any person who  
37 is no longer a state employee or an employee who is no longer a participant  
38 in a health insurance plan under contract with the department of  
39 administration shall have no claim upon monies in the fund.

40 F. Monies deposited in or credited to the fund are exempt from the  
41 provisions of section 35-190 relating to lapsing of appropriations.

42 G. Claims for services rendered prior to July 1, 1989 shall not be  
43 paid from the special employee health insurance trust fund.

44 H. The department of administration shall ~~prepare~~ SUBMIT an annual  
45 report on the financial ~~activity~~ STATUS of the special employee insurance

1 trust fund TO THE GOVERNOR, THE PRESIDENT OF THE SENATE, THE SPEAKER OF THE  
2 HOUSE OF REPRESENTATIVES, THE CHAIRPERSONS OF THE HOUSE AND SENATE  
3 APPROPRIATIONS COMMITTEES AND THE JOINT LEGISLATIVE BUDGET COMMITTEE STAFF BY  
4 MARCH 1 OF EACH YEAR. THE REPORT SHALL INCLUDE:

5 1. THE ACTUARIAL ASSUMPTIONS AND A DESCRIPTION OF THE METHODOLOGY USED  
6 TO SET PREMIUMS AND RESERVE BALANCE TARGETS FOR THE HEALTH INSURANCE BENEFIT  
7 PROGRAM FOR THE CURRENT PLAN YEAR.

8 2. AN ANALYSIS OF THE ACTUARIAL SOUNDNESS OF THE HEALTH INSURANCE  
9 BENEFIT PROGRAM FOR THE PREVIOUS PLAN YEAR.

10 3. AN ANALYSIS OF THE ACTUARIAL SOUNDNESS OF THE HEALTH INSURANCE  
11 BENEFIT PROGRAM FOR THE CURRENT PLAN YEAR, BASED ON BOTH YEAR-TO-DATE  
12 EXPERIENCE AND TOTAL EXPECTED EXPERIENCE.

13 4. A PRELIMINARY ESTIMATE OF THE PREMIUMS AND RESERVE BALANCE TARGETS  
14 FOR THE NEXT PLAN YEAR, INCLUDING THE ACTUARIAL ASSUMPTIONS AND A DESCRIPTION  
15 OF THE METHODOLOGY USED.

16 Sec. 15. Section 41-1542, Arizona Revised Statutes, is amended to  
17 read:

18 41-1542. Governor's council on workforce policy; duties

19 A. The governor by executive order may establish a governor's council  
20 on workforce policy. If the governor establishes a governor's council on  
21 workforce policy, the council shall include at least the following members:

22 1. The director of the department of commerce or the director's  
23 designee.

24 2. The director of the department of economic security or the  
25 director's designee.

26 3. The superintendent of public instruction or the superintendent's  
27 designee.

28 4. One representative from a rural community college district who is  
29 appointed by the governor.

30 5. One representative from an urban community college district who is  
31 appointed by the governor.

32 6. One representative from organized labor who is appointed by the  
33 governor.

34 7. Representatives from small and large businesses who are appointed  
35 by the governor and who shall compose at least fifty-one per cent of the  
36 total membership of the council.

37 B. The governor's council on workforce policy that is established by  
38 executive order shall develop program guidelines for selection criteria and  
39 program operations. These guidelines shall include the following areas:

40 1. Project application procedures.

41 2. Categories of allowable and excluded project costs.

42 3. Limitations relating to partial or total project costs and interim  
43 and end of project reporting requirements.

44 4. Procedures to assure that both urban and rural economic interests  
45 are addressed.

- 1           5. Criteria to evaluate effective use of training monies.
- 2           6. Criteria to determine the annual qualifying wage rate per county so
- 3 that the qualifying wage rate reflects current economic conditions and the
- 4 needs of local businesses in the county.
- 5           C. The governor's council on workforce policy shall meet at least four
- 6 times each year and shall submit a written annual report to the governor, the
- 7 president of the senate, ~~and~~ the speaker of the house of representatives **AND**
- 8 **THE JOINT LEGISLATIVE BUDGET COMMITTEE** by ~~July 31~~ **SEPTEMBER 1** of each year.
- 9 This report shall include:
- 10           1. The qualifying wage rate per county.
- 11           2. **THE** number of businesses recruited.
- 12           3. **THE** number of approved applicants.
- 13           4. **THE** number of persons hired.
- 14           5. **THE** number of incumbent workers trained.
- 15           6. **THE** racial and ethnic background of persons trained.
- 16           7. **THE** number of persons trained by job skill category.
- 17           8. **THE** average salaries paid.
- 18           9. **THE** breakdown of full-time and part-time jobs.
- 19           10. **THE** information on the efforts to leverage other training
- 20 resources.
- 21           11. A summary of the information considered pursuant to section
- 22 41-1543.
- 23           12. **THE** number of grant applications denied due to either of the
- 24 following:
- 25           (a) Insufficient available grant money.
- 26           (b) The inability to meet the qualifying wage requirements pursuant to
- 27 ~~section 41-1542~~, subsection B, paragraph 6 **OF THIS SECTION**.
- 28           13. **A SUMMARY OF ANNUAL SPENDING BY STATE GOVERNMENT ON WORKFORCE**
- 29 **DEVELOPMENT, INCLUDING DETAILS ON EACH STATE PROGRAM THAT PARTICIPATES IN**
- 30 **WORKFORCE DEVELOPMENT IN ANY STATE AGENCY OR COMMUNITY COLLEGE. THE REPORT**
- 31 **SHALL INCLUDE:**
- 32           (a) **ACTUAL EXPENDITURES FROM STATE, FEDERAL OR OTHER SOURCES FOR THE**
- 33 **PRIOR FISCAL YEAR, BY FUND, PROGRAM AND AGENCY AND IN TOTAL.**
- 34           (b) **ESTIMATED EXPENDITURES FROM STATE, FEDERAL OR OTHER SOURCES FOR**
- 35 **THE CURRENT FISCAL YEAR, BY FUND, PROGRAM AND AGENCY AND IN TOTAL.**
- 36           (c) **FEDERALLY MANDATED PERFORMANCE MEASURE RESULTS BY PROGRAM,**
- 37 **INCLUDING MEASURES FOR THE PREVIOUS TWO FISCAL YEARS AND FOR THE CURRENT**
- 38 **FISCAL YEAR.**
- 39           (d) **AGENCY OR STATEWIDE PERFORMANCE MEASURE RESULTS AS DESCRIBED IN**
- 40 **SUBSECTION E OF THIS SECTION BY PROGRAM, INCLUDING MEASURES FOR THE PREVIOUS**
- 41 **TWO FISCAL YEARS AND FOR THE CURRENT FISCAL YEAR.**
- 42           (e) **A STRATEGIC PLAN THAT IDENTIFIES:**
- 43           (i) **EACH WORKFORCE DEVELOPMENT PROGRAM IN THIS STATE.**
- 44           (ii) **HOW THE STATE PROGRAMS MET ALL PERFORMANCE MEASURES IN THE**
- 45 **PREVIOUS FISCAL YEAR.**

1 D. EACH STATE AGENCY AND COMMUNITY COLLEGE SHALL SUBMIT TO THE  
2 GOVERNOR'S COUNCIL ON WORKFORCE POLICY THE INFORMATION NECESSARY TO COMPILE  
3 THE REPORT DESCRIBED IN SUBSECTION C, PARAGRAPH 13 OF THIS SECTION BY AUGUST  
4 1 OF EACH YEAR.

5 E. THE GOVERNOR'S COUNCIL ON WORKFORCE POLICY SHALL COORDINATE WITH  
6 STATE AGENCIES AND STATE COMMUNITY COLLEGES TO PRODUCE OUTCOME-BASED  
7 PERFORMANCE MEASURES FOR ALL STATE WORKFORCE DEVELOPMENT PROGRAMS.

8 Sec. 16. Repeal

9 Laws 2004, chapter 117, sections 12 and 13 are repealed.

10 Sec. 17. County acute care contribution; fiscal year 2006-2007

11 A. Notwithstanding section 11-292, Arizona Revised Statutes, as  
12 amended by this act, for fiscal year 2006-2007 for the provision of  
13 hospitalization and medical care, the counties shall contribute the following  
14 amounts:

15	1. Apache	\$ 268,800
16	2. Cochise	\$ 2,214,800
17	3. Coconino	\$ 742,900
18	4. Gila	\$ 1,413,200
19	5. Graham	\$ 536,200
20	6. Greenlee	\$ 190,700
21	7. La Paz	\$ 212,100
22	8. Maricopa	\$31,192,200
23	9. Mohave	\$ 1,237,700
24	10. Navajo	\$ 310,800
25	11. Pima	\$14,951,800
26	12. Pinal	\$ 2,715,600
27	13. Santa Cruz	\$ 482,800
28	14. Yavapai	\$ 1,427,800
29	15. Yuma	\$ 1,325,100

30 B. If a county does not provide funding as specified in subsection A  
31 of this section, the state treasurer shall subtract the amount owed by the  
32 county to the Arizona health care cost containment system and long-term care  
33 system funds established by section 36-2913, Arizona Revised Statutes, from  
34 any payments required to be made by the state treasurer to that county  
35 pursuant to section 42-5029, subsection D, paragraph 2, Arizona Revised  
36 Statutes, plus interest on that amount pursuant to section 44-1201, Arizona  
37 Revised Statutes, retroactive to the first day the funding was due. If the  
38 monies the state treasurer withholds are insufficient to meet that county's  
39 funding requirements as specified in subsection A of this section, the state  
40 treasurer shall withhold from any other monies payable to that county from  
41 whatever state funding source is available an amount necessary to fulfill  
42 that county's requirement. The state treasurer shall not withhold  
43 distributions from the highway user revenue fund pursuant to title 28,  
44 chapter 18, article 2, Arizona Revised Statutes.

1 C. Payment of an amount equal to one-twelfth of the total amount  
2 determined pursuant to subsection A of this section shall be made to the  
3 state treasurer on or before the fifth day of each month. On request from  
4 the director of the Arizona health care cost containment system  
5 administration, the state treasurer shall require that up to three months'  
6 payments be made in advance, if necessary.

7 D. The state treasurer shall deposit the amounts paid pursuant to  
8 subsection C of this section and amounts withheld pursuant to subsection B of  
9 this section in the Arizona health care cost containment system and long-term  
10 care system funds established by section 36-2913, Arizona Revised Statutes.

11 E. If payments made pursuant to subsection C of this section exceed  
12 the amount required to meet the costs incurred by the Arizona health care  
13 cost containment system for the hospitalization and medical care of those  
14 persons defined as an eligible person pursuant to section 36-2901, paragraph  
15 6, subdivisions (a), (b) and (c), Arizona Revised Statutes, the director of  
16 the Arizona health care cost containment system administration may instruct  
17 the state treasurer either to reduce remaining payments to be paid pursuant  
18 to this section by a specified amount or to provide to the counties specified  
19 amounts from the Arizona health care cost containment system and long-term  
20 care system funds.

21 F. It is the intent of the legislature that the Maricopa county  
22 contribution pursuant to subsection A of this section be reduced in each  
23 subsequent year according to the changes in the GDP price deflator. For the  
24 purposes of this subsection, "GDP price deflator" has the same meaning  
25 prescribed in section 41-563, Arizona Revised Statutes.

26 Sec. 18. ALTCs: county contributions

27 Notwithstanding section 11-292, Arizona Revised Statutes, as amended by  
28 this act, county contributions for the Arizona long-term care system for  
29 fiscal year 2006-2007 are as follows:

30	1. Apache	\$ 575,600
31	2. Cochise	\$ 5,982,600
32	3. Coconino	\$ 1,727,000
33	4. Gila	\$ 3,508,900
34	5. Graham	\$ 959,300
35	6. Greenlee	\$ 215,200
36	7. La Paz	\$ 811,200
37	8. Maricopa	\$145,459,800
38	9. Mohave	\$ 8,065,900
39	10. Navajo	\$ 2,381,000
40	11. Pima	\$ 44,836,100
41	12. Pinal	\$ 11,262,100
42	13. Santa Cruz	\$ 2,295,400
43	14. Yavapai	\$ 10,428,000
44	15. Yuma	\$ 6,372,400



1	6. Greenlee	\$ 12,000
2	7. La Paz	\$ 24,900
3	8. Mohave	\$ 187,400
4	9. Navajo	\$ 122,800
5	10. Pima	\$1,115,900
6	11. Pinal	\$ 218,300
7	12. Santa Cruz	\$ 51,600
8	13. Yavapai	\$ 206,200
9	14. Yuma	\$ 183,900

10 B. If a county does not provide funding as specified in subsection A  
 11 of this section, the state treasurer shall subtract the amount owed by the  
 12 county to the Arizona health care cost containment system fund from any  
 13 payments required to be made by the state treasurer to that county pursuant  
 14 to section 42-5029, subsection D, paragraph 2, Arizona Revised Statutes, plus  
 15 interest on that amount pursuant to section 44-1201, Arizona Revised  
 16 Statutes, retroactive to the first day the funding was due. If the monies  
 17 the state treasurer withholds are insufficient to meet that county's funding  
 18 requirement as specified in subsection A of this section, the state treasurer  
 19 shall withhold from any other monies payable to that county from whatever  
 20 state funding source is available an amount necessary to fulfill that  
 21 county's requirement. The state treasurer shall not withhold distributions  
 22 from the highway user revenue fund pursuant to title 28, chapter 18, article  
 23 2, Arizona Revised Statutes.

24 C. Payment of an amount equal to one-twelfth of the total monies  
 25 prescribed pursuant to subsection A of this section shall be made to the  
 26 state treasurer on or before the fifth day of each month. On request from  
 27 the director of the Arizona health care cost containment system  
 28 administration, the state treasurer shall require that up to three months'  
 29 payments be made in advance, if necessary.

30 D. The state treasurer shall deposit the monies paid pursuant to  
 31 subsection C of this section in the Arizona health care cost containment  
 32 system fund established by section 36-2913, Arizona Revised Statutes.

33 E. In fiscal year 2006-2007, the sum of \$2,646,200 withheld pursuant  
 34 to subsection A or B of this section, as applicable, is allocated for the  
 35 county acute care contribution for the provision of hospitalization and  
 36 medical care services administered by the Arizona health care cost  
 37 containment system administration.

38 Sec. 21. Acute care; redetermination; selected population;  
 39 report

40 A. Notwithstanding any other law, for fiscal year 2006-2007, the  
 41 Arizona health care cost containment system administration shall determine  
 42 continued eligibility for acute care services every six months for any adult  
 43 who is at least twenty-one years of age and who is being redetermined for  
 44 temporary assistance for needy families cash benefits in the department of  
 45 economic security.

1 B. Acute care redeterminations pursuant to subsection A shall start on  
2 the effective date of this act and shall occur simultaneously with  
3 redetermination for temporary assistance for needy families cash benefits.

4 C. The administration shall report to the president of the senate, the  
5 speaker of the house of representatives and the joint legislative budget  
6 committee on or before February 10, 2007 on the effects through January of  
7 changing the redetermination period for the population described in  
8 subsection A. The report shall include the number of redetermination letters  
9 sent out, the number of redetermination interviews conducted and the number  
10 of redetermination interviews resulting in continued acute care benefits.

11 Sec. 22. Adoption services; family preservation projects;  
12 reversion

13 Notwithstanding any other law, any unexpended and unencumbered monies  
14 remaining from the \$1,000,000 appropriated to the department of economic  
15 security adoption services - family preservation projects special line item  
16 by Laws 2005, chapter 286, section 29 revert to the federal temporary  
17 assistance for needy families block grant at the end of fiscal year  
18 2005-2006.

19 Sec. 23. Arizona state hospital; privatization report

20 The department of health services shall report to the joint legislative  
21 budget committee by July 1, 2007 on whether the department intends to  
22 privatize the state hospital pursuant to section 36-214, Arizona Revised  
23 Statutes. If the department intends to privatize the state hospital, the  
24 report shall contain a time frame for issuing a request for proposals. If  
25 the department decides against privatizing the state hospital, the report  
26 shall include the department's rationale for not doing so.

27 Sec. 24. Child care eligibility levels; report

28 Notwithstanding section 46-803, Arizona Revised Statutes, for fiscal  
29 year 2006-2007, the department of economic security may reduce maximum income  
30 eligibility levels for child care assistance in order to manage within  
31 appropriated and available monies. The department shall notify the joint  
32 legislative budget committee of any change in maximum income eligibility  
33 levels for child care within fifteen days after implementing that change.

34 Sec. 25. Competency restoration treatment; county and city  
35 reimbursement; fiscal year 2006-2007; deposit; tax  
36 withholding

37 A. Notwithstanding section 13-4512, Arizona Revised Statutes, for  
38 counties with a population of more than eight hundred thousand persons and  
39 for all cities, if the state pays the costs of a defendant's inpatient  
40 competency restoration treatment pursuant to section 13-4512, Arizona Revised  
41 Statutes, the city or county shall reimburse the department of health  
42 services for eighty-six per cent of these costs for fiscal year 2006-2007.  
43 The department shall deposit the monies, pursuant to sections 35-146 and  
44 35-147, Arizona Revised Statutes, in the Arizona state hospital fund  
45 established by section 36-545.08, Arizona Revised Statutes.

1 B. Each city and county shall make the reimbursements for these costs  
2 as specified in subsection A of this section within thirty days after a  
3 request by the department. If the city or county does not make the  
4 reimbursement, the superintendent of the Arizona state hospital shall notify  
5 the state treasurer of the amount owed and the treasurer shall withhold the  
6 amount, including any additional interest as provided in section 42-1123,  
7 Arizona Revised Statutes, from any transaction privilege tax distributions to  
8 the city or county. The treasurer shall deposit the withholdings, pursuant  
9 to sections 35-146 and 35-147, Arizona Revised Statutes, in the Arizona state  
10 hospital fund established by section 36-545.08, Arizona Revised Statutes.

11 Sec. 26. Child care reforms; compliance; reversion

12 A. Notwithstanding any other law, the department of economic security  
13 shall revert \$800,000 from its fiscal year 2006-2007 state general fund  
14 operating budget in the division of employment and rehabilitation services if  
15 the department of economic security has not fully implemented the provisions  
16 of section 46-803, Arizona Revised Statutes, as amended by Laws 2005, chapter  
17 328, section 11, and section 46-805, Arizona Revised Statutes, as amended by  
18 Laws 2005, chapter 328, section 12, by January 1, 2007.

19 B. The department of economic security shall report to the joint  
20 legislative budget committee when all the provisions of section 46-803,  
21 Arizona Revised Statutes, as amended by Laws 2005, chapter 328, section 11,  
22 and section 46-805, Arizona Revised Statutes, as amended by Laws 2005,  
23 chapter 328, section 12, have been fully implemented.

24 Sec. 27. Rule making; exemptions

25 A. The department of economic security is exempt from the rule making  
26 requirements of title 41, chapter 6, Arizona Revised Statutes, through  
27 January 1, 2007 to implement section 46-803, Arizona Revised Statutes, as  
28 amended by Laws 2005, chapter 328, section 11, and section 46-805, Arizona  
29 Revised Statutes, as amended by Laws 2005, chapter 328, section 12.

30 B. The Arizona health care cost containment system administration is  
31 exempt from the rule making requirements of title 41, chapter 6, Arizona  
32 Revised Statutes, through January 1, 2007 to implement cost sharing measures  
33 in the general appropriations act and section 30 of this act.

34 C. The department of health services is exempt from the rule making  
35 requirements of title 41, chapter 6, Arizona Revised Statutes, through  
36 January 1, 2007 to implement vital records fees pursuant to section 28 of  
37 this act.

38 Sec. 28. Eligibility determination privatization; request for  
39 proposals

40 Notwithstanding any other law, the Arizona health care cost containment  
41 system administration shall issue a request for proposals and may execute a  
42 contract to privatize eligibility determination and redetermination services  
43 by March 31, 2007. The request for proposals shall focus on how the  
44 privatization process would save the state money compared to its current  
45 system of eligibility determination and redetermination. The Arizona health

1 care cost containment system administration shall submit the request for  
2 proposals before release and the contract before award to the joint  
3 legislative budget committee for review.

4 Sec. 29. Vital records; fees; fiscal year 2006-2007

5 The fees that are deposited in the vital records electronic systems  
6 fund established by section 36-341.01, Arizona Revised Statutes, shall be  
7 revised by the state registrar so that the fees generate no more than  
8 \$500,000 in revenue for that fund in fiscal year 2006-2007.

9 Sec. 30. AHCCCS extraordinary operating costs reimbursement  
10 recommendations; report

11 A. The Arizona health care cost containment system administration  
12 shall evaluate the methodology used to reimburse hospitals for extraordinary  
13 operating costs pursuant to section 36-2903.01, subsection H, paragraph 10,  
14 Arizona Revised Statutes, and shall report its findings to the joint  
15 legislative budget committee by October 15, 2006.

16 B. At a minimum, the report shall include:

17 1. Recommendations for revising the methodology for extraordinary  
18 operating costs reimbursement, including options to reduce extraordinary  
19 operating costs reimbursement among all categories of services.

20 2. An evaluation of whether certain types of hospital stays, including  
21 maternity care and delivery, do not incur extraordinary operating costs and  
22 should be excluded from extraordinary operating costs reimbursement.

23 3. Estimated cost savings for reduced extraordinary operating costs  
24 methodologies and, if applicable, any corresponding higher costs for revised  
25 reimbursements to hospitals for inpatient services related to the revised  
26 extraordinary operating costs methodology.

27 4. Recommendations regarding whether certain types of services,  
28 including cardiac catheters, should be reimbursed based on a fixed fee for a  
29 predetermined length of stay.

30 5. Statutory changes required to implement the report's  
31 recommendations.

32 C. The administration shall consider the practices of other states,  
33 including the use of rates based on diagnosis related groups for both  
34 inpatient and extraordinary operating costs reimbursements.

35 Sec. 31. Children's health insurance program; parents  
36 eligibility; fiscal year 2006-2007

37 A. Notwithstanding any other law, for fiscal year 2006-2007, a parent  
38 of a child who is eligible for or enrolled in the children's health insurance  
39 program or a parent who has a child enrolled under title 36, chapter 29,  
40 article 1, Arizona Revised Statutes, but who would be eligible for the  
41 children's health insurance program is eligible for the children's health  
42 insurance program prescribed in title 36, chapter 29, article 4, Arizona  
43 Revised Statutes, and may apply for eligibility based on an income that does  
44 not exceed two hundred per cent of the federal poverty level.

1 B. In determining eligibility pursuant to subsection A of this  
2 section, the administration shall apply other eligibility requirements  
3 pursuant to sections 36-2981 and 36-2983, Arizona Revised Statutes, and to  
4 rules adopted by the administration. If the parent is determined eligible  
5 pursuant to this section, except as provided in subsection C of this section,  
6 all other requirements established by the administration by rule, including  
7 available services, pursuant to title 36, chapter 29, article 4, Arizona  
8 Revised Statutes, apply.

9 C. Persons receiving services under this section shall make premium  
10 payments on a monthly basis equaling five per cent of the household's net  
11 income as permitted by the federal deficit reduction act. This premium  
12 amount shall apply to the entire household unit, regardless of the number of  
13 parents or children participating. The cost sharing schedule in the general  
14 appropriations act for fiscal year 2006-2007 shall not be imposed if the  
15 household pays the five per cent premium.

16 Sec. 32. Appropriations; residency programs; exemption

17 A. The following sums are appropriated to the Arizona health care cost  
18 containment system in fiscal year 2006-2007:

19 1. \$1,500,000 from the state general fund and \$4,500,000 in total  
20 expenditure authority for the expansion of existing graduate medical  
21 education programs pursuant to section 36-2903.01, subsection H, paragraph 9,  
22 Arizona Revised Statutes, as amended by this act.

23 2. \$1,000,000 from the state general fund for deposit in the hospital  
24 loan residency fund as established by section 36-2921, Arizona Revised  
25 Statutes, as added by this act.

26 B. The appropriations made in subsection A of this section are exempt  
27 from the provisions of section 35-190, Arizona Revised Statutes, relating to  
28 lapsing of appropriations.

29 Sec. 33. Appropriations; autism services; exemption

30 A. The sum of \$2,500,000 is appropriated from the medically needy  
31 account of the tobacco tax and health care fund established by section  
32 36-774, Arizona Revised Statutes, in fiscal year 2006-2007 for implementation  
33 of autism services for the following contracts and purposes:

34 1. \$200,000 to the department of economic security for a contract for  
35 training and oversight of children's autism services pursuant to section  
36 36-574, Arizona Revised Statutes, as added by this act.

37 2. \$1,800,000 to the department of health services for a contract  
38 pursuant to section 36-3415, paragraph 1, Arizona Revised Statutes, as added  
39 by this act, for autism services that utilize techniques of discrete trial  
40 and natural environment intensive behavioral treatment through applied  
41 behavioral analysis.

42 3. \$500,000 to the department of health services for a contract  
43 pursuant to section 36-3415, paragraph 2, Arizona Revised Statutes, as added  
44 by this act, for autism services that utilize intensive early intervention.

1 B. The appropriations made in subsection A of this section are exempt  
2 from the provisions of section 35-190, Arizona Revised Statutes, relating to  
3 lapsing of appropriations, through June 30, 2008. Monies remaining  
4 unexpended and unencumbered from the appropriations revert to the medically  
5 needy account of the tobacco tax and health care fund.

6 Sec. 34. Children's autism services; evaluations; reports

7 The department of economic security and the department of health  
8 services shall each conduct an evaluation of the children's autism services  
9 provided pursuant to sections 36-573 and 36-3415, Arizona Revised Statutes,  
10 respectively, as added by this act, and submit a report of the findings and  
11 recommendations to the governor, the speaker of the house of representatives,  
12 the president of the senate and the joint legislative budget committee on or  
13 before March 1, 2007. The department shall provide a copy of the report to  
14 the secretary of state and the director of the Arizona state library,  
15 archives and public records. The report shall include at least the  
16 following:

- 17 1. The number of persons receiving autism services at each setting.
- 18 2. The length of time each participant received autism services.
- 19 3. The cost of services provided to each participant by year.
- 20 4. The impact of the services in rural and urban areas of this state.
- 21 5. A recommendation on the success of the services and whether to  
22 continue them on a statewide basis.
- 23 6. Any other information that the department of economic security or  
24 the department of health services determines is necessary to help evaluate  
25 the efficacy and cost effectiveness of the services.

26 Sec. 35. Health insurance premiums; department of administration

27 For fiscal year 2006-2007, the department of administration shall not  
28 implement a differentiated health insurance premium based on the integrated  
29 or nonintegrated status of a health insurance provider available through the  
30 state employee health insurance program beginning October 1, 2006.

31 Sec. 36. Health insurance benefits; legislative approval

32 Notwithstanding any other law, the department of administration shall  
33 not make changes to the benefit design of the health insurance benefit  
34 program in fiscal year 2006-2007 unless those changes have been approved by  
35 the legislature.

36 Sec. 37. Retroactivity

37 A. Section 36-341, Arizona Revised Statutes, as added by Laws 2004,  
38 chapter 117, section 8, as amended by this act, and section 36-341.01,  
39 Arizona Revised Statutes, as amended by this act, apply retroactively to June  
40 30, 2006.

41 B. Section 36-2903.01, Arizona Revised Statutes, as amended by this  
42 act, applies retroactively to from and after June 30, 2006.

43 C. Sections 3, 16 and 22 of this act are effective retroactively to  
44 June 30, 2006.