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

Program Overview

In FY 2006 the Arizona Health Care Cost Containment System (AHCCCS) has 3 budget cost centers: Administration, Acute Care and Long-Term Care. County funds contribute to all three of these cost centers but in widely different amounts both in total dollar contributions and as a percentage of total costs.

County payments for AHCCCS-related costs have been both revenues and expenses for the state. The vast majority of county payments have served as revenue to the state. These revenues have come in 3 forms for FY 2006 and previous years: (1) Long-Term Care monies, $218.7 million, (2) Acute Care monies, $62.6 million and (3) the Budget Neutrality Compliance Fund, $2.4 million. The expenses to the state for counties in FY 2006 and prior years have been: (1) the Proposition 204 – County Hold Harmless payments, $4.8 million and (2) Disproportionate Share Hospital Payments, $4.2 million. *(Please see Table 1 below for more detail.)*

Program Funding and Trends

While the county governments have had a long history of contributing to costs associated with the AHCCCS programs, their share of the total state AHCCCS costs has been steadily declining. In FY 2001 total net county contributions represented 31% of AHCCCS' appropriated state budget while in FY 2006 the county contributions made up 21%. Over the last 5 years, total county payments have grown by about 24% while total state AHCCCS program costs have grown by 105%. *(Please see Table 1 for more detail.)* This change in county contributions has not been equal across Long-Term Care, Acute Care and Administrative cost centers. County funds have declined in their share of total costs for all 3 cost centers. In FY 2006 Maricopa County contributions made up 58% of all county revenues received by the state.

There are 2 primary reasons for the decline in county share of AHCCCS costs centers: (1) statutory total funding formulas that remain largely unchanged from year-to-year and (2) funding formula increases that do not match program growth. The 2 county funds in the Acute Care system have no programmed annual growth. In FY 2006 the total revenues from these funds were reduced with the reduction in Maricopa County's contribution to these funds. The county funding requirements for Long-Term Care and Administration system have annual formula increases, but these increases fall short of the percentage increase of their respective cost centers.

Long-Term Care

Prior year utilization rates are used to divide the total county costs amongst all counties. The current funding structure is set up to have the state and counties share the long-term care caseload growth in a 50/50 split. There are a few circuit breakers that place a limit on the amounts that counties pay, which results in some counties not paying all 50% of their county's growth. Some circuit breakers include:

Table 1

AHCCCS County Payments Overview
Funding History

	FY 2001	FY 2005	FY 2006
Overall AHCCCS Program			
Total Expenditures	$2,329,510,200	$4,596,081,000	$5,009,133,400
State General Fund (GF)/County Portion	730,147,500	1,201,888,900	1,314,034,500
State General Fund Portion	506,027,300	914,131,300	1,035,090,900
State Share of GF/County Portion	69%	76%	79%
County Portion - Net Revenues	224,120,200	287,757,600	278,943,600
County Share of GF/County Portion	31%	24%	21%
County Revenues (Payments)			
Long-Term Care	157,415,200	213,827,000	218,738,100
Acute Care	66,905,500	73,189,500	62,635,700
Budget Neutrality Compliance Fund	0	5,566,700	2,395,400
Proposition 204 - County Hold Harmless	0	(4,825,600)	(4,825,600)
County Total Net Revenues	$224,120,200	$287,757,600	$278,943,600

- Contribution limited to 90 cents per $100 of a county's net assessed property value.
- Counties with an "on-reservation" population of at least 20% have an alternative formula to determine their contribution.
- If any county would pay more under the new statutes than under previous statutory percentages, there is another formula to determine that county's contribution.

A complete listing of circuit breakers can be found in A.R.S. § 11-292.

County funds made up $157 million or 82% of the total state long-term care costs in FY 2001 and is projected to cover $219 million or 67% of the long-term care costs in FY 2006. Total county contributions for long-term care have increased since FY 2001 by $61 million which represents a 39% increase. Total state AHCCCS long-term care costs in the same period have risen $135 million which represents a 71% increase. For the last 5 fiscal years excluding FY 2004, county contributions to long-term care costs have increased. *(Please see Table 2 for more detail.)*

Table 2

Long-Term Care County Contributions As a Percentage of the AHCCCS Long-Term Care Budget

	FY 2001	FY 2006
County Contributions	$157,415,200	$218,738,100
County as a % of Total	82%	67%
Total State Appropriations	$190,989,500	$325,894,700

Acute Care

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

UCC was begun in FY 2002 as set forth in Laws 2001, Chapter 344, Section 100. The current system for ACC began in FY 1995 and is withheld by the State Treasurer from monies paid to the counties.

The total statutory contributions for the 2 county contributions to acute care have seen little change in the last 5 fiscal years. The statutory total for ACC has not been changed during the last 5 fiscal years. Since FY 2003, total UCC payments have remained unchanged, except for Maricopa County in FY 2006.

Acute care costs have been the fastest growing component of AHCCCS, growing by over 87% in the last 5 years. During this same period county contributions have declined by 14%. In FY 2001 the county paid for approximately 14% acute costs and is projected to cover 6% of the acute costs in FY 2006. Total county dollar contributions have also declined and for FY 2006 it is estimated that the county contributions will be $9 million less than FY 2001. *(Please see Table 3 below for more detail.)*

Table 3

Acute Care County Contributions As a Percentage of the AHCCCS Acute Care Budget

	FY 2001	FY 2006
County Contributions	$ 66,905,500	$ 57,810,100
County as a % of Total	14%	6%
Total State Appropriations	$487,384,700	$911,020,900

Administration – Budget Neutrality Compliance Fund

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

Since FY 2003, the county contributions into the Budget Neutrality Compliance Fund have been included under the Administration cost center of AHCCCS. For FY 2003, FY 2004 and FY 2005 these contributions represented about 7% of total state administrative costs. With the reduction in Maricopa County contributions in FY 2006 the county contributions represent about 3% of total state

administrative costs. *(Please see Tables 4 and 5 below for more detail.)*

Table 4
Administrative County Contributions - As a Percentage of the AHCCCS Administration Budget

	FY 2003 1/	FY 2006
County Contributions	$ 5,118,200	$ 2,395,400
County as a % of Total	7%	3%
Total State Appropriations	$70,573,000	$77,118,900

1/ Base year is FY 2003 because this is when county administration contributions began.

Table 5
Budget Neutrality Compliance Fund - Contributions by County

	FY 2003	FY 2006
Apache	$68,686	$78,952
Cochise	128,109	147,269
Coconino	126,368	145,281
Gila	51,899	59,669
Graham	36,902	42,423 1/
Greenlee	9,469	10,899
La Paz	19,654	22,589
Maricopa	3,034,530	0
Mohave	147,507	169,570
Navajo	96,683	111,147
Pima	878,641	1,010,092
Pinal	171,920	197,644
Santa Cruz	40,639	46,710
Yavapai	162,400	186,697
Yuma	144,794	166,456
Total	**$5,118,200**	**$2,395,400**

1/ Actual withholding for Graham will be $40,985 pursuant to Laws 2005, Chapter 328 (the Health and Welfare Budget Reconciliation Bill.

Proposition 204 - County Hold Harmless Payments
Total net county contributions to the Acute Care cost center have been further reduced by the implementation of Proposition 204 County Hold Harmless payments. Some counties experienced revenue losses as a result of implementing Proposition 204. In FY 2003 the state enacted these payments to hold counties harmless. These payments were begun in FY 2003 at $4.8 million and have remained constant through FY 2006. *(Please see Table 6 for more detail.)*

Table 6
Proposition 204 County Hold Harmless Payments

Pima	$3,817,800
Greenlee	234,400
Graham	234,200
Santa Cruz	214,800
Yavapai	164,700
La Paz	159,700
Total	**$4,825,600**

Disproportionate Share Hospital Payments
Arizona's Disproportionate Share Hospital (DSH) Payments has been in operation since 1992. Section 1923 of the federal Social Security Act established DSH programs to compensate hospitals that serve a disproportionate share of low-income patients. Through intergovernmental transfers and the use of Federal Funds, this program results in a net gain to all parties involved. In FY 2006, Maricopa Medical Center (MMC) netted $4.2 million from the DSH program. In FY 2001 MMC netted $13.1 million. DSH payments are not included in the total county contributions shown in *Table 1*.

Recent Programmatic Changes
Maricopa County's contributions were lowered for FY 2006 by $20.5 million as part of the "undoing" of the county budget deal in FY 2004 and FY 2005. In the last 2 fiscal years, Maricopa County had assumed responsibility for adult probation costs. In FY 2006 Maricopa County agreed to retain responsibility for adult probation costs and the state reduced the county's contributions in 4 categories. *(Please see Table 7 for more detail.)*

Table 7
Maricopa County Budget Shift

Provision	GF Cost
Restore FY 2003 ALTCS Shift	$ 6,500,000
Eliminate "DUC Pool" Contribution (AHCCCS Acute Care)	3,853,800
Eliminate Prop 204 Administrative Contribution	3,488,600
Reduce AHCCCS Acute Care Contribution (with inflator)	6,700,000
Total	**$20,542,400**

Even if Maricopa County's contribution had not been reduced, the county share of state AHCCCS costs has still dropped significantly in the last 6 fiscal years, from 26% to 21%. Adding back Maricopa County's

contributions would increase the total county contributions by about 7% and the county share of total AHCCCS costs would rise to 23%. *(Please see Table 8 below for more detail.)*

Table 8

Total County Contributions
Without Maricopa County Reduction -
As a Percentage of the AHCCCS Budget FY 2006

	Current	**Projected**
County Contributions	$ 278,943,600	$ 299,486,000
County as a % of Total	21%	23%
Total State Appropriations	$1,314,034,500	$1,314,034,500