Fiscal Note

BILL # SB 1519

TITLE: AHCCCS; termination

SPONSOR: Biggs

STATUS: As Amended by Senate APPROP

PREPARED BY: Amy Upston

Description

SB 1519 eliminates the Arizona Health Care Cost Containment System (AHCCCS) and associated statutes defining eligibility for health care programs as of October 1, 2011. It allows the Department of Health Services (DHS), subject to the availability of funding, to design a health care program providing behavioral health services, health services for the developmentally disabled, and health services for the medically indigent. Additionally, it states that the intent is to allocate $1.21 billion to DHS to provide these services and redirects $1.04 billion in savings to the General Fund in FY 2012.

Estimated Impact

SB 1519 would reduce General Fund spending by $1.04 billion in FY 2012. There would also be a corresponding reduction of $4.84 billion in federal matching monies. On an annualized basis, in FY 2013, there would be a General Fund reduction of $1.39 billion and a federal funds reduction of $6.45 billion.

Analysis

In order to participate in the federal Medicaid program, states must agree to provide health care services for select groups of individuals, with the minimum coverage being prescribed by the federal government. The federal government also limits the cost sharing measures for individuals enrolled in the program. The state and the federal government share in the cost of the program with the federal government paying approximately two-thirds of the cost in Arizona.

Three Arizona agencies oversee the services for the Medicaid population. AHCCCS administers both the acute care program and long-term care services for the elderly and physically disabled as well as overseeing Medicaid services coordinated by the other 2 agencies. DHS oversees behavioral health services for most individuals enrolled in Medicaid; they also administer the Children's Rehabilitative Services program, a program which offers health care to children with handicapping or potentially handicapping conditions. DES administers the long-term care program for those who are developmentally disabled.

SB 1519 would eliminate AHCCCS and all of its associated statutes. With the elimination of AHCCCS, Arizona would no longer meet the federal requirements for a Medicaid program and would no longer qualify for federal matching monies for the Medicaid program. JLBC Staff estimates that this would result in the loss of $4.84 billion in FY 2012 ($3.68 billion in AHCCCS, $674 million in DHS, and $483 million in DES). On an annualized basis, this would increase to $6.45 billion.

SB 1519 also states that it is the intent of the legislature that DHS spends $307 million for behavioral health services, $307 million for the developmentally disabled, and $600 million for indigent individuals ($409 million for behavioral health, $409 million for the developmentally disabled, and $800 million for indigent individuals for a full year). Another $1.04 billion would be returned to the General Fund, or $1.39 billion annually.

Local Government Impact

SB 1519 has at least 2 impacts on local governments. There would be a reduction of $24 million in federal matching monies for Medicaid services they provide in schools.

Counties may pay less for Medicaid services, but it would depend upon how the state pays for the new health care program. Counties currently share in the cost of the AHCCCS program. In FY 2012, they are expected to provide $251.7 million for the long-term care program, $51.3 million for acute care services, and $3.2 million for AHCCCS administration. SB 1519 does not address whether savings from eliminating AHCCCS would be returned to the counties or whether they would continue to contribute to the new health care program.