

State of Arizona
Senate
Fifty-first Legislature
First Special Session
2013

SENATE BILL 1009

AN ACT

AMENDING SECTIONS 9-499.15, 36-427, 36-2239 AND 36-2901, ARIZONA REVISED STATUTES; AMENDING TITLE 36, CHAPTER 29, ARTICLE 1, ARIZONA REVISED STATUTES, BY ADDING SECTIONS 36-2901.07, 36-2901.08 AND 36-2901.09; AMENDING SECTIONS 36-2903.01 AND 36-2907, ARIZONA REVISED STATUTES; PROVIDING FOR THE DELAYED REPEAL OF SECTIONS 36-2912, 36-2912.01, 36-2912.02, 36-2912.03 AND 36-2912.04, ARIZONA REVISED STATUTES; AMENDING SECTIONS 36-2913 AND 41-1005, ARIZONA REVISED STATUTES; REPEALING SECTION 41-3013.01, ARIZONA REVISED STATUTES; AMENDING TITLE 41, CHAPTER 27, ARTICLE 2, ARIZONA REVISED STATUTES, BY ADDING SECTION 41-3023.01; AMENDING LAWS 2011, CHAPTER 96, SECTIONS 1 AND 2; AMENDING LAWS 2011, CHAPTER 234, SECTION 2; MAKING APPROPRIATIONS AND TRANSFERS; PROVIDING FOR THE CONDITIONAL REPEAL OF SECTIONS 36-2901.07 AND 36-2901.08, ARIZONA REVISED STATUTES, AS ADDED BY THIS ACT; 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 9-499.15, Arizona Revised Statutes, is amended to
3 read:

4 9-499.15. Proposed municipal taxes and fees: notification
5 required; exception

6 A. A municipality may not levy or assess any new taxes or fees or
7 increase existing taxes or fees pursuant to statute on a business without
8 complying with this section.

9 B. A municipality that proposes to levy or assess a tax or fee shall:

10 1. If the imposition of the proposed tax or fee is a new charge,
11 provide written notice of the proposed charge on the home page of the
12 municipality's website at least sixty days before the date the proposed new
13 tax or fee is approved or disapproved by the governing body of the
14 municipality.

15 2. If the municipality proposes to increase the rate of an existing
16 tax or fee on a business, provide written notice of the proposed increase on
17 the home page of the municipality's website at least sixty days before the
18 date the proposed new rate is approved or disapproved by the governing body
19 of the municipality.

20 C. A municipality shall demonstrate that the taxes or fees are imposed
21 pursuant to statute.

22 D. This section does not apply to any fee adopted pursuant to section
23 9-463.05.

24 E. IN ADDITION TO ANY OTHER LIMITATION THAT MAY BE IMPOSED BY LAW, A
25 MUNICIPALITY SHALL NOT LEVY OR IMPOSE AN ASSESSMENT, FEE OR TAX ON HOSPITAL
26 REVENUES, DISCHARGES, BEDS OR SERVICES FOR THE PURPOSE OF RECEIVING SERVICES
27 OR PAYMENTS PURSUANT TO TITLE 36, CHAPTER 29.

28 Sec. 2. Section 36-427, Arizona Revised Statutes, is amended to read:

29 36-427. Suspension or revocation; intermediate sanctions

30 A. The director ~~may~~, pursuant to title 41, chapter 6, article 10, MAY
31 suspend or revoke, in whole or in part, the license of any health care
32 institution if its owners, officers, agents or employees:

33 1. Violate this chapter or the rules of the department adopted
34 pursuant to this chapter.

35 2. Knowingly aid, permit or abet the commission of any crime involving
36 medical and health related services.

37 3. Have been, are or may continue to be in substantial violation of
38 the requirements for licensure of the institution, as a result of which the
39 health or safety of one or more patients or the general public is in
40 immediate danger.

41 4. FAIL TO COMPLY WITH SECTION 36-2901.08.

42 B. If the licensee, the chief administrative officer or any other
43 person in charge of the institution refuses to permit the department or its
44 employees or agents the right to inspect its premises as provided in section

1 36-424, such action shall be deemed reasonable cause to believe that a
2 substantial violation under subsection A, paragraph 3 of this section exists.

3 C. If the director reasonably believes that a violation of subsection
4 A, paragraph 3 of this section has occurred and that life or safety of
5 patients will be immediately affected, the director, ~~upon~~ ON written notice
6 to the licensee, may order the immediate restriction of admissions or
7 readmissions, selected transfer of patients out of the facility, reduction of
8 capacity and termination of specific services, procedures, practices or
9 facilities.

10 D. The director may rescind, in whole or in part, sanctions imposed
11 pursuant to this section upon correction of the violation or violations for
12 which the sanctions were imposed.

13 Sec. 3. Section 36-2239, Arizona Revised Statutes, is amended to read:

14 36-2239. Rates or charges of ambulance service

15 A. An ambulance service that applies for an adjustment in its rates or
16 charges shall automatically be granted a rate increase equal to the amount
17 determined under section 36-2234, subsection E, if the ambulance service is
18 so entitled. An automatic rate adjustment that is granted pursuant to this
19 subsection and that is filed on or before April 1 is effective June 1 of that
20 year. The department shall notify the applicant and each health care
21 services organization as defined in section 20-1051 of the rate adjustment on
22 or before May 1 of that year.

23 B. Notwithstanding subsection E of this section, if the department
24 does not hold a hearing within ninety days after an ambulance service submits
25 an application to the department for an adjustment of its rates or charges,
26 the ambulance service may adjust its rates or charges to an amount not to
27 exceed the amount sought by the ambulance service in its application to the
28 department. An ambulance service shall not apply for an adjustment of its
29 rates or charges more than once every six months.

30 C. At the time it holds a hearing on the rates or charges of an
31 ambulance service pursuant to section 36-2234, the department may adjust the
32 rates or charges adjusted by the ambulance service pursuant to subsection B
33 of this section, but the adjustment shall not be retroactive.

34 D. Except as provided in subsection H of this section, an ambulance
35 service shall not charge, demand or collect any remuneration for any service
36 greater or less than or different from the rate or charge determined and
37 fixed by the department as the rate or charge for that service. An ambulance
38 service may charge for disposable supplies, medical supplies and medication
39 and oxygen related costs if the charges do not exceed the manufacturer's
40 suggested retail price, are uniform throughout the ambulance service's
41 certificated area and are filed with the director. An ambulance service
42 shall not refund or limit in any manner or by any device any portion of the
43 rates or charges for a service ~~which~~ THAT the department has determined and
44 fixed or ordered as the rate or charge for that service.

1 E. The department shall determine and render its decision regarding
2 all rates or charges within ninety days after commencement of the applicant's
3 hearing for an adjustment of rates or charges. If the department does not
4 render its decision as required by this subsection, the ambulance service may
5 adjust its rates and charges to an amount that does not exceed the amounts
6 sought by the ambulance service in its application to the department. If the
7 department renders a decision to adjust the rates or charges to an amount
8 less than that requested in the application and the ambulance service has
9 made an adjustment to its rates and charges that is higher than the
10 adjustment approved by the department, within thirty days after the
11 department's decision the ambulance service shall refund to the appropriate
12 ratepayer the difference between the ambulance service's adjusted rates and
13 charges and the rates and charges ordered by the department. The ambulance
14 service shall provide evidence to the department that the refund has been
15 made. If the ambulance service fails to comply with this subsection, the
16 director may impose a civil penalty subject to the limitations provided in
17 section 36-2245.

18 F. An ambulance service shall charge the advanced life support base
19 rate as prescribed by the director under any of the following circumstances:

20 1. A person requests an ambulance by dialing telephone number 911, or
21 a similarly designated telephone number for emergency calls, and the
22 ambulance service meets the following:

23 (a) The ambulance is staffed with at least one ambulance attendant.

24 (b) The ambulance is equipped with all required advanced life support
25 medical equipment and supplies for the advanced life support attendants in
26 the ambulance.

27 (c) The patient receives advanced life support services or is
28 transported by the advanced life support unit.

29 2. Advanced life support is requested by a medical authority or by the
30 patient.

31 3. The ambulance attendants administer one or more specialized
32 treatment activities or procedures as prescribed by the department by rule.

33 G. An ambulance service shall charge the basic life support base rate
34 as prescribed by the director under any of the following circumstances:

35 1. A person requests an ambulance by dialing telephone number 911, or
36 a similarly designated telephone number for emergency calls, and the
37 ambulance service meets the following:

38 (a) The ambulance is staffed with two ambulance attendants certified
39 by this state.

40 (b) The ambulance is equipped with all required basic life support
41 medical equipment and supplies for the basic life support medical attendants
42 in the ambulance.

43 (c) The patient receives basic life support services or is transported
44 by the basic life support unit.

1 2. Basic life support transportation or service is requested by a
2 medical authority or by the patient, unless any provision of subsection F of
3 this section applies, in which case the advanced life support rate shall
4 apply.

5 ~~H. This section does not apply to reimbursement by the Arizona health
6 care cost containment system administration or its contractors or
7 subcontractors. The Arizona health care cost containment system
8 administration or its contractors or subcontractors shall provide
9 reimbursement for ambulance services under chapter 29, article 1 of this
10 title.~~

11 H. FOR EACH CONTRACT YEAR, THE ARIZONA HEALTH CARE COST CONTAINMENT
12 SYSTEM ADMINISTRATION AND ITS CONTRACTORS AND SUBCONTRACTORS SHALL PROVIDE
13 REMUNERATION FOR AMBULANCE SERVICES FOR PERSONS WHO ARE ENROLLED IN OR
14 COVERED BY THE ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM IN AN AMOUNT EQUAL
15 TO EIGHTY PER CENT OF THE AMOUNTS AS PRESCRIBED BY THE DEPARTMENT AS OF JULY
16 1 OF EACH YEAR FOR SERVICES SPECIFIED IN SUBSECTIONS F AND G OF THIS SECTION
17 AND EIGHTY PER CENT OF THE MILEAGE CHARGES AS DETERMINED BY THE DEPARTMENT AS
18 OF JULY 1 OF EACH YEAR PURSUANT TO SECTION 36-2232. THE ARIZONA HEALTH CARE
19 COST CONTAINMENT SYSTEM ADMINISTRATION SHALL MAKE ANNUAL ADJUSTMENTS TO THE
20 ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM FEE SCHEDULE ACCORDING TO THE
21 DEPARTMENT'S APPROVED AMBULANCE SERVICE RATE IN EFFECT AS OF JULY 1 OF EACH
22 YEAR. THE RATE ADJUSTMENTS MADE PURSUANT TO THIS SUBSECTION ARE EFFECTIVE
23 BEGINNING OCTOBER 1 OF EACH YEAR.

24 I. In establishing rates and charges the director shall consider the
25 following factors:

26 1. The transportation needs assessment of the medical response system
27 in a political subdivision.

28 2. The medical care consumer price index of the United States
29 department of labor, bureau of labor statistics.

30 3. Whether a review is made by a local emergency medical services
31 coordinating system in regions where that system is designated as to the
32 appropriateness of the proposed service level.

33 4. The rate of return on gross revenue.

34 5. Response times pursuant to section 36-2232, subsection A,
35 paragraph 2.

36 J. Notwithstanding section 36-2234, an ambulance service may charge an
37 amount for medical assessment, equipment or treatment that exceeds the
38 requirements of section 36-2205 if requested or required by a medical
39 provider or patient.

40 K. Notwithstanding subsections D, F and G of this section, an
41 ambulance service may provide gratuitous services if an ambulance is
42 dispatched and the patient subsequently declines to be treated or
43 transported.

1 Sec. 4. Section 36-2901, Arizona Revised Statutes, is amended to read:

2 36-2901. Definitions

3 In this article, unless the context otherwise requires:

4 1. "Administration" means the Arizona health care cost containment
5 system administration.

6 2. "Administrator" means the administrator of the Arizona health care
7 cost containment system.

8 3. "Contractor" means a person or entity that has a prepaid capitated
9 contract with the administration pursuant to section 36-2904 to provide
10 health care to members under this article either directly or through
11 subcontracts with providers.

12 4. "Department" means the department of economic security.

13 5. "Director" means the director of the Arizona health care cost
14 containment system administration.

15 6. "Eligible person" means any person who is:

16 (a) Any of the following:

17 (i) Defined as mandatorily or optionally eligible pursuant to title
18 XIX of the social security act as authorized by the state plan.

19 (ii) Defined in title XIX of the social security act as an eligible
20 pregnant woman with a family income that does not exceed one hundred fifty
21 per cent of the federal poverty guidelines, as a child under the age of six
22 years and whose family income does not exceed one hundred thirty-three per
23 cent of the federal poverty guidelines or as children who have not attained
24 nineteen years of age and whose family income does not exceed one hundred
25 THIRTY-THREE per cent of the federal poverty guidelines.

26 (iii) Under ~~twenty-one~~ TWENTY-SIX years of age and who was in the
27 custody of the department of economic security pursuant to title 8, chapter 5
28 or 10 when the person became eighteen years of age.

29 (iv) Defined as eligible pursuant to section 36-2901.01.

30 (v) Defined as eligible pursuant to section 36-2901.04.

31 (vi) DEFINED AS ELIGIBLE PURSUANT TO SECTION 36-2901.07.

32 (b) A full-time officer or employee of this state or of a city, town
33 or school district of this state or other person who is eligible for
34 hospitalization and medical care under title 38, chapter 4, article 4.

35 (c) A full-time officer or employee of any county in this state or
36 other persons authorized by the county to participate in county medical care
37 and hospitalization programs if the county in which such officer or employee
38 is employed has authorized participation in the system by resolution of the
39 county board of supervisors.

40 (d) An employee of a business within this state.

41 (e) A dependent of an officer or employee who is participating in the
42 system.

43 (f) Not enrolled in the Arizona long-term care system pursuant to
44 article 2 of this chapter.

1 (g) Defined as eligible pursuant to section 1902(a)(10)(A)(ii)(XV) and
2 (XVI) of title XIX of the social security act and who meets the income
3 requirements of section 36-2929.

4 7. "Graduate medical education" means a program, including an approved
5 fellowship, that prepares a physician for the independent practice of
6 medicine by providing didactic and clinical education in a medical discipline
7 to a medical student who has completed a recognized undergraduate medical
8 education program.

9 8. "Malice" means evil intent and outrageous, oppressive or
10 intolerable conduct that creates a substantial risk of tremendous harm to
11 others.

12 9. "Member" means an eligible person who enrolls in the system.

13 10. "MODIFIED ADJUSTED GROSS INCOME" HAS THE SAME MEANING PRESCRIBED IN
14 42 UNITED STATES CODE SECTION 1396a(e)(14).

15 ~~10-~~ 11. "Noncontracting provider" means a person who provides health
16 care to members pursuant to this article but not pursuant to a subcontract
17 with a contractor.

18 ~~11-~~ 12. "Physician" means a person licensed pursuant to title 32,
19 chapter 13 or 17.

20 ~~12-~~ 13. "Prepaid capitated" means a mode of payment by which a health
21 care contractor directly delivers health care services for the duration of a
22 contract to a maximum specified number of members based on a fixed rate per
23 member notwithstanding:

24 (a) The actual number of members who receive care from the contractor.

25 (b) The amount of health care services provided to any member.

26 ~~13-~~ 14. "Primary care physician" means a physician who is a family
27 practitioner, general practitioner, pediatrician, general internist, or
28 obstetrician or gynecologist.

29 ~~14-~~ 15. "Primary care practitioner" means a nurse practitioner
30 certified pursuant to title 32, chapter 15 or a physician assistant certified
31 pursuant to title 32, chapter 25. This paragraph does not expand the scope
32 of practice for nurse practitioners as defined pursuant to title 32, chapter
33 15, or for physician assistants as defined pursuant to title 32, chapter 25.

34 ~~15-~~ 16. "Section 1115 waiver" means the research and demonstration
35 waiver granted by the United States department of health and human services.

36 ~~16-~~ 17. "Special health care district" means a special health care
37 district organized pursuant to title 48, chapter 31.

38 ~~17-~~ 18. "State plan" has the same meaning prescribed in section
39 36-2931.

40 ~~18-~~ 19. "System" means the Arizona health care cost containment system
41 established by this article.

1 C. THE DIRECTOR MAY ESTABLISH MODIFICATIONS OR EXEMPTIONS TO THE
2 ASSESSMENT. IN DETERMINING THE MODIFICATIONS OR EXEMPTIONS, THE DIRECTOR MAY
3 CONSIDER FACTORS INCLUDING THE SIZE OF THE HOSPITAL, THE SPECIALTY SERVICES
4 AVAILABLE TO PATIENTS AND THE GEOGRAPHIC LOCATION OF THE HOSPITAL.

5 D. BEFORE IMPLEMENTING THE ASSESSMENT, AND THEREAFTER IF THE
6 METHODOLOGY IS MODIFIED, THE DIRECTOR SHALL PRESENT THE METHODOLOGY TO THE
7 JOINT LEGISLATIVE BUDGET COMMITTEE FOR REVIEW.

8 E. THE ADMINISTRATION SHALL NOT COLLECT AN ASSESSMENT FOR COSTS
9 ASSOCIATED WITH SERVICE AFTER THE EFFECTIVE DATE OF ANY REDUCTION OF THE
10 FEDERAL MEDICAL ASSISTANCE PERCENTAGE ESTABLISHED BY 42 UNITED STATES CODE
11 SECTION 1396d(y) OR 1396d(z) THAT IS APPLICABLE TO THIS STATE TO LESS THAN
12 EIGHTY PER CENT.

13 F. THE ADMINISTRATION SHALL DEPOSIT THE REVENUES COLLECTED PURSUANT TO
14 THIS SECTION IN THE HOSPITAL ASSESSMENT FUND ESTABLISHED BY SECTION
15 36-2901.09.

16 G. A HOSPITAL SHALL NOT PASS THE COST OF THE ASSESSMENT ON TO PATIENTS
17 OR THIRD-PARTY PAYORS THAT ARE LIABLE TO PAY FOR CARE ON A PATIENT'S BEHALF.
18 AS PART OF ITS FINANCIAL STATEMENT SUBMISSIONS PURSUANT TO SECTION 36-125.04,
19 A HOSPITAL SHALL SUBMIT TO THE DEPARTMENT OF HEALTH SERVICES AN ATTESTATION
20 THAT IT HAS NOT PASSED ON THE COST OF THE ASSESSMENT TO PATIENTS OR
21 THIRD-PARTY PAYORS.

22 H. IF A HOSPITAL DOES NOT COMPLY WITH THIS SECTION AS PRESCRIBED BY
23 THE DIRECTOR, THE DIRECTOR MAY SUSPEND OR REVOKE THE HOSPITAL'S ARIZONA
24 HEALTH CARE COST CONTAINMENT SYSTEM PROVIDER AGREEMENT REGISTRATION. IF THE
25 HOSPITAL DOES NOT COMPLY WITHIN ONE HUNDRED EIGHTY DAYS AFTER THE DIRECTOR
26 SUSPENDS OR REVOKES THE HOSPITAL'S PROVIDER AGREEMENT, THE DIRECTOR SHALL
27 NOTIFY THE DIRECTOR OF THE DEPARTMENT OF HEALTH SERVICES, WHO SHALL SUSPEND
28 OR REVOKE THE HOSPITAL'S LICENSE PURSUANT TO SECTION 36-427.

29 36-2901.09. Hospital assessment fund

30 A. THE HOSPITAL ASSESSMENT FUND IS ESTABLISHED CONSISTING OF MONIES
31 COLLECTED PURSUANT TO SECTION 36-2901.08. THE DIRECTOR SHALL ADMINISTER THE
32 FUND.

33 B. THE DIRECTOR SHALL USE FUND MONIES ONLY AS NECESSARY TO SUPPLEMENT
34 MONIES IN THE PROPOSITION 204 PROTECTION ACCOUNT ESTABLISHED BY SECTION
35 36-778 AND THE ARIZONA TOBACCO LITIGATION SETTLEMENT FUND ESTABLISHED BY
36 SECTION 36-2901.02.

37 C. MONIES IN THE FUND:

- 38 1. DO NOT REVERT TO THE STATE GENERAL FUND.
- 39 2. ARE EXEMPT FROM THE PROVISIONS OF SECTION 35-190 RELATING TO
40 LAPSING OF APPROPRIATIONS.
- 41 3. ARE CONTINUOUSLY APPROPRIATED.

1 Sec. 6. Section 36-2903.01, Arizona Revised Statutes, is amended to
2 read:

3 36-2903.01. Additional powers and duties; report

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

10 B. The director shall:

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

17 2. Enter into an interagency agreement with the department to
18 establish a streamlined eligibility process to determine the eligibility of
19 all persons defined pursuant to section 36-2901, paragraph 6,
20 subdivision (a). At the administration's option, the interagency agreement
21 may allow the administration to determine the eligibility of certain persons,
22 including those defined pursuant to section 36-2901, paragraph 6,
23 subdivision (a).

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

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

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

28 (c) Establish the process for management evaluation reviews that the
29 administration shall perform to evaluate the eligibility determination
30 functions performed by the department.

31 (d) Establish eligibility quality control reviews by the
32 administration.

33 (e) Require the department to adopt rules, consistent with the rules
34 adopted by the administration for a hearing process, that applicants or
35 members may use for appeals of eligibility determinations or
36 redeterminations.

37 (f) Establish the department's responsibility to place sufficient
38 eligibility workers at federally qualified health centers to screen for
39 eligibility and at hospital sites and level one trauma centers to ensure that
40 persons seeking hospital services are screened on a timely basis for
41 eligibility for the system, including a process to ensure that applications
42 for the system can be accepted on a twenty-four hour basis, seven days a
43 week.

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

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

8 4. By rule establish a procedure and time frames for the intake of
9 grievances and requests for hearings, for the continuation of benefits and
10 services during the appeal process and for a grievance process at the
11 contractor level. Notwithstanding sections 41-1092.02, 41-1092.03 and
12 41-1092.05, the administration shall develop rules to establish the procedure
13 and time frame for the informal resolution of grievances and appeals. A
14 grievance that is not related to a claim for payment of system covered
15 services shall be filed in writing with and received by the administration or
16 the prepaid capitated provider or program contractor not later than sixty
17 days after the date of the adverse action, decision or policy implementation
18 being grieved. A grievance that is related to a claim for payment of system
19 covered services must be filed in writing and received by the administration
20 or the prepaid capitated provider or program contractor within twelve months
21 after the date of service, within twelve months after the date that
22 eligibility is posted or within sixty days after the date of the denial of a
23 timely claim submission, whichever is later. A grievance for the denial of a
24 claim for reimbursement of services may contest the validity of any adverse
25 action, decision, policy implementation or rule that related to or resulted
26 in the full or partial denial of the claim. A policy implementation may be
27 subject to a grievance procedure, but it may not be appealed for a hearing.
28 The administration is not required to participate in a mandatory settlement
29 conference if it is not a real party in interest. In any proceeding before
30 the administration, including a grievance or hearing, persons may represent
31 themselves or be represented by a duly authorized agent who is not charging a
32 fee. A legal entity may be represented by an officer, partner or employee
33 who is specifically authorized by the legal entity to represent it in the
34 particular proceeding.

35 5. Apply for and accept federal funds available under title XIX of the
36 social security act (P.L. 89-97; 79 Stat. 344; 42 United States Code section
37 1396 (1980)) in support of the system. The application made by the director
38 pursuant to this paragraph shall be designed to qualify for federal funding
39 primarily on a prepaid capitated basis. Such funds may be used only for the
40 support of persons defined as eligible pursuant to title XIX of the social
41 security act or the approved section 1115 waiver.

42 6. At least thirty days before the implementation of a policy or a
43 change to an existing policy relating to reimbursement, provide notice to
44 interested parties. Parties interested in receiving notification of policy

1 changes shall submit a written request for notification to the
2 administration.

3 7. In addition to the cost sharing requirements specified in
4 subsection D, paragraph 4 of this section:

5 (a) Charge monthly premiums up to the maximum amount allowed by
6 federal law to all populations of eligible persons who may be charged.

7 (b) Implement this paragraph to the extent permitted under the federal
8 deficit reduction act of 2005 and other federal laws, subject to the approval
9 of federal waiver authority and to the extent that any changes in the cost
10 sharing requirements under this paragraph would permit this state to receive
11 any enhanced federal matching rate.

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

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

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

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

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

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

1 E. The director shall adopt rules that further specify the medical
2 care and hospital services that are covered by the system pursuant to section
3 36-2907.

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

9 G. 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 from March 1, 1993 through September
13 30, 2013, the administration shall use a prospective tiered per diem
14 methodology, using hospital peer groups if analysis shows that cost
15 differences can be attributed to independently definable features that
16 hospitals within a peer group share. In peer grouping the administration may
17 consider such factors as length of stay differences and labor market
18 variations. If there are no cost differences, the administration shall
19 implement a stop loss-stop gain or similar mechanism. Any stop loss-stop
20 gain or similar mechanism shall ensure that the tiered per diem rates
21 assigned to a hospital do not represent less than ninety per cent of its 1990
22 base year costs or more than one hundred ten per cent of its 1990 base year
23 costs, adjusted by an audit factor, during the period of March 1, 1993
24 through September 30, 1994. The tiered per diem rates set for hospitals
25 shall represent no less than eighty-seven and one-half per cent or more than
26 one hundred twelve and one-half per cent of its 1990 base year costs,
27 adjusted by an audit factor, from October 1, 1994 through September 30, 1995
28 and no less than eighty-five per cent or more than one hundred fifteen per
29 cent of its 1990 base year costs, adjusted by an audit factor, from October
30 1, 1995 through September 30, 1996. For the periods after September 30, 1996
31 no stop loss-stop gain or similar mechanisms shall be in effect. An
32 adjustment in the stop loss-stop gain percentage may be made to ensure that
33 total payments do not increase as a result of this provision. If peer groups
34 are used, the administration shall establish initial peer group designations
35 for each hospital before implementation of the per diem system. The
36 administration may also use a negotiated rate methodology. The tiered per
37 diem methodology may include separate consideration for specialty hospitals
38 that limit their provision of services to specific patient populations, such
39 as rehabilitative patients or children. The initial per diem rates shall be
40 based on hospital claims and encounter data for dates of service November 1,
41 1990 through October 31, 1991 and processed through May of 1992.

42 2. For rates effective on October 1, 1994, and annually through
43 September 30, 2011, the administration shall adjust tiered per diem payments
44 for inpatient hospital care by the data resources incorporated market basket
45 index for prospective payment system hospitals. For rates effective

1 beginning on October 1, 1999, the administration shall adjust payments to
2 reflect changes 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
44 third-party payors or in situations covered by title 33, chapter 7,
45 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
41 January 1, 1999 and as further adjusted by the calculation of tier rates for
42 maternity and nursery as prescribed by law. Through September 30, 2011, the
43 administration shall adjust the capital related cost component by the data
44 resources incorporated market basket index for prospective payment system
45 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 global insight hospital market basket index for
12 prospective hospital reimbursement. Subject to legislative appropriation, on
13 an annual basis, each qualified hospital shall receive a single payment from
14 the graduate medical education program that is equal to the same percentage
15 of graduate medical education reimbursement that was paid by the system in
16 federal fiscal year 1995-1996. Any reimbursement for graduate medical
17 education made by the administration shall not be subject to future
18 settlements or appeals by the hospitals to the administration. The monies
19 available under this subdivision shall not exceed the fiscal year 2005-2006
20 appropriation adjusted annually by the increase or decrease in the index
21 published by the global insight hospital market basket index for prospective
22 hospital reimbursement, except for monies distributed for expansions pursuant
23 to subdivision (b) of this paragraph.

24 (b) The monies available for graduate medical education programs
25 pursuant to this subdivision shall not exceed the fiscal year 2006-2007
26 appropriation adjusted annually by the increase or decrease in the index
27 published by the global insight hospital market basket index for prospective
28 hospital reimbursement. Graduate medical education programs eligible for
29 such reimbursement are not precluded from receiving reimbursement for funding
30 under subdivision (c) of this paragraph. Beginning July 1, 2006, the
31 administration shall distribute any monies appropriated for graduate medical
32 education above the amount prescribed in subdivision (a) of this paragraph in
33 the following order or priority:

34 (i) For the direct costs to support the expansion of graduate medical
35 education programs established before July 1, 2006 at hospitals that do not
36 receive payments pursuant to subdivision (a) of this paragraph. These
37 programs must be approved by the administration.

38 (ii) For the direct costs to support the expansion of graduate medical
39 education programs established on or before October 1, 1999. These programs
40 must be approved by the administration.

41 (c) The administration shall distribute to hospitals any monies
42 appropriated for graduate medical education above the amount prescribed in
43 subdivisions (a) and (b) of this paragraph for the following purposes:

1 (i) For the direct costs of graduate medical education programs
2 established or expanded on or after July 1, 2006. These programs must be
3 approved by the administration.

4 (ii) For a portion of additional indirect graduate medical education
5 costs for programs that are located in a county with a population of less
6 than five hundred thousand persons at the time the residency position was
7 created or for a residency position that includes a rotation in a county with
8 a population of less than five hundred thousand persons at the time the
9 residency position was established. These programs must be approved by the
10 administration.

11 (d) The administration shall develop, by rule, the formula by which
12 the monies are distributed.

13 (e) Each graduate medical education program that receives funding
14 pursuant to subdivision (b) or (c) of this paragraph shall identify and
15 report to the administration the number of new residency positions created by
16 the funding provided in this paragraph, including positions in rural areas.
17 The program shall also report information related to the number of funded
18 residency positions that resulted in physicians locating their **practice**
19 **PRACTICES** in this state. The administration shall report to the joint
20 legislative budget committee by February 1 of each year on the number of new
21 residency positions as reported by the graduate medical education programs.

22 (f) Local, county and tribal governments and any university under the
23 jurisdiction of the Arizona board of regents may provide monies in addition
24 to any state general fund monies appropriated for graduate medical education
25 in order to qualify for additional matching federal monies for providers,
26 programs or positions in a specific locality and costs incurred pursuant to a
27 specific contract between the administration and providers or other entities
28 to provide graduate medical education services as an administrative activity.
29 Payments by the administration pursuant to this subdivision may be limited to
30 those providers designated by the funding entity and may be based on any
31 methodology deemed appropriate by the administration, including replacing any
32 payments that might otherwise have been paid pursuant to subdivision (a), (b)
33 or (c) of this paragraph had sufficient state general fund monies or other
34 monies been appropriated to fully fund those payments. These programs,
35 positions, payment methodologies and administrative graduate medical
36 education services must be approved by the administration and the centers for
37 medicare and medicaid services. The administration shall report to the
38 president of the senate, the speaker of the house of representatives and the
39 director of the joint legislative budget committee on or before July 1 of
40 each year on the amount of money contributed and number of residency
41 positions funded by local, county and tribal governments, including the
42 amount of federal matching monies used.

43 (g) Any funds appropriated but not allocated by the administration for
44 subdivision (b) or (c) of this paragraph may be reallocated if funding for

1 either subdivision is insufficient to cover appropriate graduate medical
2 education costs.

3 10. Notwithstanding section 41-1005, subsection A, paragraph 9, the
4 administration shall adopt rules pursuant to title 41, chapter 6 establishing
5 the methodology for determining the prospective tiered per diem payments that
6 are in effect through September 30, 2013.

7 11. For inpatient hospital services rendered on or after October 1,
8 2011, the prospective tiered per diem payment rates are permanently reset to
9 the amounts payable for those services as of ~~September 30~~ OCTOBER 1, 2011
10 pursuant to this subsection.

11 12. The administration shall obtain legislative approval before
12 adopting a hospital reimbursement methodology consistent with title XIX of
13 the social security act for inpatient dates of service on and after October
14 1, 2013.

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

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

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

36 1. The type of third-party payments to be monitored pursuant to this
37 subsection.

38 2. The percentage of third-party payments that is collected by a
39 contractor or noncontracting provider and that the contractor or
40 noncontracting provider may keep and the percentage of such payments that the
41 contractor or noncontracting provider may be required to pay to the
42 administration. Contractors and noncontracting providers must pay to the
43 administration one hundred per cent of all third-party payments that are
44 collected and that duplicate administration fee-for-service payments. A
45 contractor that contracts with the administration pursuant to section

1 36-2904, subsection A may be entitled to retain a percentage of third-party
2 payments if the payments collected and retained by a contractor are reflected
3 in reduced capitation rates. A contractor may be required to pay the
4 administration a percentage of third-party payments that are collected by a
5 contractor and that are not reflected in reduced capitation rates.

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

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

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

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

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

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

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

1 deposited in the state general fund. Section 36-2918, subsections C, D and
2 F, relating to the imposition, collection and enforcement of civil penalties,
3 apply to civil penalties imposed pursuant to this paragraph.

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

9 M. Subject to title 41, chapter 4, article 4, the director or the
10 director's designee may employ and supervise personnel necessary to assist
11 the director in performing the functions of the administration.

12 N. The administration may contract with contractors for obstetrical
13 care who are eligible to provide services under title XIX of the social
14 security act.

15 O. Notwithstanding any other law, on federal approval the
16 administration may make disproportionate share payments to private hospitals,
17 county operated hospitals, including hospitals owned or leased by a special
18 health care district, and state operated institutions for mental disease
19 beginning October 1, 1991 in accordance with federal law and subject to
20 legislative appropriation. If at any time the administration receives
21 written notification from federal authorities of any change or difference in
22 the actual or estimated amount of federal funds available for
23 disproportionate share payments from the amount reflected in the legislative
24 appropriation for such purposes, the administration shall provide written
25 notification of such change or difference to the president and the minority
26 leader of the senate, the speaker and the minority leader of the house of
27 representatives, the director of the joint legislative budget committee, the
28 legislative committee of reference and any hospital trade association within
29 this state, within three working days not including weekends after receipt of
30 the notice of the change or difference. In calculating disproportionate
31 share payments as prescribed in this section, the administration may use
32 either a methodology based on claims and encounter data that is submitted to
33 the administration from contractors or a methodology based on data that is
34 reported to the administration by private hospitals and state operated
35 institutions for mental disease. The selected methodology applies to all
36 private hospitals and state operated institutions for mental disease
37 qualifying for disproportionate share payments. For the purposes of this
38 subsection, "disproportionate share payment" means a payment to a hospital
39 that serves a disproportionate share of low-income patients as described by
40 42 United States Code section 1396r-4.

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

8 S. In addition to any requirements adopted pursuant to subsection D,
9 paragraph 4 of this section, notwithstanding any other law, subject to
10 approval by the centers for medicare and medicaid services, beginning July 1,
11 2011, members eligible pursuant to section 36-2901, paragraph 6, subdivision
12 (a), section 36-2931 and section 36-2981, paragraph 6 shall pay the
13 following:

- 14 1. A monthly premium of fifteen dollars, except that the total monthly
15 premium for an entire household shall not exceed sixty dollars.
- 16 2. A copayment of five dollars for each physician office visit.
- 17 3. A copayment of ten dollars for each urgent care visit.
- 18 4. A copayment of thirty dollars for each emergency department visit.

19 Sec. 7. Section 36-2907, Arizona Revised Statutes, is amended to read:

20 36-2907. Covered health and medical services; modifications;
21 related delivery of service requirements; definition

22 A. Subject to the limitations and exclusions specified in this
23 section, contractors shall provide the following medically necessary health
24 and medical services:

25 1. Inpatient hospital services that are ordinarily furnished by a
26 hospital for the care and treatment of inpatients and that are provided under
27 the direction of a physician or a primary care practitioner. For the
28 purposes of this section, inpatient hospital services exclude services in an
29 institution for tuberculosis or mental diseases unless authorized under an
30 approved section 1115 waiver.

31 2. Outpatient health services that are ordinarily provided in
32 hospitals, clinics, offices and other health care facilities by licensed
33 health care providers. Outpatient health services include services provided
34 by or under the direction of a physician or a primary care practitioner.

35 3. Other laboratory and x-ray services ordered by a physician or a
36 primary care practitioner.

37 4. Medications that are ordered on prescription by a physician or a
38 dentist licensed pursuant to title 32, chapter 11. Persons who are dually
39 eligible for title XVIII and title XIX services must obtain available
40 medications through a medicare licensed or certified medicare advantage
41 prescription drug plan, a medicare prescription drug plan or any other entity
42 authorized by medicare to provide a medicare part D prescription drug
43 benefit.

44 5. Medical supplies, durable medical equipment and prosthetic devices
45 ordered by a physician or a primary care practitioner. Suppliers of durable

1 medical equipment shall provide the administration with complete information
2 about the identity of each person who has an ownership or controlling
3 interest in their business and shall comply with federal bonding requirements
4 in a manner prescribed by the administration.

5 6. For persons who are at least twenty-one years of age, treatment of
6 medical conditions of the eye, excluding eye examinations for prescriptive
7 lenses and the provision of prescriptive lenses.

8 7. Early and periodic health screening and diagnostic services as
9 required by section 1905(r) of title XIX of the social security act for
10 members who are under twenty-one years of age.

11 8. Family planning services that do not include abortion or abortion
12 counseling. If a contractor elects not to provide family planning services,
13 this election does not disqualify the contractor from delivering all other
14 covered health and medical services under this chapter. In that event, the
15 administration may contract directly with another contractor, including an
16 outpatient surgical center or a noncontracting provider, to deliver family
17 planning services to a member who is enrolled with the contractor that elects
18 not to provide family planning services.

19 9. Podiatry services ordered by a primary care physician or primary
20 care practitioner.

21 10. Nonexperimental transplants approved for title XIX reimbursement.

22 11. Ambulance and nonambulance transportation, except as provided in
23 subsection G of this section.

24 12. Hospice care.

25 B. The limitations and exclusions for health and medical services
26 provided under this section are as follows:

27 1. Circumcision of newborn males is not a covered health and medical
28 service.

29 2. For eligible persons who are at least twenty-one years of age:

30 (a) Outpatient health services do not include occupational therapy or
31 speech therapy.

32 (b) Prosthetic devices do not include hearing aids, dentures, bone
33 anchored hearing aids or cochlear implants. Prosthetic devices, except
34 prosthetic implants, may be limited to twelve thousand five hundred dollars
35 per contract year.

36 (c) Insulin pumps, percussive vests and orthotics are not covered
37 health and medical services.

38 (d) Durable medical equipment is limited to items covered by medicare.

39 (e) Podiatry services do not include services performed by a
40 podiatrist.

41 (f) Nonexperimental transplants do not include ~~the following:~~

42 ~~(i) pancreas only transplants.~~

43 ~~(ii) Pancreas after kidney transplants.~~

44 ~~(iii) Lung transplants.~~

45 ~~(iv) Hemopoetic cell allogenic unrelated transplants.~~

1 ~~(v) Heart transplants for non-ischemic cardiomyopathy.~~

2 ~~(vi) Liver transplants for diagnosis of hepatitis C.~~

3 (g) ~~Beginning October 1, 2011,~~ Bariatric surgery procedures, including
4 laparoscopic and open gastric bypass and restrictive procedures, are not
5 covered health and medical services.

6 ~~(h) Well exams are not a covered health and medical service, except~~
7 ~~mammograms, pap smears and colonoscopies.~~

8 C. The system shall pay noncontracting providers only for health and
9 medical services as prescribed in subsection A of this section and as
10 prescribed by rule.

11 D. The director shall adopt rules necessary to limit, to the extent
12 possible, the scope, duration and amount of services, including maximum
13 limitations for inpatient services that are consistent with federal
14 regulations under title XIX of the social security act (P.L. 89-97; 79 Stat.
15 344; 42 United States Code section 1396 (1980)). To the extent possible and
16 practicable, these rules shall provide for the prior approval of medically
17 necessary services provided pursuant to this chapter.

18 E. The director shall make available home health services in lieu of
19 hospitalization pursuant to contracts awarded under this article. For the
20 purposes of this subsection, "home health services" means the provision of
21 nursing services, home health aide services or medical supplies, equipment
22 and appliances, ~~which~~ THAT are provided on a part-time or intermittent basis
23 by a licensed home health agency within a member's residence based on the
24 orders of a physician or a primary care practitioner. Home health agencies
25 shall comply with the federal bonding requirements in a manner prescribed by
26 the administration.

27 F. The director shall adopt rules for the coverage of behavioral
28 health services for persons who are eligible under section 36-2901, paragraph
29 6, subdivision (a). The administration shall contract with the department of
30 health services for the delivery of all medically necessary behavioral health
31 services to persons who are eligible under rules adopted pursuant to this
32 subsection. The division of behavioral health in the department of health
33 services shall establish a diagnostic and evaluation program to which other
34 state agencies shall refer children who are not already enrolled pursuant to
35 this chapter and who may be in need of behavioral health services. In
36 addition to an evaluation, the division of behavioral health shall also
37 identify children who may be eligible under section 36-2901, paragraph 6,
38 subdivision (a) or section 36-2931, paragraph 5 and shall refer the children
39 to the appropriate agency responsible for making the final eligibility
40 determination.

41 G. The director shall adopt rules for the provision of transportation
42 services and rules providing for copayment by members for transportation for
43 other than emergency purposes. Subject to approval by the centers for
44 medicare and medicaid services, nonemergency medical transportation shall not
45 be provided except for stretcher vans and ambulance transportation. Prior

1 authorization is required for transportation by stretcher van and for
2 medically necessary ambulance transportation initiated pursuant to a
3 physician's direction. Prior authorization is not required for medically
4 necessary ambulance transportation services rendered to members or eligible
5 persons initiated by dialing telephone number 911 or other designated
6 emergency response systems.

7 H. The director may adopt rules to allow the administration, at the
8 director's discretion, to use a second opinion procedure under which surgery
9 may not be eligible for coverage pursuant to this chapter without
10 documentation as to need by at least two physicians or primary care
11 practitioners.

12 I. If the director does not receive bids within the amounts budgeted
13 or if at any time the amount remaining in the Arizona health care cost
14 containment system fund is insufficient to pay for full contract services for
15 the remainder of the contract term, the administration, on notification to
16 system contractors at least thirty days in advance, may modify the list of
17 services required under subsection A of this section for persons defined as
18 eligible other than those persons defined pursuant to section 36-2901,
19 paragraph 6, subdivision (a). The director may also suspend services or may
20 limit categories of expense for services defined as optional pursuant to
21 title XIX of the social security act (P.L. 89-97; 79 Stat. 344; 42 United
22 States Code section 1396 (1980)) for persons defined pursuant to section
23 36-2901, paragraph 6, subdivision (a). Such reductions or suspensions do not
24 apply to the continuity of care for persons already receiving these services.

25 J. Additional, reduced or modified hospitalization and medical care
26 benefits may be provided under the system to enrolled members who are
27 eligible pursuant to section 36-2901, paragraph 6, subdivision (b), (c), (d)
28 or (e).

29 K. All health and medical services provided under this article shall
30 be provided in the geographic service area of the member, except:

31 1. Emergency services and specialty services provided pursuant to
32 section 36-2908.

33 2. That the director may permit the delivery of health and medical
34 services in other than the geographic service area in this state or in an
35 adjoining state if the director determines that medical practice patterns
36 justify the delivery of services or a net reduction in transportation costs
37 can reasonably be expected. Notwithstanding the definition of physician as
38 prescribed in section 36-2901, if services are procured from a physician or
39 primary care practitioner in an adjoining state, the physician or primary
40 care practitioner shall be licensed to practice in that state pursuant to
41 licensing statutes in that state similar to title 32, chapter 13, 15, 17 or
42 25 and shall complete a provider agreement for this state.

43 L. Covered outpatient services shall be subcontracted by a primary
44 care physician or primary care practitioner to other licensed health care
45 providers to the extent practicable for purposes including, but not limited

1 to, making health care services available to underserved areas, reducing
2 costs of providing medical care and reducing transportation costs.

3 M. The director shall adopt rules that prescribe the coordination of
4 medical care for persons who are eligible for system services. The rules
5 shall include provisions for the transfer of patients, the transfer of
6 medical records and the initiation of medical care.

7 N. For the purposes of this section, "ambulance" has the same meaning
8 prescribed in section 36-2201.

9 Sec. 8. Delayed repeals

10 A. Sections 36-2912, 36-2912.02, 36-2912.03 and 36-2912.04, Arizona
11 Revised Statutes, are repealed from and after December 31, 2013.

12 B. Section 36-2912.01, Arizona Revised Statutes, is repealed from and
13 after December 31, 2014.

14 Sec. 9. Section 36-2913, Arizona Revised Statutes, is amended to read:
15 36-2913. Systems funds; funding

16 A. The Arizona health care cost containment system fund, long-term
17 care system fund and the third-party liability AND RECOVERY AUDIT fund are
18 established. The funds shall be used to pay administrative and program costs
19 associated with the operation of the system established pursuant to this
20 article and the long-term care system established pursuant to article 2 of
21 this chapter.

22 B. Separate accounts, including but not limited to a reserve fund, may
23 be established within the funds. Different accounts within the funds shall
24 be established in order to separately account for expense and income activity
25 associated with the system established pursuant to this article and article 2
26 of this chapter.

27 C. The Arizona health care cost containment system fund and long-term
28 care system fund shall be comprised of:

29 1. Monies paid by each of the counties of this state of the amounts
30 determined or withheld by the state treasurer pursuant to section 11-292.

31 2. Monies paid by each county resolving to participate in the system
32 equal to the actual cost, as limited by the board of supervisors, together
33 with employee contributions of providing hospitalization and medical care
34 under the system to full-time officers and employees of the county and its
35 departments and agencies.

36 3. Monies paid by this state equal to the actual cost, as limited by
37 section 38-651, together with employee contributions of providing
38 hospitalization and medical care under the system to full-time officers and
39 employees of this state, of its departments and agencies and of cities, towns
40 and school districts of this state.

41 4. Monies drawn against appropriations made by this state for the
42 costs of operating the Arizona health care cost containment system or the
43 long-term care system. Monies shall be drawn against appropriations and
44 transferred from the fund from which they were appropriated on an as needed
45 basis only.

1 5. Gifts, donations and grants from any source.

2 6. Federal monies made available to this state for the operation of
3 the Arizona health care cost containment system or the long-term care system.

4 7. Interest paid on monies deposited in the fund.

5 8. Reimbursements for data collection.

6 D. The third-party liability **AND RECOVERY AUDIT** fund is comprised of
7 monies paid by **FIRST-PARTY PAYORS**, third-party payors, ~~and~~ lien and estate
8 recoveries **AND MEDICAL SERVICE PROVIDERS FOR RECOVERY AUDIT CONTRACTOR**
9 **FINDINGS**.

10 E. All monies in the funds other than monies appropriated by the state
11 shall not lapse.

12 F. All monies drawn against appropriations made by this state
13 remaining in the funds at the end of the fiscal year shall revert to the fund
14 from which they were appropriated and drawn, and the appropriation shall
15 lapse in accordance with section 35-190. Notwithstanding the provisions of
16 section 35-191, subsection B, the period for administrative adjustments shall
17 extend for only six months for appropriations made for system covered
18 services.

19 G. Notwithstanding sections 35-190 and 35-191, all approved claims for
20 system covered services presented after the close of the fiscal year in which
21 they were incurred shall be paid either in accordance with subsection F of
22 this section or in the current fiscal year with the monies available in the
23 funds established by this section.

24 H. Claims for system covered services that are determined valid by the
25 director pursuant to section 36-2904, subsection G and the department's
26 grievance and appeal procedure shall be paid from the funds established by
27 this section.

28 I. For purposes of this section, system covered services exclude
29 administrative charges for operating expenses.

30 J. All payments for claims from the funds established by this section
31 shall be accounted for by the administration by the fiscal year in which the
32 claims were incurred, regardless of the fiscal year in which the payments
33 were made.

34 K. Notwithstanding any other law, county owned or contracted providers
35 and special health care district owned or contracted providers are subject to
36 all claims processing and payment requirements or limitations of this chapter
37 that are applicable to noncounty providers.

38 Sec. 10. Section 41-1005, Arizona Revised Statutes, is amended to
39 read:

40 **41-1005. Exemptions**

41 A. This chapter does not apply to any:

42 1. Rule that relates to the use of public works, including streets and
43 highways, under the jurisdiction of an agency if the effect of the order is
44 indicated to the public by means of signs or signals.

1 2. Order or rule of the Arizona game and fish commission adopted
2 pursuant to section 5-321 or 5-327 that establishes a fee or section 17-333
3 that establishes a license classification, fee or application fee.

4 3. Rule relating to section 28-641 or to any rule regulating motor
5 vehicle operation that relates to speed, parking, standing, stopping or
6 passing enacted pursuant to title 28, chapter 3.

7 4. Rule concerning only the internal management of an agency that does
8 not directly and substantially affect the procedural or substantive rights or
9 duties of any segment of the public.

10 5. Rule that only establishes specific prices to be charged for
11 particular goods or services sold by an agency.

12 6. Rule concerning only the physical servicing, maintenance or care of
13 agency owned or operated facilities or property.

14 7. Rule or substantive policy statement concerning inmates or
15 committed youths of a correctional or detention facility in secure custody or
16 patients admitted to a hospital, if made by the state department of
17 corrections, the department of juvenile corrections, the board of executive
18 clemency or the department of health services or a facility or hospital under
19 the jurisdiction of the state department of corrections, the department of
20 juvenile corrections or the department of health services.

21 8. Form whose contents or substantive requirements are prescribed by
22 rule or statute, and instructions for the execution or use of the form.

23 9. Capped fee-for-service schedule adopted by the Arizona health care
24 cost containment system administration pursuant to title 36, chapter 29.

25 10. Fees prescribed by section 6-125.

26 11. Order of the director of water resources adopting or modifying a
27 management plan pursuant to title 45, chapter 2, article 9.

28 12. Fees established under section 3-1086.

29 13. Fee-for-service schedule adopted by the department of economic
30 security pursuant to section 8-512.

31 14. Fees established under sections 41-2144 and 41-2189.

32 15. Rule or other matter relating to agency contracts.

33 16. Fees established under section 32-2067 or 32-2132.

34 17. Rules made pursuant to section 5-111, subsection A.

35 18. Rules made by the Arizona state parks board concerning the
36 operation of the Tonto natural bridge state park, the facilities located in
37 the Tonto natural bridge state park and the entrance fees to the Tonto
38 natural bridge state park.

39 19. Fees or charges established under section 41-511.05.

40 20. Emergency medical services protocols except as provided in section
41 36-2205, subsection B.

42 21. Fee schedules established pursuant to section 36-3409.

43 22. Procedures of the state transportation board as prescribed in
44 section 28-7048.

45 23. Rules made by the state department of corrections.

1 24. Fees prescribed pursuant to section 32-1527.

2 25. Rules made by the department of economic security pursuant to
3 section 46-805.

4 26. Schedule of fees prescribed by section 23-908.

5 27. Procedure that is established pursuant to title 23, chapter 6,
6 article ~~5~~ or 6.

7 28. Rules, administrative policies, procedures and guidelines adopted
8 for any purpose by the Arizona commerce authority pursuant to chapter 10 of
9 this title if the authority provides, as appropriate under the circumstances,
10 for notice of an opportunity for comment on the proposed rules,
11 administrative policies, procedures and guidelines.

12 29. Rules made by a marketing commission or marketing committee
13 pursuant to section 3-414.

14 30. Administration of public assistance program monies authorized for
15 liabilities that are incurred for disasters declared pursuant to sections
16 26-303 and 35-192.

17 31. User charges, tolls, fares, rents, advertising and sponsorship
18 charges, services charges or similar charges established pursuant to section
19 28-7705.

20 32. ADMINISTRATION AND IMPLEMENTATION OF THE HOSPITAL ASSESSMENT
21 PURSUANT TO SECTION 36-2901.08, EXCEPT THAT THE ARIZONA HEALTH CARE COST
22 CONTAINMENT SYSTEM ADMINISTRATION MUST PROVIDE NOTICE AND AN OPPORTUNITY FOR
23 PUBLIC COMMENT AT LEAST THIRTY DAYS BEFORE ESTABLISHING OR IMPLEMENTING THE
24 ADMINISTRATION OF THE ASSESSMENT.

25 B. Notwithstanding subsection A, paragraph 22 of this section, at such
26 time as the federal highway administration authorizes the privatization of
27 rest areas, the state transportation board shall make rules governing the
28 lease or license by the department of transportation to a private entity for
29 the purposes of privatization of a rest area.

30 C. Coincident with the making of a final rule pursuant to an exemption
31 from the applicability of this chapter under this section, another statute or
32 session law, the agency shall file a copy of the rule with the secretary of
33 state for publication pursuant to section 41-1012 and provide a copy to the
34 council.

35 D. Unless otherwise required by law, articles 2, 3, 4 and 5 of this
36 chapter do not apply to the Arizona board of regents and the institutions
37 under its jurisdiction, except that the Arizona board of regents shall make
38 policies or rules for the board and the institutions under its jurisdiction
39 that provide, as appropriate under the circumstances, for notice of and
40 opportunity for comment on the policies or rules proposed.

41 E. Unless otherwise required by law, articles 2, 3, 4 and 5 of this
42 chapter do not apply to the Arizona state schools for the deaf and the blind,
43 except that the board of directors of all the state schools for the deaf and
44 the blind shall adopt policies for the board and the schools under its

1 jurisdiction that provide, as appropriate under the circumstances, for notice
2 of and opportunity for comment on the policies proposed for adoption.

3 F. Unless otherwise required by law, articles 2, 3, 4 and 5 of this
4 chapter do not apply to the state board of education, except that the state
5 board of education shall adopt policies or rules for the board and the
6 institutions under its jurisdiction that provide, as appropriate under the
7 circumstances, for notice of and opportunity for comment on the policies or
8 rules proposed for adoption. In order to implement or change any rule, the
9 state board of education shall provide at least two opportunities for public
10 comment.

11 Sec. 11. Repeal

12 Section 41-3013.01, Arizona Revised Statutes, is repealed.

13 Sec. 12. Title 41, chapter 27, article 2, Arizona Revised Statutes, is
14 amended by adding section 41-3023.01, to read:

15 41-3023.01. Arizona health care cost containment system;
16 termination July 1, 2023

17 A. THE ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM TERMINATES ON JULY
18 1, 2023.

19 B. TITLE 36, CHAPTER 29 IS REPEALED ON JANUARY 1, 2024.

20 Sec. 13. Laws 2011, chapter 96, sections 1 and 2 are amended to read:

21 Section 1. Department of health services; rules

22 On or before ~~July 1, 2013~~ APRIL 30, 2014, the department of health
23 services shall adopt rules regarding health care institutions that do the
24 following:

25 1. Reduce monetary or regulatory costs on persons or individuals and
26 streamline the regulation process.

27 2. Promote the use of deemed status for those behavioral health
28 organizations that are accredited by recognized national organizations.

29 3. Facilitate licensure of integrated health programs that provide
30 both behavioral and physical health services, and accommodate advances in
31 clinical treatments for behavioral health.

32 Sec. 2. Exemption from rule making

33 For the purposes of this act, the department of health services is
34 exempt from the rule making requirements of title 41, chapter 6, Arizona
35 Revised Statutes, until ~~July 1, 2013~~ APRIL 30, 2014, except that the
36 department shall provide public notice and an opportunity for public comment
37 on proposed rules at least thirty days before a rule is adopted or amended.

38 Sec. 14. Laws 2011, chapter 234, section 2 is amended to read:

39 Sec. 2. AHCCCS; political subdivisions; coverage; definition;
40 delayed repeal

41 A. The Arizona health care cost containment system administration,
42 subject to the approval of the centers for medicare and medicaid services and
43 pursuant to section 36-2903, subsection B, paragraph 1, Arizona Revised
44 Statutes, may authorize any political subdivision of this state to provide
45 monies necessary to qualify for federal matching monies in order to provide

1 health care coverage to persons who would have been eligible pursuant to
2 section 36-2901.01, Arizona Revised Statutes, if additional general fund
3 monies were otherwise available. Health care coverage shall be offered only
4 through providers or health plans that are designated by the political
5 subdivision. A political subdivision may limit health care coverage provided
6 pursuant to this section.

7 B. For the purposes of this section, "political subdivision" means a
8 local, county or tribal government, a university under the jurisdiction of
9 the Arizona board of regents and any other governmental entity that is
10 legally qualified to participate in funding program expenditures pursuant to
11 title 36, chapter 29, Arizona Revised Statutes.

12 C. This section is repealed from and after ~~September 30~~ DECEMBER 31,
13 2013.

14 Sec. 15. AHCCCS political subdivisions; freestanding children's
15 hospitals; definition; delayed repeal

16 A. The Arizona health care cost containment system administration,
17 subject to the approval of the centers for medicare and medicaid services and
18 pursuant to section 36-2903, subsection B, paragraph 1, Arizona Revised
19 Statutes, may authorize any political subdivision of this state to provide
20 monies necessary to qualify for federal matching monies in order to provide
21 matching monies for uncompensated care payments to freestanding children's
22 hospitals with one hundred beds or more.

23 B. The Arizona health care cost containment system administration
24 shall not increase in a given federal fiscal year the total of the payments
25 made pursuant to this section plus the amount of disproportionate share
26 hospital payments made to the same freestanding children's hospital by more
27 than three per cent per year above the total of the payments made to the
28 hospital pursuant to Laws 2011, chapter 234, section 2, as amended by this
29 act, in federal fiscal year 2013 plus the disproportionate share hospital
30 payments in federal fiscal year 2013.

31 C. For the purposes of this section, "political subdivision" means a
32 local, county or tribal government, a university under the jurisdiction of
33 the Arizona board of regents and any other governmental entity that is
34 legally qualified to participate in funding program expenditures pursuant to
35 title 36, chapter 29, Arizona Revised Statutes.

36 D. This section is repealed from and after December 31, 2017.

37 Sec. 16. ALTCs; county contributions; fiscal year 2013-2014

38 A. Notwithstanding section 11-292, Arizona Revised Statutes, county
39 contributions for the Arizona long-term care system for fiscal year 2013-2014
40 are as follows:

41	1. Apache	\$ 613,500
42	2. Cochise	\$ 5,179,900
43	3. Coconino	\$ 1,841,200
44	4. Gila	\$ 2,126,000
45	5. Graham	\$ 1,427,300

1	6. Greenlee	\$ 128,800
2	7. La Paz	\$ 691,300
3	8. Maricopa	\$149,698,100
4	9. Mohave	\$ 7,952,700
5	10. Navajo	\$ 2,538,600
6	11. Pima	\$ 39,129,200
7	12. Pinal	\$ 15,246,800
8	13. Santa Cruz	\$ 1,908,200
9	14. Yavapai	\$ 8,382,500
10	15. Yuma	\$ 7,832,000

11 B. If the overall cost for the Arizona long-term care system exceeds
 12 the amount specified in the general appropriations act for fiscal year
 13 2013-2014, the state treasurer shall collect from the counties the difference
 14 between the amount specified in subsection A of this section and the
 15 counties' share of the state's actual contribution. The counties' share of
 16 the state contribution shall be in compliance with any federal maintenance of
 17 effort requirements. The director of the Arizona health care cost
 18 containment system administration shall notify the state treasurer of the
 19 counties' share of the state's contribution and report the amount to the
 20 director of the joint legislative budget committee. The state treasurer
 21 shall withhold from any other monies payable to that county from whatever
 22 state funding source is available an amount necessary to fulfill that
 23 county's requirement specified in this subsection. The state treasurer shall
 24 not withhold distributions from the highway user revenue fund pursuant to
 25 title 28, chapter 18, article 2, Arizona Revised Statutes. The state
 26 treasurer shall deposit the amounts withheld pursuant to this subsection and
 27 amounts paid pursuant to subsection A of this section in the long-term care
 28 system fund established by section 36-2913, Arizona Revised Statutes.

29 Sec. 17. Sexually violent persons; county reimbursement; fiscal
 30 year 2013-2014; deposit; tax distribution
 31 withholding

32 A. Notwithstanding any other law, if this state pays the costs of a
 33 commitment of an individual determined to be sexually violent by the court,
 34 the department of health services may determine the percentage of the costs
 35 to be reimbursed by a county. It is the intent of the legislature that the
 36 department of health services set the percentage rate at a level that would
 37 increase the state share of the cost by \$1,800,000 in fiscal year 2013-2014.

38 B. The department of health services shall deposit the reimbursements,
 39 pursuant to sections 35-146 and 35-147, Arizona Revised Statutes, in the
 40 Arizona state hospital fund established by section 36-545.08, Arizona Revised
 41 Statutes.

42 C. Each county shall make the reimbursements for these costs as
 43 specified in subsection A of this section within thirty days after a request
 44 by the department of health services. If the county does not make the
 45 reimbursement, the superintendent of the Arizona state hospital shall notify

1 the state treasurer of the amount owed and the treasurer shall withhold the
2 amount, including any additional interest as provided in section 42-1123,
3 Arizona Revised Statutes, from any transaction privilege tax distributions to
4 the county. The treasurer shall deposit the withholdings, pursuant to
5 sections 35-146 and 35-147, Arizona Revised Statutes, in the Arizona state
6 hospital fund established by section 36-545.08, Arizona Revised Statutes.

7 D. Notwithstanding any other law, a county may meet any statutory
8 funding requirements of this section from any source of county revenue
9 designated by the county, including funds of any countywide special taxing
10 district in which the board of supervisors serves as the board of directors.

11 E. County contributions made pursuant to this section are excluded
12 from the county expenditure limitations.

13 Sec. 18. Competency restoration treatment; city and county
14 reimbursement; fiscal year 2013-2014; deposit; tax
15 distribution withholding

16 A. Notwithstanding section 13-4512, Arizona Revised Statutes, if this
17 state pays the costs of a defendant's inpatient competency restoration
18 treatment pursuant to section 13-4512, Arizona Revised Statutes, the city or
19 county shall reimburse the department of health services for one hundred per
20 cent of these costs for fiscal year 2013-2014.

21 B. The department of health services shall deposit the reimbursements,
22 pursuant to sections 35-146 and 35-147, Arizona Revised Statutes, in the
23 Arizona state hospital fund established by section 36-545.08, Arizona Revised
24 Statutes.

25 C. Each city and county shall make the reimbursements for these costs
26 as specified in subsection A of this section within thirty days after a
27 request by the department of health services. If the city or county does not
28 make the reimbursement, the superintendent of the Arizona state hospital
29 shall notify the state treasurer of the amount owed and the treasurer shall
30 withhold the amount, including any additional interest as provided in section
31 42-1123, Arizona Revised Statutes, from any transaction privilege tax
32 distributions to the city or county. The treasurer shall deposit the
33 withholdings, pursuant to sections 35-146 and 35-147, Arizona Revised
34 Statutes, in the Arizona state hospital fund established by section
35 36-545.08, Arizona Revised Statutes.

36 D. Notwithstanding any other law, a county may meet any statutory
37 funding requirements of this section from any source of county revenue
38 designated by the county, including funds of any countywide special taxing
39 district in which the board of supervisors serves as the board of directors.

40 E. County contributions made pursuant to this section are excluded
41 from the county expenditure limitations.

42 Sec. 19. AHCCCS; disproportionate share payments

43 A. Disproportionate share payments for fiscal year 2013-2014 made
44 pursuant to section 36-2903.01, subsection 0, Arizona Revised Statutes,
45 include:

1 1. \$89,877,700 for a qualifying nonstate operated public hospital:

2 (a) The Maricopa county special health care district shall provide a
3 certified public expense form for the amount of qualifying disproportionate
4 share hospital expenditures made on behalf of this state to the
5 administration on or before May 1, 2014 for all state plan years as required
6 by the Arizona health care cost containment system 1115 waiver standard terms
7 and conditions. The administration shall assist the district in determining
8 the amount of qualifying disproportionate share hospital expenditures. Once
9 the administration files a claim with the federal government and receives
10 federal funds participation based on the amount certified by the Maricopa
11 county special health care district, if the certification is equal to or less
12 than \$89,877,700, and the administration determines that the revised amount
13 is correct pursuant to the methodology used by the administration pursuant to
14 section 36-2903.01, Arizona Revised Statutes, the administration shall notify
15 the governor, the president of the senate and the speaker of the house of
16 representatives, shall distribute \$4,202,300 to the Maricopa county special
17 health care district and shall deposit the balance of the federal funds
18 participation in the state general fund. If the certification provided is
19 for an amount less than \$89,877,700 and the administration determines that
20 the revised amount is not correct pursuant to the methodology used by the
21 administration pursuant to section 36-2903.01, Arizona Revised Statutes, the
22 administration shall notify the governor, the president of the senate and the
23 speaker of the house of representatives and shall deposit the total amount of
24 the federal funds participation in the state general fund. Except as
25 provided in subdivision (b) of this paragraph, the disproportionate share
26 hospital payment attributed to the Maricopa county special health care
27 district shall not exceed \$89,877,700.

28 (b) To the extent there remains available qualifying disproportionate
29 share hospital payment authority after safety net care pool payments are
30 made, the Maricopa county special health care district shall provide a
31 certified public expense form for the amount and the administration shall
32 deposit the amount of the federal funds participation in excess of
33 \$89,877,700 in the state general fund.

34 2. \$26,724,700 for the Arizona state hospital. The Arizona state
35 hospital shall provide a certified public expense form for the amount of
36 qualifying disproportionate share hospital expenditures made on behalf of the
37 state to the administration on or before March 31, 2014. The administration
38 shall assist the Arizona state hospital in determining the amount of
39 qualifying disproportionate share hospital expenditures. Once the
40 administration files a claim with the federal government and receives federal
41 funds participation based on the amount certified by the Arizona state
42 hospital, the administration shall distribute the entire amount of federal
43 financial participation to the state general fund. If the certification
44 provided is for an amount less than \$26,724,700, the administration shall
45 notify the governor, the president of the senate and the speaker of the house

1 of representatives and shall distribute the entire amount of federal
2 financial participation to the state general fund. The certified public
3 expense form provided by the Arizona state hospital shall contain both the
4 total amount of qualifying disproportionate share hospital expenditures and
5 the amount limited by section 1923(g) of the social security act.

6 3. \$9,284,800 for private qualifying disproportionate share hospitals.
7 The Arizona health care cost containment system administration shall make
8 payments to hospitals consistent with this appropriation and the terms of the
9 section 1115 waiver, but payments shall be limited to those hospitals that
10 either:

11 (a) Meet the mandatory definition of disproportionate share qualifying
12 hospitals under section 1923 of the social security act.

13 (b) Are located in Yuma county and contain at least three hundred
14 beds.

15 B. Disproportionate share payments in fiscal year 2013-2014 made
16 pursuant to section 36-2903.01, subsection 0, Arizona Revised Statutes,
17 include amounts for disproportionate share hospitals designated by political
18 subdivisions of this state, tribal governments and any university under the
19 jurisdiction of the Arizona board of regents. Contingent on approval by the
20 administration and the centers for medicare and medicaid services, any amount
21 of federal funding allotted to this state pursuant to section 1923(f) of the
22 social security act and not otherwise expended under subsection A, paragraph
23 1, 2 or 3 of this section shall be made available for distribution pursuant
24 to this subsection. Political subdivisions of this state, tribal governments
25 and any university under the jurisdiction of the Arizona board of regents may
26 designate hospitals eligible to receive disproportionate share funds in an
27 amount up to the limit prescribed in section 1923(g) of the social security
28 act if those political subdivisions, tribal governments or universities
29 provide sufficient monies to qualify for the matching federal monies for the
30 disproportionate share payments.

31 Sec. 20. AHCCCS transfer; counties; federal monies

32 On or before December 31, 2014, notwithstanding any other law, for
33 fiscal year 2013-2014 the Arizona health care cost containment system
34 administration shall transfer to the counties such portion, if any, as may be
35 necessary to comply with section 10201(c)(6) of the patient protection and
36 affordable care act (P.L. 111-148), regarding the counties' proportional
37 share of the state's contribution.

38 Sec. 21. County acute care contribution; fiscal year 2013-2014

39 A. Notwithstanding section 11-292, Arizona Revised Statutes, for
40 fiscal year 2013-2014 for the provision of hospitalization and medical care,
41 the counties shall contribute the following amounts:

- | | |
|----------------|--------------|
| 42 1. Apache | \$ 268,800 |
| 43 2. Cochise | \$ 2,214,800 |
| 44 3. Coconino | \$ 742,900 |
| 45 4. Gila | \$ 1,413,200 |

1	5. Graham	\$ 536,200
2	6. Greenlee	\$ 190,700
3	7. La Paz	\$ 212,100
4	8. Maricopa	\$19,820,700
5	9. Mohave	\$ 1,237,700
6	10. Navajo	\$ 310,800
7	11. Pima	\$14,951,800
8	12. Pinal	\$ 2,715,600
9	13. Santa Cruz	\$ 482,800
10	14. Yavapai	\$ 1,427,800
11	15. Yuma	\$ 1,325,100

12 B. If a county does not provide funding as specified in subsection A
 13 of this section, the state treasurer shall subtract the amount owed by the
 14 county to the Arizona health care cost containment system fund and the
 15 long-term care system fund established by section 36-2913, Arizona Revised
 16 Statutes, from any payments required to be made by the state treasurer to
 17 that county pursuant to section 42-5029, subsection D, paragraph 2, Arizona
 18 Revised Statutes, plus interest on that amount pursuant to section 44-1201,
 19 Arizona Revised Statutes, retroactive to the first day the funding was due.
 20 If the monies the state treasurer withholds are insufficient to meet that
 21 county's funding requirements as specified in subsection A of this section,
 22 the state treasurer shall withhold from any other monies payable to that
 23 county from whatever state funding source is available an amount necessary to
 24 fulfill that county's requirement. The state treasurer shall not withhold
 25 distributions from the highway user revenue fund pursuant to title 28,
 26 chapter 18, article 2, Arizona Revised Statutes.

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

33 D. The state treasurer shall deposit the amounts paid pursuant to
 34 subsection C of this section and amounts withheld pursuant to subsection B of
 35 this section in the Arizona health care cost containment system fund and the
 36 long-term care system fund established by section 36-2913, Arizona Revised
 37 Statutes.

38 E. If payments made pursuant to subsection C of this section exceed
 39 the amount required to meet the costs incurred by the Arizona health care
 40 cost containment system for the hospitalization and medical care of those
 41 persons defined as an eligible person pursuant to section 36-2901, paragraph
 42 6, subdivisions (a), (b) and (c), Arizona Revised Statutes, the director of
 43 the Arizona health care cost containment system administration may instruct
 44 the state treasurer either to reduce remaining payments to be paid pursuant
 45 to this section by a specified amount or to provide to the counties specified

1 amounts from the Arizona health care cost containment system fund and the
2 long-term care system fund.

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

8 Sec. 22. Hospitalization and medical care contribution; fiscal
9 year 2013-2014

10 A. Notwithstanding any other law, for fiscal year 2013-2014, beginning
11 with the second monthly distribution of transaction privilege tax revenues,
12 the state treasurer shall withhold one-eleventh of the following amounts from
13 state transaction privilege tax revenues otherwise distributable, after any
14 amounts withheld for the county long-term care contribution or the county
15 administration contribution pursuant to section 11-292, subsection 0, Arizona
16 Revised Statutes, for deposit in the Arizona health care cost containment
17 system fund established by section 36-2913, Arizona Revised Statutes, for the
18 provision of hospitalization and medical care:

19	1. Apache	\$ 87,300
20	2. Cochise	\$ 162,700
21	3. Coconino	\$ 160,500
22	4. Gila	\$ 65,900
23	5. Graham	\$ 46,800
24	6. Greenlee	\$ 12,000
25	7. La Paz	\$ 24,900
26	8. Mohave	\$ 187,400
27	9. Navajo	\$ 122,800
28	10. Pima	\$1,115,900
29	11. Pinal	\$ 218,300
30	12. Santa Cruz	\$ 51,600
31	13. Yavapai	\$ 206,200
32	14. Yuma	\$ 183,900

33 B. If the monies the state treasurer withholds are insufficient to
34 meet that county's funding requirement as specified in subsection A of this
35 section, the state treasurer shall withhold from any other monies payable to
36 that county from whatever state funding source is available an amount
37 necessary to fulfill that county's requirement. The state treasurer shall
38 not withhold distributions from the highway user revenue fund pursuant to
39 title 28, chapter 18, article 2, Arizona Revised Statutes.

40 C. On request from the director of the Arizona health care cost
41 containment system administration, the state treasurer shall require that up
42 to three months' payments be made in advance.

43 D. In fiscal year 2013-2014, the sum of \$2,646,200 withheld pursuant
44 to subsection A of this section is allocated for the county acute care
45 contribution for the provision of hospitalization and medical care services

1 administered by the Arizona health care cost containment system
2 administration.

3 E. County contributions made pursuant to this section are excluded
4 from the county expenditure limitations.

5 Sec. 23. Proposition 204 administration: county expenditure
6 limitation

7 County contributions for the administrative costs of implementing
8 sections 36-2901.01 and 36-2901.04, Arizona Revised Statutes, that are made
9 pursuant to section 11-292, subsection 0, Arizona Revised Statutes, are
10 excluded from the county expenditure limitations.

11 Sec. 24. AHCCCS; risk contingency rate setting

12 Notwithstanding any other law, for the contract year beginning
13 October 1, 2013 and ending September 30, 2014, the Arizona health care cost
14 containment system administration may continue the risk contingency rate
15 setting for all managed care organizations and the funding for all managed
16 care organizations administrative funding levels that was imposed for the
17 contract year beginning October 1, 2010 and ending September 30, 2011.

18 Sec. 25. Ambulance services; reimbursement

19 A. Notwithstanding section 36-2239, subsection H, Arizona Revised
20 Statutes, as amended by this act, for dates of service on and after October
21 1, 2012 through September 30, 2013, the Arizona health care cost containment
22 system administration and its contractors shall reimburse ambulance service
23 providers in an amount equal to 68.59 per cent of the amounts prescribed by
24 the department of health services as of August 2, 2012.

25 B. Notwithstanding section 36-2239, subsection H, Arizona Revised
26 Statutes, as amended by this act, for dates of service on and after October
27 1, 2013 through September 30, 2014, the Arizona health care cost containment
28 system administration and its contractors shall reimburse ambulance service
29 providers in an amount equal to 68.59 per cent of the amounts prescribed by
30 the department of health services as of August 2, 2013.

31 C. Notwithstanding section 36-2239, subsection H, Arizona Revised
32 Statutes, as amended by this act, for dates of service on and after October
33 1, 2014 through September 30, 2015, the Arizona health care cost containment
34 system administration and its contractors shall reimburse ambulance service
35 providers in an amount equal to 74.74 per cent of the amounts prescribed by
36 the department of health services as of August 2, 2014.

37 Sec. 26. AHCCCS; social security administration; medicare
38 liability waiver

39 The Arizona health care cost containment system may participate in any
40 special disability workload 1115 demonstration waiver offered by the centers
41 for medicare and medicaid services. Any credits provided by the 1115
42 demonstration waiver process are to be used in the fiscal year when those
43 credits are made available to fund the state share of any medical assistance
44 expenditures that qualify for federal financial participation under the
45 medicaid program. The Arizona health care cost containment system

1 administration shall report the receipt of any credits to the director of the
2 joint legislative budget committee on or before December 31, 2013 and June
3 30, 2014.

4 Sec. 27. Department of health services; health research
5 account; Alzheimer's disease research

6 Notwithstanding section 36-773, Arizona Revised Statutes, the
7 department of health services may use monies in the health research account
8 established by section 36-773, Arizona Revised Statutes, in an amount
9 specified in the general appropriations act for Alzheimer's disease research.

10 Sec. 28. Department of economic security; long-term care system
11 fund; fiscal year 2013-2014

12 Notwithstanding section 36-2953, Arizona Revised Statutes, the
13 department of economic security may use monies in the department long-term
14 care system fund established pursuant to section 36-2953, Arizona Revised
15 Statutes, for any operational or programmatic expenses in fiscal year
16 2013-2014.

17 Sec. 29. Transfer of monies; hearing and speech professionals
18 fund

19 All monies remaining in the hearing and speech professionals fund
20 established by section 36-1903, Arizona Revised Statutes, on the effective
21 date of this act are transferred to the health services licensing fund
22 established by section 36-414, Arizona Revised Statutes, as amended by Laws
23 2013, chapter 33, section 1.

24 Sec. 30. Child care assistance eligibility; notification

25 Notwithstanding section 46-803, Arizona Revised Statutes, for fiscal
26 year 2013-2014, the department of economic security may reduce maximum income
27 eligibility levels for child care assistance in order to manage within
28 appropriated and available monies. The department of economic security shall
29 notify the joint legislative budget committee of any change in maximum income
30 eligibility levels for child care within fifteen days after implementing the
31 change.

32 Sec. 31. AHCCCS; emergency department use; report

33 On or before December 1, 2013, the Arizona health care cost containment
34 system administration shall report to the directors of the joint legislative
35 budget committee and the governor's office of strategic planning and
36 budgeting on the use of emergency departments for nonemergency purposes by
37 Arizona health care cost containment system enrollees.

38 Sec. 32. Child welfare; report; accountability factors

39 On or before September 1, 2013, the director of the joint legislative
40 budget committee, the director of the governor's office of strategic planning
41 and budgeting and the director of the department of economic security shall
42 report to the governor, the president of the senate and the speaker of the
43 house of representatives recommendations for consolidating into one
44 comprehensive report the child welfare report required by section 8-526,
45 Arizona Revised Statutes, the financial and program accountability report for

1 child protective services required by section 8-818, Arizona Revised
2 Statutes, the monthly reports required by Laws 2013, chapter 1, section 1 and
3 other child welfare reports prepared by the department. The report shall
4 consider the frequency of reporting as part of the recommendations. The
5 joint legislative budget committee, the governor's office of strategic
6 planning and budgeting and the department of economic security may solicit
7 input from stakeholder groups for the report. The report shall also address
8 the merit of adding the following accountability factors:

9 1. The average duration of time from when a child enters emergency and
10 residential placement to the initial court case associated with that child.

11 2. The number of children moved from emergency and residential
12 placement to foster care, delineated by major age groupings.

13 3. The number of child protective services staff hired or leaving by
14 type, specifically the caseworkers' classification level from one through
15 four.

16 4. The number of new and closed foster care receiving homes, including
17 the total available placements by age groupings of infants, children who are
18 one through five years of age, children who are six through twelve years of
19 age and teen children who are twelve through eighteen years of age.

20 5. Cohort and behavioral health data.

21 Sec. 33. Auditor general; children support services reports

22 A. The auditor general shall provide to the governor, the speaker of
23 the house of representatives, the president of the senate and the directors
24 of the joint legislative budget committee and the governor's office of
25 strategic planning and budgeting the following reports on the expenditure of
26 monies for children support services in the department of economic security.
27 The reports shall address:

28 1. Expenditures for the recruitment, retention, training, licensing
29 and tracking of foster care families as part of children support services.
30 This report shall address whether the department of economic security's
31 current contract process of home recruitment study and supervision is the
32 most appropriate means to provide these services. The report also shall
33 address the best performance measures to evaluate the effectiveness of these
34 services.

35 2. Expenditures for transportation as part of children support
36 services. This report shall describe the types of funded services provided
37 along with cost details for those services. The report also shall address
38 the best performance measures to evaluate the effectiveness of these
39 services.

40 3. Expenditures in the emergency and residential placement special
41 line item. This report shall describe the reasons for the high usage of
42 emergency and residential placements, as opposed to foster homes. The report
43 also shall address possible methods to reduce the use of emergency and
44 residential placements in the future.

1 B. The first report shall be submitted on or before October 15, 2013,
2 the second report shall be submitted on or before March 15, 2014 and the
3 final report shall be submitted on or before October 15, 2014.

4 Sec. 34. AHCCCS; air ambulances; report

5 A. The Arizona health care cost containment system administration
6 shall prepare a report on the use of air ambulance services by the
7 administration in the preceding five years. The report shall determine:

- 8 1. The cost of the administration's use of air ambulance service.
9 2. Whether the use of air ambulances complied with rules adopted by
10 the administration relating to the use of this form of medical transport.
11 3. The number of times reimbursement for air ambulance services was
12 denied.

13 4. The specific medical conditions that required immediate
14 intervention as prescribed by rule.

15 B. On or before December 31, 2013, the administration shall submit a
16 report to the governor, the president of the senate and the speaker of the
17 house of representatives of its findings and recommendations for any
18 statutory or administrative changes to the criteria used to determine the
19 appropriate use of air ambulance services. The administration shall provide
20 a copy of this report to the secretary of state.

21 Sec. 35. Arizona health care cost containment system; hospital
22 work groups

23 The Arizona health care cost containment system administration shall
24 establish work groups to study and provide input on the development of the
25 hospital assessment established pursuant to this act. The work groups shall
26 include, at a minimum, representatives from the urban, rural and critical
27 access hospital communities.

28 Sec. 36. Arizona health care cost containment system; cost
29 sharing; exemption from rule making

30 A. The Arizona health care cost containment system administration
31 shall pursue cost sharing requirements for members to the maximum extent
32 allowed under federal law.

33 B. Subject to approval by the centers for medicare and medicaid
34 services, beginning January 1, 2014, the administration shall charge and
35 collect from each person who is enrolled pursuant to section 36-2901.07,
36 Arizona Revised Statutes, as added by this act:

- 37 1. A premium of not more than two per cent of the person's household
38 income.
39 2. A copayment of two hundred dollars for nonemergency use of an
40 emergency room if the person is not admitted to the hospital. The
41 administration shall not impose a copayment on a person who is admitted to
42 the hospital by the emergency department.
43 3. A copayment of two hundred dollars for nonemergency use of an
44 emergency room if there is a community health center, rural health center or
45 urgent care center within twenty miles of the hospital.

1 C. For the purposes of implementing cost sharing pursuant to
2 subsections A and B of this section, the Arizona health care cost containment
3 system administration is exempt from the rule making requirements of title
4 41, chapter 6, Arizona Revised Statutes, for one year after the effective
5 date of this act.

6 Sec. 37. Hospital transparency; report

7 On or before January 1, 2014, the director of the Arizona health care
8 cost containment system administration and the director of the department of
9 health services shall submit a joint report on hospital charge master
10 transparency to the governor, speaker of the house of representatives and the
11 president of the senate and shall provide a copy to the secretary of state.
12 The report shall provide a summary of the current charge master reporting
13 process, a summary of hospital billed charges compared to costs and examples
14 of how charge masters or hospital prices are reported and used in other
15 states. The report shall include recommendations to improve the state's use
16 of hospital charge master information, including reporting and oversight
17 changes.

18 Sec. 38. Arizona health care cost containment system; member
19 notice

20 As part of the information provided at the time of enrollment to new
21 members who are eligible pursuant to section 36-2901.01, Arizona Revised
22 Statutes, and section 36-2901.07, Arizona Revised Statutes, as added by this
23 act, the Arizona health care cost containment system administration shall
24 provide notice that the member's enrollment in the Arizona health care cost
25 containment system may be dependent on the availability of federal financial
26 participation for the program.

27 Sec. 39. Medicaid federal circuit breaker and outcomes study
28 committee; membership; duties; delayed repeal

29 A. The medicaid federal circuit breaker and outcomes study committee
30 is established consisting of the following members:

31 1. Three members of the senate who are appointed by the president of
32 the senate, not more than two of whom are members of the same political
33 party. At least one member must be from a county other than Maricopa county.

34 2. Three members of the house of representatives who are appointed by
35 the speaker of the house of representatives, not more than two of whom are
36 members of the same political party. At least one member must be from a
37 county other than Maricopa county.

38 3. The director of the governor's office of strategic planning and
39 budgeting, or the director's designee.

40 4. The director of the Arizona health care cost containment system
41 administration, or the director's designee.

42 5. Two representatives of Arizona hospitals, one whom is from an urban
43 area and one of whom is from a rural area. The governor shall appoint these
44 members.

1 6. Two representatives of the health insurance industry. The governor
2 shall appoint these members.

3 7. One physician who is licensed pursuant to title 32, chapter 13 or
4 17, Arizona Revised Statutes. The governor shall appoint this member.

5 8. One nurse who is licensed pursuant to title 32, chapter 15, Arizona
6 Revised Statutes. The governor shall appoint this member.

7 9. One representative of the business community. The governor shall
8 appoint this member.

9 B. The committee shall evaluate the potential impact on the Arizona
10 health care cost containment system of a decrease in federal funding and
11 shall research the following impacts of decreased federal medicaid funding:

12 1. Options for transitioning members to cost-effective private health
13 insurance coverage.

14 2. The impact on the state general fund.

15 3. The impact on health care delivery in this state, including on the
16 following:

17 (a) Hospitals.

18 (b) Health insurance companies.

19 (c) Health care providers.

20 C. The committee shall also evaluate the impact of restoring medicaid
21 coverage and the hospital assessment on the following:

22 1. Health outcomes of adults without dependent children.

23 2. Hospital uncompensated care.

24 3. Hospital profitability.

25 D. The committee shall define and identify the appropriate factors to
26 be used in its evaluation described in subsection C of this section.

27 E. On or before October 1, 2014, the committee shall submit to the
28 governor, the president of the senate and the speaker of the house of
29 representatives a report of its findings and recommendations to address each
30 of the impacts described in subsection B of this section. The committee
31 shall provide a copy of its report to the secretary of state.

32 F. On or before January 1, 2016, the committee shall submit to the
33 governor, the president of the senate and the speaker of the house of
34 representatives a report of its findings of the impacts described in
35 subsection C of this section. The committee shall provide a copy of this
36 report to the secretary of state.

37 G. This section is repealed from and after December 31, 2016.

38 Sec. 40. AHCCCS; medically preferred treatment options; report;
39 delayed repeal

40 A. Notwithstanding section 36-2907, subsection B, Arizona Revised
41 Statutes, as amended by this act, and subject to approval by the centers for
42 medicare and medicaid services, the Arizona health care cost containment
43 system administration and its contractors may provide medically necessary
44 services authorized by section 36-2907, subsection A, paragraph 2 or 5,
45 Arizona Revised Statutes, if the services:

1 1. Are medically recognized as the preferred treatment option
2 consistent with medicare guidelines.

3 2. Are less expensive than all other treatment options or surgical
4 procedures to treat the same diagnosed condition.

5 B. The Arizona health care cost containment system administration
6 shall prescribe the qualifying conditions in which the services prescribed by
7 subsection A of this section may be used and shall prescribe provider
8 qualifications.

9 C. The Arizona health care cost containment system administration
10 shall require contractors to report on the use of the services, including the
11 alternative treatments that would otherwise have been employed. The
12 administration shall use this reported information to determine whether cost
13 savings were achieved as a result of the use of these treatment options.

14 D. The Arizona health care cost containment system administration
15 shall submit a report of its cost savings determinations to the governor, the
16 president of the senate and the speaker of the house of representatives on or
17 before January 1, 2016 and shall provide a copy of the report to the
18 secretary of state.

19 E. This section is repealed from and after June 30, 2016.

20 Sec. 41. AHCCCS uncompensated care; provider assessment;
21 reports; delayed repeal

22 A. On or before October 1, 2013, and annually thereafter, the Arizona
23 health care cost containment system administration shall report to the
24 speaker of the house of representatives, the president of the senate and the
25 directors of the joint legislative budget committee and governor's office of
26 strategic planning and budgeting on the change in uncompensated hospital
27 costs experienced by Arizona hospitals and hospital profitability during the
28 previous fiscal year.

29 B. On or before August 1, 2014, and annually thereafter, the Arizona
30 health care cost containment system administration shall report to the
31 speaker of the house of representatives, the president of the senate and the
32 directors of the joint legislative budget committee and governor's office of
33 strategic planning and budgeting the following:

34 1. The amount each hospital contributed for the provider assessment
35 authorized pursuant to section 36-2901.08, Arizona Revised Statutes, as added
36 by this act, in the previous fiscal year.

37 2. The amount of estimated payments each hospital received from the
38 coverage funded by the assessment.

39 C. This section is repealed from and after January 1, 2018.

40 Sec. 42. Healthcare group enrollment; retroactivity

41 A. Notwithstanding any other law, beginning August 1, 2013, the
42 Arizona health care cost containment system administration shall not enroll
43 new members, including businesses and employees who are being added to a
44 member's health plan, in the healthcare group program.

1 B. This section is effective retroactively to from and after July 31,
2 2013.

3 Sec. 43. Exemption from rule making

4 For the purposes of implementing the provisions of this act, the
5 department of health services is exempt from the rule making requirements of
6 title 41, chapter 6, Arizona Revised Statutes, for one year after the
7 effective date of this act.

8 Sec. 44. Intent; hospital assessment

9 It is the intent of the legislature that:

10 1. The requirement that the hospital assessment established pursuant
11 to section 36-2901.08, Arizona Revised Statutes, as added by this act, be
12 subject to approval by the federal government does not adopt federal law by
13 reference.

14 2. The requirement that the director of the Arizona health care cost
15 containment system administration establish a hospital assessment pursuant to
16 section 36-2901.08, Arizona Revised Statutes, as added by this act, does not
17 delegate legislative taxing authority to the administration, and the director
18 must impose the assessment in accordance with clear guidance as provided in
19 this act.

20 3. The hospital assessment established pursuant to section 36-2901.08,
21 Arizona Revised Statutes, as added by this act, be used for the benefit of
22 hospitals for the purpose of providing health care for persons eligible for
23 coverage funded by the hospital assessment.

24 Sec. 45. Intent; state government support and maintenance

25 It is the intent of the legislature that sections 36-2901.07,
26 36-2901.08 and 36-2901.09, Arizona Revised Statutes, as added by this act,
27 are intended for the support and maintenance of a state government department
28 and institution. The adoption of sections 36-2901.08 and 36-2901.09, Arizona
29 Revised Statutes, as added by this act, provides funding to fulfill the
30 intent and objective of Laws 2000, proposition 204. The adoption of section
31 36-2901.07, Arizona Revised Statutes, as added by this act, entitles the
32 state and the Arizona health care cost containment system to essential
33 federal financial participation under 42 United States Code section 1396d(y)
34 and 1396d(z) that would not be available in the absence of section
35 36-2901.07, Arizona Revised Statutes, as added by this act. These monies are
36 integral to the support and maintenance of programs and missions of the
37 Arizona health care cost containment system and without these provisions and
38 the resulting available resources, the Arizona health care cost containment
39 system would not be able to fulfill the intent and objective of Laws 2000,
40 proposition 204.

41 Sec. 46. Intent; implementation of program

42 It is the intent of the legislature that for fiscal year 2013-2014 the
43 Arizona health care cost containment system administration implement a
44 program within the available appropriation.

1 Sec. 47. Intent; false claims act; savings

2 It is the intent of the legislature that the Arizona health care cost
3 containment system administration comply with the federal false claims act
4 and maximize savings in, and continue to consider best available technologies
5 in detecting fraud in, the administration's programs.

6 Sec. 48. Intent; capitation rate increases

7 It is the intent of the legislature that the Arizona health care cost
8 containment system administration capitation rate increases not exceed three
9 per cent in fiscal years 2014-2015 and 2015-2016.

10 Sec. 49. Intent; department of health services; behavioral
11 health service provider rates

12 It is the intent of the legislature that the department of health
13 services may increase behavioral health service provider rates by up to three
14 per cent above the September 30, 2013 rates beginning on October 1, 2013.

15 Sec. 50. AHCCCS; department of health services; expenditure
16 authority; fiscal year 2013-2014

17 A. In addition to any other appropriations made in fiscal year
18 2013-2014 to the Arizona health care cost containment system, sufficient
19 monies from expenditure authority are appropriated to the Arizona health care
20 cost containment system for the purposes of implementing section 36-2901.01,
21 Arizona Revised Statutes, and section 36-2901.07, Arizona Revised Statutes,
22 as added by this act.

23 B. In addition to any other appropriations made in fiscal year
24 2013-2014 to the department of health services, sufficient monies from
25 expenditure authority are appropriated to the department of health services
26 for the purposes of implementing section 36-2901.01, Arizona Revised
27 Statutes, and section 36-2901.07, Arizona Revised Statutes, as added by this
28 act.

29 Sec. 51. Effective date

30 Section 9-499.15, Arizona Revised Statutes, as amended by this act, is
31 effective from and after December 31, 2013.

32 Sec. 52. Conditional repeals

33 A. Sections 36-2901.07 and 36-2901.08, Arizona Revised Statutes, as
34 added by this act, are repealed:

35 1. From and after the date the federal medical assistance percentage
36 pursuant to 42 United States Code section 1396d(y) or 1396d(z) that is
37 applicable to this state is less than eighty per cent.

38 2. If the patient protection and affordable care act established
39 pursuant to Public Law 111-148, as amended by the health care and education
40 reconciliation act of 2010 pursuant to Public Law 111-152, is repealed.

41 3. If the maximum amount that can be assessed under section
42 36-2901.08, Arizona Revised Statutes, as added by this act, without causing a
43 reduction in federal financial participation, in combination with the monies
44 specified in section 36-2901.09, Arizona Revised Statutes, as added by this
45 act, and any other monies appropriated for the costs for the populations

1 specified in section 36-2901.08, subsection A, Arizona Revised Statutes, as
2 added by this act, is insufficient to cover the costs described in section
3 36-2901.08, Arizona Revised Statutes, as added by this act.

4 B. The Arizona health care cost containment system administration
5 shall notify the director of the Arizona legislative council in writing of
6 the effective date if:

7 1. The federal medical assistance percentage under 42 United States
8 Code section 1396d(y) or 1396d(z) that is applicable to this state is less
9 than eighty per cent.

10 2. The patient protection and affordable care act established pursuant
11 to Public Law 111-148, as amended by the health care and education
12 reconciliation act of 2010 pursuant to Public Law 111-152, is repealed.

13 3. The maximum amount that can be assessed under section 36-2901.08,
14 Arizona Revised Statutes, as added by this act, without causing a reduction
15 in federal financial participation, in combination with the monies specified
16 in section 36-2901.09, Arizona Revised Statutes, as added by this act, and
17 any other monies appropriated for the costs for the populations specified in
18 section 36-2901.08, subsection A, Arizona Revised Statutes, as added by this
19 act, is insufficient to cover the costs described in section 36-2901.08,
20 Arizona Revised Statutes, as added by this act.

21 Sec. 53. Purpose

22 Pursuant to section 41-2955, subsection B, Arizona Revised Statutes,
23 the legislature continues the Arizona health care cost containment system to
24 promote a comprehensive health care system to eligible citizens of this
25 state.

26 Sec. 54. Retroactivity

27 Section 41-3013.01, Arizona Revised Statutes, as repealed by this act,
28 and section 41-3023.01, Arizona Revised Statutes, as added by this act, are
29 effective retroactively to July 1, 2013.

30 Sec. 55. Retroactivity

31 Laws 2011, chapter 96, sections 1 and 2, as amended by this act, apply
32 retroactively to June 30, 2013.