CHAPTER 309

SENATE BILL 1527

AN ACT

AMENDING TITLE 36, CHAPTER 1, ARTICLE 1, ARIZONA REVISED STATUTES, BY 
ADDING SECTION 36-122; AMENDING TITLE 36, CHAPTER 1, ARTICLE 2, ARIZONA 
REVISED STATUTES, BY ADDING SECTION 36-145; AMENDING SECTIONS 36-2903.11, 
36-2907, 36-2930.03, 36-2953, 36-2985 AND 36-2986, ARIZONA REVISED 
STATUTES; AMENDING LAWS 2013, FIRST SPECIAL SESSION, CHAPTER 10, SECTION 
15; APPROPRIATING MONIES; RELATING TO HEALTH BUDGET RECONCILIATION.

(TEXT OF BILL BEGINS ON NEXT PAGE)
Be it enacted by the Legislature of the State of Arizona:

Section 1. Title 36, chapter 1, article 1, Arizona Revised Statutes, is amended by adding section 36-122, to read:

36-122. Public health emergencies fund; exemption; report
A. The public health emergencies fund is established consisting of legislative appropriations. The director shall administer the fund. Monies in the fund are continuously appropriated and may be spent for public health emergency responses of this state following a state of emergency declaration by the governor. Monies in the fund are exempt from the provisions of section 35-190 relating to the lapsing of appropriations.

B. On or before September 1 of each year, the department shall report any expenditures from the fund to the joint legislative budget committee.

Sec. 2. Title 36, chapter 1, article 2, Arizona Revised Statutes, is amended by adding section 36-145, to read:

36-145. Family planning services; grant application; distribution of monies
A. On an annual or otherwise applicable basis, the department of health services shall submit a grant application under Title X of the public health service act (42 United States Code sections 300 through 300a-8) to the United States Department of Health and Human Services for monies to provide family planning services. The department of health services shall emphasize in the application that the state is best suited to receive and distribute these family planning services monies for this state.

B. The department of health services shall distribute any monies received from a grant application made pursuant to subsection A of this section consistent with section 35-196.05, subsection A.

Sec. 3. Section 36-2903.11, Arizona Revised Statutes, is amended to read:

36-2903.11. AHCCCS contractors; emergency department use; annual reporting
A. A contractor shall intervene if a member inappropriately seeks care at a hospital emergency department four times or more in a six-month period to educate the member regarding the proper use of emergency services.

B. Contractors shall report to the administration in a manner prescribed by the administration the number of times the contractor intervenes with members pursuant to this section.

C. On or before December 1, 2017 and on or before December 1 of each year thereafter, the administration shall report to the directors of the joint legislative budget committee and the governor’s office of strategic planning and budgeting on the use of emergency departments for nonemergency purposes by members.
Sec. 4. Section 36-2907, Arizona Revised Statutes, is amended to read:

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

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

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

2. Outpatient health services that are ordinarily provided in hospitals, clinics, offices and other health care facilities by licensed health care providers. Outpatient health services include services provided by or under the direction of a physician or a primary care practitioner, **INCLUDING OCCUPATIONAL THERAPY**.

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

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

5. Medical supplies, durable medical equipment, insulin pumps and prosthetic devices ordered by a physician or a primary care practitioner. Suppliers of durable medical equipment shall provide the administration with complete information about the identity of each person who has an ownership or controlling interest in their business and shall comply with federal bonding requirements in a manner prescribed by the administration.

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

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

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

9. Podiatry services that are performed by a podiatrist who is licensed pursuant to title 32, chapter 7 and ordered by a primary care physician or primary care practitioner.


11. For persons who are at least twenty-one years of age, emergency dental care and extractions in an annual amount of not more than one thousand dollars per member.

12. Ambulance and nonambulance transportation, except as provided in subsection G of this section.

13. Hospice care.

14. Orthotics, if all of the following apply:
(a) The use of the orthotic is medically necessary as the preferred treatment option consistent with medicare guidelines.
(b) The orthotic is less expensive than all other treatment options or surgical procedures to treat the same diagnosed condition.
(c) The orthotic is ordered by a physician or primary care practitioner.

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

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

2. For eligible persons who are at least twenty-one years of age:
(a) Outpatient health services do not include occupational therapy or speech therapy.
(b) Prosthetic devices do not include hearing aids, dentures, bone-anchored hearing aids or cochlear implants. Prosthetic devices, except prosthetic implants, may be limited to twelve thousand five hundred dollars per contract year.
(c) Percussive vests are not covered health and medical services.
(d) Durable medical equipment is limited to items covered by medicare.
(e) Nonexperimental transplants do not include pancreas-only transplants.
(f) Bariatric surgery procedures, including laparoscopic and open gastric bypass and restrictive procedures, are not covered health and medical services.

C. The system shall pay noncontracting providers only for health and medical services as prescribed in subsection A of this section and as prescribed by rule.
D. The director shall adopt rules necessary to limit, to the extent possible, the scope, duration and amount of services, including maximum limitations for inpatient services that are consistent with federal regulations under title XIX of the social security act (P.L. 89-97; 79 Stat. 344; 42 United States Code section 1396 (1980)). To the extent possible and practicable, these rules shall provide for the prior approval of medically necessary services provided pursuant to this chapter.

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

F. The director shall adopt rules for the coverage of behavioral health services for persons who are eligible under section 36-2901, paragraph 6, subdivision (a). The administration acting through the regional behavioral health authorities shall establish a diagnostic and evaluation program to which other state agencies shall refer children who are not already enrolled pursuant to this chapter and who may be in need of behavioral health services. In addition to an evaluation, the administration acting through regional behavioral health authorities shall also identify children who may be eligible under section 36-2901, paragraph 6, subdivision (a) or section 36-2931, paragraph 5 and shall refer the children to the appropriate agency responsible for making the final eligibility determination.

G. The director shall adopt rules for the provision of transportation services and rules providing for copayment by members for transportation for other than emergency purposes. Subject to approval by the centers for medicare and medicaid services, nonemergency medical transportation shall not be provided except for stretcher vans and ambulance transportation. Prior authorization is required for transportation by stretcher van and for medically necessary ambulance transportation initiated pursuant to a physician's direction. Prior authorization is not required for medically necessary ambulance transportation services rendered to members or eligible persons initiated by dialing telephone number 911 or other designated emergency response systems.

H. The director may adopt rules to allow the administration, at the director's discretion, to use a second opinion procedure under which surgery may not be eligible for coverage pursuant to this chapter without documentation as to need by at least two physicians or primary care practitioners.
I. If the director does not receive bids within the amounts budgeted or if at any time the amount remaining in the Arizona health care cost containment system fund is insufficient to pay for full contract services for the remainder of the contract term, the administration, on notification to system contractors at least thirty days in advance, may modify the list of services required under subsection A of this section for persons defined as eligible other than those persons defined pursuant to section 36-2901, paragraph 6, subdivision (a). The director may also suspend services or may limit categories of expense for services defined as optional pursuant to title XIX of the social security act (P.L. 89-97; 79 Stat. 344; 42 United States Code section 1396 (1980)) for persons defined pursuant to section 36-2901, paragraph 6, subdivision (a). Such reductions or suspensions do not apply to the continuity of care for persons already receiving these services.

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

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

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

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

L. Covered outpatient services shall be subcontracted by a primary care physician or primary care practitioner to other licensed health care providers to the extent practicable for purposes including, but not limited to, making health care services available to underserved areas, reducing costs of providing medical care and reducing transportation costs.

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

N. For the purposes of this section, "ambulance" has the same meaning prescribed in section 36-2201.
Sec. 5. Section 36-2930.03, Arizona Revised Statutes, is amended to read:

36-2930.03. 340B drug pricing; requirements; applicability; annual report; definitions

A. Beginning the later of January 1, 2017 or on approval by the centers for medicare and medicaid services:
   1. 340B covered entities shall submit point-of-sale prescription and physician-administered drug claims for members for drugs that are identified in the 340B pricing file, whether or not the drugs are purchased under the 340B drug pricing program. The claims shall include a professional fee and the lesser of either:
      (a) The actual acquisition cost.
      (b) The 340B ceiling price.
   2. The administration or a contractor shall reimburse claims for drugs that are identified in the 340B pricing file and that are dispensed by 340B covered entities or administered by 340B covered entity providers, whether or not the drugs are purchased under the 340B drug pricing program, at the amount submitted pursuant to paragraph 1 of this subsection plus a professional fee as determined by the administration unless a contract between the 340B covered entity and the administration or a contractor specifies a different professional fee.
   3. The administration and its contractors may not reimburse any contracted pharmacy for drugs dispensed as part of the 340B drug pricing program. The administration and its contractors shall reimburse contracted pharmacies for drugs that are not purchased, dispensed or administered as part of or subject to the 340B drug pricing program, at the amount submitted pursuant to paragraph 1 of this subsection plus a professional fee as determined by the administration or its contractors.

B. This section does not require the administration or its contractors to reimburse a pharmacy that does not have a contract with the administration or its contractors.

C. This section does not apply to licensed hospitals and outpatient facilities that are owned or operated by a licensed hospital.

D. On or before November 1, 2016, the administration shall report to the governor, the president of the senate, the speaker of the house of representatives and the joint legislative budget committee regarding the technological feasibility and costs of applying this section to licensed hospitals and outpatient facilities that are owned or operated by a licensed hospital.

E. For the purposes of this section:
   1. "340B ceiling price" means the maximum price that drug manufacturers may charge covered entities participating in the 340B drug pricing program as reported by the drug manufacturer to the United States department of health and human services. The 340B ceiling price per unit
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is defined as the average manufacturer price minus the federal unit rebate amount.

2. "340B covered entity" means a covered entity as defined by 42 United States Code section 256b that participates in the 340B drug pricing program.

3. "340B drug pricing program" means the discount drug purchasing program described in 42 United States Code section 256b.

4. "Actual acquisition cost" means the purchase price of a drug paid by a pharmacy net of all discounts, rebates, chargebacks and other adjustments to the price of the drug, not including professional fees.

5. "Administration" has the same meaning prescribed in section 36-2901 and includes the administration's contracted pharmacy benefits manager.

6. "Contracted pharmacy" means a separate pharmacy with which a 340B covered entity contracts to provide comprehensive pharmacy services using medications that are subject to 340B drug pricing.

7. "Contractor" has the same meaning prescribed in section 36-2901 and includes a contractor's pharmacy benefits manager.

8. "Professional fee" means the amount paid for the professional services provided by the pharmacist for dispensing a prescription. Professional fee does not include any payment for the drug being dispensed.

Sec. 6. Section 36-2953, Arizona Revised Statutes, is amended to read:

36-2953. Department long-term care system fund; uniform accounting; reporting requirements

A. The department shall establish and maintain a department long-term care system fund, which is a separate fund to distinguish its revenues and its expenditures pursuant to this article from other programs funded or administered by the department. Subject to legislative appropriation, the fund shall be used to pay administrative and program costs associated with the operation of the system. The department long-term care system fund shall be divided as follows:

1. An account for eligibility determination pursuant to section 36-2933, if the administration enters into an interagency agreement with the department pursuant to section 36-2933, subsection E.

2. An account for the provision of long-term care services as prescribed in section 36-2939, subsections A and B.

B. The department long-term care system fund shall be composed of:

1. Monies paid by the administration pursuant to the contract.

2. Amounts paid by third-party payors.

3. Gifts, donations and grants from any source.

4. State appropriations for the department long-term care system pursuant to this article.

5. Interest on monies deposited in the long-term care system fund.
C. The department shall submit a prospective long-term care budget as prescribed by the administration.

D. The administration shall prescribe a uniform accounting system for the fund established pursuant to subsection A of this section. Technical assistance shall be provided by the administration to the department in order to facilitate the implementation of the uniform accounting system.

E. The department shall submit an annual audited financial and programmatic report for the preceding fiscal year as required by the administration. The report shall include beginning and ending fund balances, revenues and expenditures, including specific identification of administrative costs for the system. The report shall include the number of members served by the system and the cost incurred for various types of services provided to members in a format prescribed by the director.

F. The department shall submit additional utilization and financial reports as required by the director.

G. The director shall make at least an annual review of the department's records and accounts.

H. All monies from capitated payments in the department long-term care system fund that are unexpended and unencumbered at the end of the fiscal year revert to the state general fund on or before June 30 of the following fiscal year. The transfer amount may be adjusted for reported but unpaid claims and estimated incurred but unreported claims, subject to approval by the administration. THE TRANSFER AMOUNT MAY NOT BE ADJUSTED TO PAY NONMEDICAID CLAIMS INCURRED BY THE DIVISION OF DEVELOPMENTAL DISABILITIES.

Sec. 7. Section 36-2985, Arizona Revised Statutes, is amended to read:

36-2985. Notice of program suspension; spending limitation

A. If the director determines that monies may be insufficient for the program, the director shall immediately notify the governor, the president of the senate and the speaker of the house of representatives. After consulting with the governor, the administration shall stop processing new applications for the program until the administration is able to verify that funding is sufficient to begin processing applications and the governor agrees that the administration may begin processing applications.

B. A. If the federal government eliminates federal funding THIS STATE'S FEDERAL MEDICAL ASSISTANCE PERCENTAGE for the program as specified in 42 United States Codes section 1397ee IS LESS THAN ONE HUNDRED PERCENT, the administration shall immediately NOTIFY THE GOVERNOR, THE PRESIDENT OF THE SENATE AND THE SPEAKER OF THE HOUSE OF REPRESENTATIVES AND SHALL IMMEDIATELY stop processing all NEW applications and shall provide at least thirty days' advance notice to contractors and members that the program will terminate.
C. B. The total amount of state monies that may be spent in any
fiscal year by the administration for health care provided under this
article shall not exceed the amount appropriated or authorized by section
35-173.

D. C. This article does not impose a duty on an officer, agent or
employee of this state to discharge a responsibility or create any right
in a person or group if the discharge or right would require an
expenditure of state monies in excess of the expenditure authorized by
legislative appropriation for that specific purpose.

Sec. 8. Section 36-2986, Arizona Revised Statutes, is amended to
read:

36-2986. Administration; powers and duties of director
A. The director has full operational authority to adopt rules or to
use the appropriate rules adopted for article 1 of this chapter to
implement this article, including any of the following:

1. Contract administration and oversight of contractors.

2. Development of a complete system of accounts and controls for
the program, including provisions designed to ensure that covered health
and medical services provided through the system are not used
unnecessarily or unreasonably, including inpatient behavioral health
services provided in a hospital.

3. Establishment of peer review and utilization review functions
for all contractors.

4. Development and management of a contractor payment system.

5. Establishment and management of a comprehensive system for
assuring quality of care.

6. Establishment and management of a system to prevent fraud by
members, contractors and health care providers.

7. Development of an outreach program. The administration shall
coordinate with public and private entities to provide outreach services
for children under this article. Priority shall be given to those
families who are moving off welfare. Outreach activities shall include
strategies to inform communities, including tribal communities, about the
program, ensure a wide distribution of applications and provide training
for other entities to assist with the application process.

8. Coordination of benefits provided under this article for any
member. The director may require that contractors and noncontracting
providers are responsible for the coordination of benefits for services
provided under this article. Requirements for coordination of benefits by
noncontracting providers under this section are limited to coordination
with standard health insurance and disability insurance policies and
similar programs for health coverage. The director may require members to
assign to the administration rights to all types of medical benefits to
which the person is entitled, including first party medical benefits under
automobile insurance policies. The state has a right of subrogation.
against any other person or firm to enforce the assignment of medical benefits. The provisions of this paragraph are controlling over the provisions of any insurance policy that provides benefits to a member if the policy is inconsistent with this paragraph.

9. Development and management of an eligibility, enrollment and redetermination system including a process for quality control.

10. Establishment and maintenance of an encounter claims system that ensures that ninety percent of the clean claims are paid within thirty days after receipt and ninety-nine percent of the remaining clean claims are paid within ninety days after receipt by the administration or contractor unless an alternative payment schedule is agreed to by the contractor and the provider. For the purposes of this paragraph, "clean claims" has the same meaning prescribed in section 36-2904, subsection G.

11. Establishment of standards for the coordination of medical care and member transfers.

12. Requiring contractors to submit encounter data in a form specified by the director.

13. Assessing civil penalties for improper billing as prescribed in section 36-2903.01, subsection K.

B. Notwithstanding any other law, if Congress amends title XXI of the social security act and the administration is required to make conforming changes to rules adopted pursuant to this article, the administration shall request a hearing with the joint health committee of reference for review of the proposed rule changes.

C. The director may subcontract distinct administrative functions to one or more persons who may be contractors within the system.

D. The director shall require as a condition of a contract with any contractor that all records relating to contract compliance are available for inspection by the administration and that these records be maintained by the contractor for five years. The director shall also require that these records are available by a contractor on request of the secretary of the United States department of health and human services.

E. Subject to existing law relating to privilege and protection, the director shall prescribe by rule the types of information that are confidential and circumstances under which this information may be used or released, including requirements for physician-patient confidentiality. Notwithstanding any other law, these rules shall be designed to provide for the exchange of necessary information for the purposes of eligibility determination under this article. Notwithstanding any other law, a member's medical record shall be released without the member's consent in situations of suspected cases of fraud or abuse relating to the system to an officer of this state's certified Arizona health care cost containment system fraud control unit who has submitted a written request for the medical record.
F. The director shall provide for the transition of members between contractors and noncontracting providers and the transfer of members who have been determined eligible from hospitals that do not have contracts to care for these persons.

G. To the extent that services are furnished pursuant to this article, a contractor is not subject to title 20 unless the contractor is a qualifying plan and has elected to provide services pursuant to this article.

H. As a condition of a contract, the director shall require contract terms that are necessary to ensure adequate performance by the contractor. Contract provisions required by the director include the maintenance of deposits, performance bonds, financial reserves or other financial security. The director may waive requirements for the posting of bonds or security for contractors who have posted other security, equal to or greater than that required by the administration, with a state agency for the performance of health service contracts if monies would be available from that security for the system on default by the contractor.

I. The director shall establish solvency requirements in contract that may include withholding or forfeiture of payments to be made to a contractor by the administration for the failure of the contractor to comply with a provision of the contract with the administration. The director may also require contract terms allowing the administration to operate a contractor directly under circumstances specified in the contract. The administration shall operate the contractor only as long as it is necessary to assure delivery of uninterrupted care to members enrolled with the contractor and to accomplish the orderly transition of members to other contractors or until the contractor reorganizes or otherwise corrects the contract performance failure. The administration shall not operate a contractor unless, before that action, the administration delivers notice to the contractor providing an opportunity for a hearing in accordance with procedures established by the director. Notwithstanding the provisions of a contract, if the administration finds that the public health, safety or welfare requires emergency action, it may operate as the contractor on notice to the contractor and pending an administrative hearing, which it shall promptly institute.

J. For the sole purpose of matters concerning and directly related to this article, the administration is exempt from section 41-192.

K. The director may withhold payments to a noncontracting provider if the noncontracting provider does not comply with this article or adopted rules that relate to the specific services rendered and billed to the administration.

L. The director shall:

1. Prescribe uniform forms to be used by all contractors and furnish uniform forms and procedures, including methods of identification of members. The rules shall include requirements that an applicant
personally complete or assist in the completion of eligibility application forms, except in situations in which the person has a disability.

2. By rule, establish a grievance and appeal procedure that conforms with the process and the time frames specified in article 1 of this chapter. If the program is suspended or terminated pursuant to section 36-2985, an applicant or member is not entitled to contest the denial, suspension or termination of eligibility for the program.

3. Apply for and accept federal monies available under title XXI of the social security act. Available state monies appropriated to the administration for the operation of the program shall be used as matching monies to secure federal monies pursuant to this subsection.

M. The administration is entitled to all rights provided to the administration for liens and release of claims as specified in sections 36-2915 and 36-2916 and shall coordinate benefits pursuant to section 36-2903, subsection F and be a payor of last resort for persons who are eligible pursuant to this article.

N. The director shall follow the same procedures for review committees, immunity and confidentiality that are prescribed in article 1 of this chapter.

Sec. 9. Laws 2013, first special session, chapter 10, section 15 is amended to read:

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

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

B. The Arizona health care cost containment system administration shall not increase in a given federal fiscal year the total of the payments made pursuant to this section plus the amount of disproportionate share hospital payments made to the same freestanding children's hospital by more than three percent percent per year above the total of the payments made to the hospital pursuant to Laws 2011, chapter 234, section 2, as amended by this act LAWS 2013, FIRST SPECIAL SESSION, CHAPTER 10, SECTION 14, in federal fiscal year 2013-2014 plus the disproportionate share hospital payments in federal fiscal year 2012-2013.

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

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

Sec. 10. ALTCS; county contributions; fiscal year 2017-2018
A. Notwithstanding section 11-292, Arizona Revised Statutes, county
contributions for the Arizona long-term care system for fiscal year
2017-2018 are as follows:

1. Apache $ 657,500
2. Cochise $ 5,241,100
3. Coconino $ 1,974,000
4. Gila $ 2,208,500
5. Graham $ 1,561,800
6. Greenlee $ 28,000
7. La Paz $ 526,000
8. Maricopa $165,477,400
9. Mohave $ 8,350,800
10. Navajo $ 2,721,500
11. Pima $ 40,974,000
12. Pinal $ 15,344,200
13. Santa Cruz $ 2,040,600
14. Yavapai $ 8,840,500
15. Yuma $ 8,727,300

B. If the overall cost for the Arizona long-term care system
exceeds the amount specified in the general appropriations act for fiscal
year 2017-2018, the state treasurer shall collect from the counties the
difference between the amount specified in subsection A of this section
and the counties' share of the state's actual contribution. The counties' share of the state's contribution shall comply with any federal
maintenance of effort requirements. The director of the Arizona health
care cost containment system administration shall notify the state
treasurer of the counties' share of the state's contribution and report
the amount to the director of the joint legislative budget committee. The
state treasurer shall withhold from any other monies payable to a county
from whatever state funding source is available an amount necessary to
fulfill that county's requirement specified in this subsection. The state
treasurer may not withhold distributions from the Arizona highway user
revenue fund pursuant to title 28, chapter 18, article 2, Arizona Revised
Statutes. The state treasurer shall deposit the amounts withheld pursuant
to this subsection and amounts paid pursuant to subsection A of this
section in the long-term care system fund established by section 36-2913,
Arizona Revised Statutes.

Sec. 11. Sexually violent persons; county reimbursement;
fiscal year 2017-2018; deposit; tax distribution
withholding; definition
A. Notwithstanding any other law, if this state pays the costs of
commitment of a sexually violent person, the county shall reimburse the
department of health services for thirty-one percent of these costs for fiscal year 2017-2018.

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

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

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

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

F. For the purposes of this section, "costs of commitment" means the costs associated with the detainment of a person in a licensed facility under the supervision of the superintendent of the Arizona state hospital before the court determines that the person is sexually violent and the cost of detainment of the person after the court has determined that the person is sexually violent.

Sec. 12. Competency restoration treatment; city, town and county reimbursement; fiscal year 2017-2018; deposit; tax distribution withholding

A. Notwithstanding section 13-4512, Arizona Revised Statutes, if this state pays the costs of a defendant's inpatient, in custody competency restoration treatment pursuant to section 13-4512, Arizona Revised Statutes, the city, town or county shall reimburse the department of health services for one hundred percent of these costs for fiscal year 2017-2018.

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

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

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

Sec. 13. AHCCCS; disproportionate share payments

A. Disproportionate share payments for fiscal year 2017-2018 made pursuant to section 36-2903.01, subsection O, Arizona Revised Statutes, include:

1. $108,874,800 for a qualifying nonstate operated public hospital. The Maricopa county special health care district shall provide a certified public expense form for the amount of qualifying disproportionate share hospital expenditures made on behalf of this state to the Arizona health care cost containment system administration on or before May 1, 2018 for all state plan years as required by the Arizona health care cost containment system section 1115 waiver standard terms and conditions. The administration shall assist the district in determining the amount of qualifying disproportionate share hospital expenditures. Once the administration files a claim with the federal government and receives federal financial participation based on the amount certified by the Maricopa county special health care district, if the certification is equal to or less than $108,874,800 and the administration determines that the revised amount is correct pursuant to the methodology used by the administration pursuant to section 36-2903.01, Arizona Revised Statutes, the administration shall notify the governor, the president of the senate and the speaker of the house of representatives, shall distribute $4,202,300 to the Maricopa county special health care district and shall deposit the balance of the federal financial participation in the state general fund. If the certification provided is for an amount less than $108,874,800 and the administration determines that the revised amount is not correct pursuant to the methodology used by the administration pursuant to section 36-2903.01, Arizona Revised Statutes, the
administration shall notify the governor, the president of the senate and
the speaker of the house of representatives and shall deposit the total
amount of the federal financial participation in the state general fund.
If the certification provided is for an amount greater than $108,874,800,
the administration shall distribute $4,202,300 to the Maricopa county
special health care district and shall deposit $71,890,300 of the federal
financial participation in the state general fund. The administration may
make additional disproportionate share hospital payments to the Maricopa
county special health care district pursuant to section 36-2903.01,
subsection P, Arizona Revised Statutes, and subsection B of this section.

2. $28,474,900 for the Arizona state hospital. The Arizona state
hospital shall provide a certified public expense form for the amount of
qualifying disproportionate share hospital expenditures made on behalf of
this state to the administration on or before March 31, 2018. The
administration shall assist the Arizona state hospital in determining the
amount of qualifying disproportionate share hospital expenditures. Once
the administration files a claim with the federal government and receives
federal financial participation based on the amount certified by the
Arizona state hospital, the administration shall distribute the entire
amount of federal financial participation to the state general fund. If
the certification provided is for an amount less than $28,474,900, the
administration shall notify the governor, the president of the senate and
the speaker of the house of representatives and shall distribute the
entire amount of federal financial participation to the state general
fund. The certified public expense form provided by the Arizona state
hospital shall contain both the total amount of qualifying disproportionate share hospital expenditures and the amount limited by
section 1923(g) of the social security act.

3. $884,800 for private qualifying disproportionate share
hospitals. The Arizona health care cost containment system administration
shall make payments to hospitals consistent with this appropriation and
the terms of the section 1115 waiver, but payments are limited to those
hospitals that either:
      (a) Meet the mandatory definition of disproportionate share
qualifying hospitals under section 1923 of the social security act.
      (b) Are located in Yuma county and contain at least three hundred
beds.

B. After the distributions made pursuant to subsection A of this
section, the allocations of disproportionate share hospital payments made
pursuant to section 36-2903.01, subsection P, Arizona Revised Statutes,
shall be made available first to qualifying private hospitals located
outside of the Phoenix metropolitan statistical area and the Tucson
metropolitan statistical area before being made available to qualifying
hospitals within the Phoenix metropolitan statistical area and the Tucson
metropolitan statistical area.
Sec. 14. **AHCCCS transfer; counties; federal monies**

On or before December 31, 2018, notwithstanding any other law, for fiscal year 2017-2018 the Arizona health care cost containment system administration shall transfer to the counties the portion, if any, as may be necessary to comply with section 10201(c)(6) of the patient protection and affordable care act (P.L. 111-148), regarding the counties' proportional share of this state's contribution.

Sec. 15. **County acute care contribution; fiscal year 2017-2018**

A. Notwithstanding section 11-292, Arizona Revised Statutes, for fiscal year 2017-2018 for the provision of hospitalization and medical care, the counties shall contribute the following amounts:

1. Apache $ 268,800
2. Cochise $ 2,214,800
3. Coconino $ 742,900
4. Gila $ 1,413,200
5. Graham $ 536,200
6. Greenlee $ 190,700
7. La Paz $ 212,100
8. Maricopa $18,783,100
9. Mohave $ 1,237,700
10. Navajo $ 310,800
11. Pima $14,951,800
12. Pinal $ 2,715,600
13. Santa Cruz $ 482,800
14. Yavapai $ 1,427,800
15. Yuma $ 1,325,100

B. If a county does not provide funding as specified in subsection A of this section, the state treasurer shall subtract the amount owed by the county to the Arizona health care cost containment system fund and the long-term care system fund established by section 36-2913, Arizona Revised Statutes, from any payments required to be made by the state treasurer to that county pursuant to section 42-5029, subsection D, paragraph 2, Arizona Revised Statutes, plus interest on that amount pursuant to section 44-1201, Arizona Revised Statutes, retroactive to the first day the funding was due. If the monies the state treasurer withholds are insufficient to meet that county's funding requirements as specified in subsection A of this section, the state treasurer shall withhold from any other monies payable to that county from whatever state funding source is available an amount necessary to fulfill that county's requirement. The state treasurer may not withhold distributions from the Arizona highway user revenue fund pursuant to title 28, chapter 18, article 2, Arizona Revised Statutes.
C. Payment of an amount equal to one-twelfth of the total amount determined pursuant to subsection A of this section shall be made to the state treasurer on or before the fifth day of each month. On request from the director of the Arizona health care cost containment system administration, the state treasurer shall require that up to three months' payments be made in advance, if necessary.

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

E. If payments made pursuant to subsection C of this section exceed the amount required to meet the costs incurred by the Arizona health care cost containment system for the hospitalization and medical care of those persons defined as an eligible person pursuant to section 36-2901, paragraph 6, subdivisions (a), (b) and (c), Arizona Revised Statutes, the director of the Arizona health care cost containment system administration may instruct the state treasurer either to reduce remaining payments to be paid pursuant to this section by a specified amount or to provide to the counties specified amounts from the Arizona health care cost containment system fund and the long-term care system fund established by section 36-2913, Arizona Revised Statutes.

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

Sec. 16. Hospitalization and medical care contribution; fiscal year 2017-2018

A. Notwithstanding any other law, for fiscal year 2017-2018, beginning with the second monthly distribution of transaction privilege tax revenues, the state treasurer shall withhold one-eleventh of the following amounts from state transaction privilege tax revenues otherwise distributable, after any amounts withheld for the county long-term care contribution or the county administration contribution pursuant to section 11-292, subsection O, Arizona Revised Statutes, for deposit in the Arizona health care cost containment system fund established by section 36-2913, Arizona Revised Statutes, for the provision of hospitalization and medical care:

1. Apache $ 87,300
2. Cochise $ 162,700
3. Coconino $ 160,500
4. Gila $ 65,900
5. Graham $ 46,800
6. Greenlee $ 12,000
1. 7. La Paz $24,900
2. 8. Mohave $187,400
3. 9. Navajo $122,800
4. 10. Pima $1,115,900
5. 11. Pinal $218,300
6. 12. Santa Cruz $51,600
7. 13. Yavapai $206,200
8. 14. Yuma $183,900

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

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

D. In fiscal year 2017-2018, the sum of $2,646,200 withheld pursuant to subsection A of this section is allocated for the county acute care contribution for the provision of hospitalization and medical care services administered by the Arizona health care cost containment system administration.

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

Sec. 17. Proposition 204 administration; county expenditure limitations

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

Sec. 18. Department long-term care system fund; use of unexpended and unencumbered capitation payments; review; retroactivity; delayed repeal

A. Notwithstanding section 36-2953, subsection H, Arizona Revised Statutes, as amended by this act, the department of economic security may use unexpended and unencumbered monies from capitation payments in the department long-term care system fund established by section 36-2953, Arizona Revised Statutes, as amended by this act, for state-only program expenses within the division of developmental disabilities. Before making any expenditures authorized by this subsection, the department of economic security shall submit an expenditure plan for review by the joint legislative budget committee.
Subsection A of this section applies retroactively to from and after June 30, 2017.

C. This section is repealed from and after June 30, 2018.

Sec. 19. AHCCCS; risk contingency rate setting
Notwithstanding any other law, for the contract year beginning October 1, 2017 and ending September 30, 2018, the Arizona health care cost containment system administration may continue the risk contingency rate setting for all managed care organizations and the funding for all managed care organizations administrative funding levels that were imposed for the contract year beginning October 1, 2010 and ending September 30, 2011.

Sec. 20. AHCCCS; social security administration; medicare liability waiver; reports
The Arizona health care cost containment system may participate in any special disability workload section 1115 demonstration waiver offered by the centers for medicare and medicaid services. Any credits provided by the section 1115 demonstration waiver process are to be used in the fiscal year when those credits are made available to fund the state share of any medical assistance expenditures that qualify for federal financial participation under the medicaid program. The Arizona health care cost containment system administration shall report the receipt of any credits to the director of the joint legislative budget committee on or before December 31, 2017 and June 30, 2018.

Sec. 21. Hospital charge master transparency; joint report
On or before January 2, 2018, the director of the Arizona health care cost containment system administration and the director of the department of health services shall submit a joint report on hospital charge master transparency to the governor, the speaker of the house of representatives and the president of the senate and shall provide a copy to the secretary of state. The report shall provide a summary of the current charge master reporting process, a summary of hospital billed charges compared to costs and examples of how charge masters or hospital prices are reported and used in other states. The report shall include recommendations to improve this state's use of hospital charge master information, including reporting and oversight changes.

Sec. 22. Inpatient psychiatric treatment; report
A. On or before January 2, 2018, the director of the Arizona health care cost containment system administration shall submit a report to the director of the joint legislative budget committee on the availability of inpatient psychiatric treatment both for adults and for children and adolescents who receive services from the regional behavioral health authorities. The report shall include all of the following information:

1. The total number of inpatient psychiatric treatment beds available and the occupancy rate for those beds.
2. Expenditures on inpatient psychiatric treatment.
3. The total number of individuals in this state who are sent out of state for inpatient psychiatric care.
4. The prevalence of psychiatric boarding or the holding of psychiatric patients in emergency rooms for at least twenty-four hours before transferring the patient to a psychiatric facility.

B. The report shall provide the information specified in subsection A of this section separately for adults who are at least twenty-two years of age and for children and adolescents who are twenty-one years of age or younger.

Sec. 23. Health services lottery monies fund; use; fiscal year 2017-2018
Notwithstanding sections 5-572 and 36-108.01, Arizona Revised Statutes, monies in the health services lottery monies fund established by section 36-108.01, Arizona Revised Statutes, may be used for the purposes specified in the fiscal year 2017-2018 general appropriations act.

Sec. 24. Department of health services; health research account; Alzheimer's disease research
Notwithstanding section 36-773, Arizona Revised Statutes, the department of health services may use monies in the health research account established by section 36-773, Arizona Revised Statutes, in an amount specified in the general appropriations act for Alzheimer's disease research.

Sec. 25. Intent; implementation of program
It is the intent of the legislature that for fiscal year 2017-2018 the Arizona health care cost containment system administration implement a program within the available appropriation.

APPROVED BY THE GOVERNOR MAY 12, 2017.