

STATE OF ARIZONA

**Joint Legislative Budget Committee**

STATE  
SENATE

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HOUSE OF  
REPRESENTATIVES

RUSSELL K. PEARCE  
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TOM BOONE  
MEG BURTON CAHILL  
PAMELA GORMAN  
STEVE HUFFMAN  
LINDA J. LOPEZ  
STEPHEN TULLY

**MINUTES OF THE MEETING**

**JOINT LEGISLATIVE BUDGET COMMITTEE**

December 20, 2005

The Chairman called the meeting to order at 10:25 a.m., Tuesday, December 20, 2005, in House Hearing Room 4. The following were present:

Members:            Representative Pearce, Chairman            Senator Burns, Vice-Chairman  
                         Representative Biggs                            Senator Garcia  
                         Representative Burton Cahill                Senator Martin  
                         Representative Lopez                         Senator Waring  
                         Representative Tully

Absent:             Representative Boone                         Senator Arzberger  
                         Representative Gorman                        Senator Bee  
                         Representative Huffman                      Senator Cannell  
                             Senator Harper

**APPROVAL OF MINUTES**

*Representative Pearce moved that the Committee approve the minutes of November 29, 2005. The motion carried.*

**AHCCCS - Review of Comprehensive Medical and Dental Program Capitation Rate Changes.**

Mr. Richard Stavneak, Director, JLBC Staff, said these adjustments to the capitation rate total \$70,000 in terms of what it would add over and above the FY 2007 budget. The JLBC Staff recommends a favorable review of these adjustments.

*Senator Burns moved that the Committee give a favorable review as recommended by the JLBC Staff to the AHCCCS request for capitation rate changes to the Comprehensive Medical and Dental Program. The motion carried.*

**DEPARTMENT OF ECONOMIC SECURITY (DES)**

**A. Review of Long Term Care Capitation Rate Changes.**

Mr. Richard Stavneak said they are adjusting the capitation rates for 2 reasons. Earlier in the year the Committee reviewed a proposal by DES who adjusted the provider rates for the Developmentally Disabled providers. The Committee actually looked at their expenditure plan and not the adjustment to the per-member per-month rate. The second adjustment has to do with the Medicare Prescription Drug Program. Under the federal program, as seniors are being given a chance to have their prescription drugs paid for by Medicare, there is a proportion of the long-term care population in DES who will be able to avail themselves of that same advantage. They are shifting the cost of the drug

program to the Medicare program at the federal level where they will all be paid for by the federal government. That will allow them to reduce their capitation rates. A certain amount of that will be recaptured by the federal government. Technically what this item does is make the adjustment in the capitation rates for these 2 reasons: 1) the \$13 million in additional funding that the Legislature approved in provider adjustments and 2) the new Medicare Prescription Drug Program. He said he views this as technical adjustments to the capitation rates.

*Senator Burns moved that the Committee give a favorable review as recommended by the JLBC Staff to the request for Long Term Care capitation rate changes. The motion carried. DES*

#### **B. Review of FY 2006 Expenditure Plan for Workforce Investment Act (WIA) Monies.**

Mr. Eric Jorgensen, JLBC Staff, said this is a review of Workforce Investment Act monies. These are federal monies but by federal law are required to be appropriated by the Legislature. For FY 2006, the Legislature has appropriated \$3.6 million and to date, the Committee has reviewed \$2.3 million of that appropriation. The program today is a recommendation from the Governor's Council on Workforce Policy to fund the Pima Council on Aging for the Mature Worker Connection program at \$77,000. That is half the total funding for that program. The JLBC Staff recommends a favorable review of this item. The JLBC Staff also recommends that DES, in conjunction with the Department of Commerce, provide a written explanation for their failure to provide performance measure information as requested for FY 2005 expenditures.

*Senator Burns moved that the Committee give a favorable review as recommended by the JLBC Staff to the expenditure plan for Workforce Investment Act monies. The motion carried.*

#### **AHCCCS – Review of Capitation Rate Changes for the Medicare Clawback Payment.**

Mr. Russell Frandsen, JLBC Staff, said that AHCCCS is proposing its expenditure plan for the Medicare Clawback payment and this impacts the capitation rate. Effective January 1, 2006, the federal government will implement a new federal program. This results in savings to the state, however, the federal government will require the state to pay back most of these savings in what is called a "Clawback" payment. The total program savings is \$26 million and the Clawback payment is \$19.6 million, leaving \$6.5 million for savings to the state. These savings take place in the Acute Care program and the Long Term Care (ALTCS) program. Within the ALTCS program the current distribution of the cost for FY 2006 between the state and counties is approximately 2 county dollars for every 1 state dollar. New money goes into the program at 50/50, 1 state dollar for every county dollar. A handout was used to show the distribution of drug program savings and Clawback payments (Attachment A). The ratios are county dollars to state dollars.

*Senator Burns moved that the Committee give a favorable review of AHCCCS' capitation rate adjustment for Medicare Clawback payment, but defer consideration of the expenditure plan for the Medicare Clawback payment in the AHCCCS Long Term Care budget. The motion carried.*

#### **EXECUTIVE SESSION**

#### **Arizona Department of Administration, Risk Management Services - Consideration of Proposed Settlements under Rule 14.**

*Senator Burns moved that the Committee go into Executive Session. The motion carried.*

At 10:35 a.m. the Joint Legislative Budget Committee went into Executive Session.

*Senator Burns moved that the Committee reconvene into open session. The motion carried.*

At 10:50 p.m. the Committee reconvened into open session.

*Senator Burns moved that the Committee approve the recommended settlement proposal by the Attorney General's Office in the cases of:*

1. *State vs. Northland Insurance*
2. *Brar vs. Arizona Board of Regents*

The motion carried.

Chairman Pearce adjourned the meeting at 10:53 a.m.

Respectfully submitted:

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Cheryl Kestner, Secretary

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Richard Stavneak, Director

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Representative Russell Pearce, Chairman