

## Arizona Health Care Cost Containment System

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	2,339.3	2,339.3	2,339.3 <sup>1/</sup>
Personal Services	39,992,000	39,921,600	39,921,600
Employee Related Expenditures	16,626,400	16,571,400	16,571,400
Professional and Outside Services	10,924,900	10,614,100	10,614,100
Travel - In State	91,300	90,800	90,800
Travel - Out of State	35,600	36,300	36,300
Other Operating Expenditures	20,088,100	25,759,400	30,703,900
Equipment	322,200	322,800	322,800
<b>OPERATING SUBTOTAL</b>	<b>88,080,500</b>	<b>93,316,400</b>	<b>98,260,900 <sup>2/</sup></b>
<b>SPECIAL LINE ITEMS</b>			
<b>Administration</b>			
AHCCCS Data Storage	10,645,100	19,325,800	19,325,800
DES Eligibility	78,288,200	88,874,500	88,874,500 <sup>3/</sup>
Proposition 204 - AHCCCS Administration	14,007,000	13,964,300	13,964,300 <sup>4/</sup>
Proposition 204 - DES Eligibility	36,437,600	44,358,700	44,358,700 <sup>4/</sup>
<b>Medicaid Services</b>			
Traditional Medicaid Services	5,273,538,900	5,743,961,500	7,058,092,600 <sup>5/6/7/8/</sup>
Proposition 204 Services	4,167,272,100	4,585,376,000	6,337,948,400 <sup>7/8/</sup>
Adult Expansion Services	469,909,100	572,108,200	1,267,247,400
Comprehensive Medical and Dental Program	198,407,400	197,732,200	228,690,300 <sup>7/</sup>
KidsCare Services	83,410,400	92,088,200	134,795,000
ALTCS Services	1,835,477,700	1,966,345,300	2,016,757,300 <sup>9/10/11/</sup>
Behavioral Health Services in Schools	9,990,000	18,003,300	10,003,300
<b>Non-Medicaid Behavioral Health Services</b>			
Non-Medicaid Seriously Mentally Ill Services	75,896,600	77,646,900	77,646,900 <sup>12/</sup>
Supported Housing	5,201,300	5,324,800	5,324,800
Crisis Services	15,401,600	16,391,300	16,391,300
<b>Hospital Payments</b>			
Disproportionate Share Payments	4,894,500	5,087,100	5,087,100 <sup>13/</sup>
DSH Payments - Voluntary Match	36,366,500	45,260,100	48,666,500 <sup>8/14/</sup>
Graduate Medical Education	397,316,000	357,621,200	361,324,500 <sup>8/15/-18/</sup>
Graduate Medical Education - Community Health Centers	750,000	0	0
Rural Hospitals	33,927,300	28,612,400	28,612,400
Targeted Investments Program	90,035,400	70,000,000	50,000,000
<b>AGENCY TOTAL</b>	<b>12,925,253,200</b>	<b>14,041,398,200</b>	<b>17,911,372,000 <sup>19/-23/</sup></b>
<b>FUND SOURCES</b>			
General Fund	1,669,160,500	1,951,981,100	2,175,273,400
<b>Other Appropriated Funds</b>			
Budget Neutrality Compliance Fund	3,906,400	4,037,400	4,076,200
Children's Health Insurance Program Fund	80,961,300	81,348,200	112,306,400
Prescription Drug Rebate Fund - State	149,574,500	148,459,600	148,459,600
Substance Abuse Services Fund	1,350,200	2,250,200	2,250,200
Tobacco Products Tax Fund - Emergency Health Services Account	16,216,300	16,216,300	17,921,600
Tobacco Tax and Health Care Fund - Medically Needy Account	66,861,800	65,627,200	69,002,100
<b>SUBTOTAL - Other Appropriated Funds</b>	<b>318,870,500</b>	<b>317,938,900</b>	<b>354,016,100</b>
<b>SUBTOTAL - Appropriated Funds</b>	<b>1,988,031,000</b>	<b>2,269,920,000</b>	<b>2,529,289,500</b>

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 BASELINE
<u>Expenditure Authority Funds</u>			
Arizona Tobacco Litigation Settlement Fund	94,283,100	102,000,000	102,000,000
County Funds	291,575,800	351,691,000	352,761,700
Delivery System Reform Incentive Payment Fund	28,062,400	21,686,700	15,495,200
Federal Medicaid Authority	9,386,797,000	10,012,054,700	13,086,797,500
Health Care Investment Fund	0	0	382,548,500
Hospital Assessment Fund	314,374,800	408,220,600	592,610,300
Nursing Facility Provider Assessment Fund	32,201,000	32,989,600	32,989,600
Political Subdivision Funds	139,370,100	198,782,700	169,989,300
Prescription Drug Rebate Fund - Federal	616,503,700	609,060,300	609,060,300
Third Party Liability and Recovery Fund	0	194,700	194,700
Tobacco Products Tax Fund - Proposition 204 Protection Account	34,054,300	34,797,900	37,635,400
<b>SUBTOTAL - Expenditure Authority Funds</b>	<b>10,937,222,200</b>	<b>11,771,478,200</b>	<b>15,382,082,500</b>
<b>SUBTOTAL - Appropriated/Expenditure Authority Funds</b>	<b>12,925,253,200</b>	<b>14,041,398,200</b>	<b>17,911,372,000</b>
Other Non-Appropriated Funds	116,395,300	115,781,300	115,781,300
Federal Funds	155,602,600	154,236,700	154,236,700
<b>TOTAL - ALL SOURCES</b>	<b>13,197,251,100</b>	<b>14,311,416,200</b>	<b>18,181,390,000</b>

**AGENCY DESCRIPTION** — The Arizona Health Care Cost Containment System (AHCCCS) operates on a health maintenance organization model in which contracted providers receive a predetermined monthly capitation payment for the medical services cost of enrolled members. AHCCCS is the state's federally matched Medicaid program and provides acute care services, behavioral health services, and long term care services.

**FOOTNOTES**

- 1/ Includes 619.3 GF and 696.8 EA FTE Positions funded from Special Line Items in FY 2022.
- 2/ Of the amount appropriated for the operating lump sum, \$100,000 shall be used for a suicide prevention coordinator to assist school districts and charter schools in suicide prevention efforts. The Arizona health care cost containment system administration, in consultation with the department of education, shall report to the governor, the president of the senate, the speaker of the house of representatives, the director of the joint legislative budget committee and the director of the governor's office of strategic planning and budgeting on or before September 1, 2022 on the suicide prevention coordinator's accomplishments in fiscal year 2021-2022. (General Appropriation Act footnote)
- 3/ The amount appropriated for the DES eligibility line item shall be used for intergovernmental agreements with the department of economic security for eligibility determination and other functions. The state general fund share may be used for eligibility determination for other programs administered by the division of benefits and medical eligibility based on the results of the Arizona random moment sampling survey. (General Appropriation Act footnote)
- 4/ The amounts included in the proposition 204 - AHCCCS administration, proposition 204 - DES eligibility and proposition 204 services line items include all available sources of funding consistent with section 36-2901.01, subsection B, Arizona Revised Statutes. (General Appropriation Act Footnote)
- 5/ The Arizona health care cost containment system administration shall transfer up to \$1,200,000 from the traditional medicaid services line item for fiscal year 2021-2022 to the attorney general for costs associated with tobacco settlement litigation. (General Appropriation Act footnote)
- 6/ The Arizona health care cost containment system administration shall transfer \$836,000 from the traditional medicaid services line item for fiscal year 2021-2022 to the department of revenue for enforcement costs associated with the March 13, 2013 master settlement agreement with tobacco companies. (General Appropriation Act footnote)
- 7/ The legislature intends that the percentage attributable to administration and profit for the regional behavioral health authorities be nine percent of the overall capitation rate. (General Appropriation Act footnote)
- 8/ The expenditure authority fund source includes voluntary payments made from political subdivisions for payments to hospitals that operate a graduate medical education program or treat low-income patients and for payments to qualifying providers affiliated with teaching hospitals. The political subdivision portions of the fiscal year 2021-2022 costs of graduate medical education, disproportionate share payments - voluntary match, traditional medicaid services,

proposition 204 services and adult expansion services line items are included in the expenditure authority fund source. (General Appropriation Act footnote)

- 9/ Any federal monies that the Arizona health care cost containment system administration passes through to the department of economic security for use in long-term care for persons with developmental disabilities do not count against the long-term care expenditure authority above. (General Appropriation Act footnote)
  - 10/ Pursuant to section 11-292, subsection B, Arizona Revised Statutes, the county portion of the fiscal year 2021-2022 nonfederal costs of providing long-term care system services is \$307,127,700. This amount is included in the expenditure authority fund source. (General Appropriation Act footnote)
  - 11/ Any supplemental payments received in excess of \$109,928,700 for nursing facilities that serve Arizona long-term care system medicaid patients in fiscal year 2021-2022, including any federal matching monies, by the Arizona health care cost containment system administration are appropriated to the administration in fiscal year 2021-2022. Before spending these increased monies, the administration shall notify the joint legislative budget committee and the governor's office of strategic planning and budgeting of the amount of monies that will be spent under this provision. These payments are included in the expenditure authority fund source. (General Appropriation Act footnote)
  - 12/ On or before June 30, 2022, the Arizona health care cost containment system administration shall report to the joint legislative budget committee on the progress in implementing the Arnold v. Sarn lawsuit settlement. The report shall include, at a minimum, the administration's progress toward meeting all criteria specified in the 2014 joint stipulation, including the development and estimated cost of additional behavioral health service capacity in Maricopa county for supported housing services for 1,200 class members, supported employment services for 750 class members, eight assertive community treatment teams and consumer operated services for 1,500 class members. The administration shall also report by fund source the amounts it plans to use to pay for expanded services. (General Appropriation Act footnote)
  - 13/ The \$5,087,100 appropriation for disproportionate share payments for fiscal year 2021-2022 made pursuant to section 36-2903.01, subsection O, Arizona Revised Statutes, includes \$4,202,300 for the Maricopa county health care district and \$884,800 for private qualifying disproportionate share hospitals. (General Appropriation Act footnote)
  - 14/ Any monies received for disproportionate share hospital payments from political subdivisions of this state, tribal governments and any university under the jurisdiction of the Arizona board of regents, and any federal monies used to match those payments, in fiscal year 2021-2022 by the Arizona health care cost containment system administration in excess of \$48,666,500 are appropriated to the administration in fiscal year 2021-2022. Before spending these increased monies, the administration shall notify the joint legislative budget committee and the governor's office of strategic planning and budgeting of the amount of monies that will be spent under this provision. (General Appropriation Act footnote)
  - 15/ Any monies for graduate medical education received in fiscal year 2021-2022, including any federal matching monies, by the Arizona health care cost containment system administration in excess of \$361,324,500 are appropriated to the administration in fiscal year 2021-2022. Before spending these increased monies, the administration shall notify the joint legislative budget committee and the governor's office of strategic planning and budgeting of the amount of monies that will be spent under this provision. (General Appropriation Act footnote)
  - 16/ Notwithstanding section 36-2903.01, subsection G, paragraph 9, subdivisions (a), (b) and (c), Arizona Revised Statutes, the amount for graduate medical education includes \$5,000,000 from the state general fund and \$11,672,200 from expenditure authority for the direct and indirect costs of graduate medical education programs located in a county with a population of less than five hundred thousand persons. The state general fund amount may supplement, but not supplant, voluntary payments made from political subdivisions for payments to hospitals that operate a graduate medical education program. The administration shall prioritize distribution to programs at hospitals in counties with a higher percentage of persons residing in a health professional shortage area as defined in 42 Code of Federal Regulations part 5. (General Appropriation Act footnote)
  - 17/ Notwithstanding section 36-2903.01, subsection G, paragraph 9, subdivisions (a), (b) and (c), Arizona Revised Statutes, the amount for graduate medical education includes \$4,000,000 from the state general fund and \$9,337,800 from expenditure authority for the direct and indirect costs of graduate medical education programs located in a county with a population of more than five hundred thousand persons. The state general fund amount may supplement, but not supplant, voluntary payments made from political subdivisions for payments to hospitals that operate a graduate medical education program. The administration shall prioritize distribution to programs at hospitals in counties with a higher percentage of persons residing in a health professional shortage area as defined in 42 Code of Federal Regulations part 5. (General Appropriation Act footnote)
  - 18/ Monies appropriated for graduate medical education in this section are exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations until June 30, 2022. (General Appropriation Act footnote)
- ~~D/ Any monies received for the safety net care pool by the Arizona health care cost containment system administration in fiscal year 2021-2022, including any federal matching monies, are appropriated to the administration in fiscal year 2021-~~

2022. Before spending these monies, the administration shall notify the joint legislative budget committee and the governor's office of strategic planning and budgeting of the amount of monies that will be spent under this provision. (General Appropriation Act footnote)

- 19/ The nonappropriated portion of the prescription drug rebate fund established by section 36-2930, Arizona Revised Statutes, is included in the federal portion of the expenditure authority fund source. (General Appropriation Act footnote)
- 20/ Before making fee-for-service program or rate changes that pertain to fee-for-service rate categories, the Arizona health care cost containment system administration shall report its expenditure plan for review by the joint legislative budget committee. (General Appropriation Act footnote)
- 21/ The Arizona health care cost containment system administration shall report to the joint legislative budget committee on or before March 1, 2022 on preliminary actuarial estimates of the capitation rate changes for the following fiscal year along with the reasons for the estimated changes. For any actuarial estimates that include a range, the total range from minimum to maximum may not be more than two percent. Before implementing any changes in capitation rates, the administration shall report its expenditure plan for review by the joint legislative budget committee. Before the administration implements any change in policy affecting the amount, sufficiency, duration and scope of health care services and who may provide services, the administration shall prepare a fiscal impact analysis on the potential effects of this change on the following year's capitation rates. If the fiscal impact analysis demonstrates that this change will result in additional state costs of \$500,000 or more for any fiscal year, the administration shall submit the policy change for review by the joint legislative budget committee. (General Appropriation Act footnote)
- 22/ On or before July 1, 2022, the Arizona health care cost containment system administration shall report to the director of the joint legislative budget committee the total amount of medicaid reconciliation payments and penalties received on or before that date since July 1, 2021. (General Appropriation Act footnote)
- 23/ General Appropriation Act funds are appropriated as Operating Lump Sum with Special Line Items by Agency.

**Summary**

AHCCCS' FY 2022 General Fund spending increases by \$223,292,300 from FY 2021. This amount includes:

- \$228,292,300 for formula adjustments.
- \$(8,000,000) for removal of one-time funding of Behavioral Health Services in School for low-income, non-TXIX children.
- \$3,000,000 for Graduate Medical Education funding.

Below is an overview of FY 2022 formula adjustments, which *Table 1* summarizes. As part of the budget's 3-year spending plan AHCCCS' General Fund costs are projected to increase by \$60,151,300 in FY 2023 above FY 2022 and by \$56,077,900 in FY 2024 above FY 2023. (See the *Other Issues section for more information.*)

**Formula Adjustments**

Formula adjustments represent changes that occur under current law, including caseload, capitation, and federal match rate revisions. The Baseline includes an increase of \$228,292,300 from the General Fund in FY 2022 for the following AHCCCS formula adjustments. This amount includes:

- \$774,475,900 for state match expenses associated with formula adjustments.
- \$(546,183,600) for changes in General Fund offsets.

**Table 1**

**AHCCCS State Match Spending Changes (in millions)**

<b>State Match Formula Adjustments</b>	
FY 2022 Caseload Growth	389
FY 2022 Inflation Increase	399
FY 2022 Federal Medicaid Match Rate Change	18
FY 2022 Health Insurer Fee Repeal	(31)
<i>State Match Costs Subtotal</i> <sup>1/</sup>	774
<b>Non-General Fund State Match Offsets</b>	
Political Subdivisions Fund Decrease	27
Hospital Assessment Fund	(184)
County Funds Increase	(1)
Tobacco Tax Revenue Increase	(8)
Health Care Investment Fund	(380)
<i>General Fund Offsets Subtotal</i>	(546)
<b>Non-Formula Adjustments</b>	
GME/Health Professional Shortage Area	3
NTXIX Children's Behavioral Health	(8)
<i>Non-Formula Subtotal</i>	(5)
<b>Total General Fund Spending Change</b>	<b>\$223</b>

<sup>1/</sup> Numbers do not add to total due to rounding.

*FY 2022 Caseload Adjustment*

Formula adjustments include flat enrollment growth for most populations, including Traditional, Proposition 204, Adult Expansion, CMDP, and KidsCare; and 0.5% growth for ALTCS. Caseloads in June 2021, however, are estimated to exceed the original FY 2021 budget numbers by 250,040, or 14%, due to the COVID-19 pandemic and associated economic recession. As a result, even with flat

growth between June 2021 and June 2022, caseloads would still be 14% above the enacted FY 2021 budget. Overall, caseload growth is expected to increase state match expenses by \$388,875,100 and Total Funds expenses by \$2,342,231,200 in FY 2022. *Table 2* displays historical and forecasted member months across AHCCCS populations. (See the *Other Issues* section for more information.)

#### FY 2022 Inflation Adjustments

The Baseline assumes a 3.0% inflation adjustment for capitation, fee-for-service, and reinsurance effective October 1, 2021. This increase is based on a 5-year average of the medical care consumer price index. The Baseline also annualizes the FY 2021 capitation rate adjustment of 5.6% and adds expenditure authority associated with directed payments to hospitals financed by the Health Care Investment Fund. Inflation adjustments increase AHCCCS state costs by \$398,917,600 and Total Funds costs by \$1,681,051,600 in FY 2022. Of those amounts, \$380,076,200 of state match and \$1,566,212,400 are financed by the Health Care Investment Fund.

#### FY 2022 Federal Match Rate Changes

The Federal Medical Assistance Percentage (FMAP) is the rate at which the federal government matches state contributions to the Medicaid programs. These rates are set on a state-by-state basis and are revised each year. During SFY 2022, the standard base FMAP rates will be as follows:

- Traditional Medicaid rate will remain at 70.01%.
- Proposition 204 Childless Adult rate will remain at 90.0%.
- Adult Expansion rate will remain at 90.0%.
- CHIP rate will decrease to 79.01% (a 3.03 percentage point decrease).

The Baseline includes an increase of \$18,002,400 in state costs and a corresponding decrease of \$(18,002,400) in Federal Medicaid Authority in FY 2022 as a result of these FMAP adjustments. These changes reflect the impact of federal match rate changes in comparison to the enacted FY 2021 budget, which did not include adjustments for the enhanced FMAP authorized by the federal government to address the COVID-19 pandemic. (See the *Other Issues* section for more information.)

#### Health Insurer Fee Repeal

The Baseline includes a decrease of \$(31,319,300) in state funds (\$(137,363,200) Total Funds) for repeal of the Affordable Care Act Health Insurer Fee in FY 2022. The Consolidated Appropriations Act of 2020 repeals the fee beginning in FY 2022.

<b>Population</b>	<b>June 2021 (Budgeted)<sup>2/</sup></b>	<b>June 2021 (Revised)</b>	<b>June 2022 (Forecast)</b>	<b>'21-'22 % Change</b>
Traditional	1,014,064	1,092,462	1,092,462	0.0%
Prop 204 Childless Adults	337,601	384,182	384,182	0.0
Other Proposition 204	188,759	202,173	202,173	0.0
Adult Expansion	76,825	167,697	167,697	0.0
KidsCare	35,766	47,095	47,095	0.0
CMDP	13,147	13,657	13,657	0.0
ALTCS - Elderly & Physically Disabled <sup>3/</sup>	33,085	32,002	32,162	0.5
Emergency Services	<u>112,795</u>	<u>122,814</u>	<u>122,814</u>	<u>0.0</u>
<b>Total Member Months</b>	<b>1,812,042</b>	<b>2,062,082</b>	<b>2,061,922</b>	<b>0.0%</b>

<sup>1/</sup> The figures represent June 1 enrollment.  
<sup>2/</sup> The FY 2021 budgeted numbers do not account for caseload increases associated with the COVID-19 pandemic.  
<sup>3/</sup> The ALTCS program funded in AHCCCS. An additional 36,195 people receive Medicaid services through the Department of Economic Security's Developmental Disabilities program as of December 1, 2020.

#### Non-General Fund State Match Items

The gross state match contribution from FY 2022 caseload growth, inflation, and federal match rate changes is projected to increase by \$774,475,900. The Non-General Fund state match is forecast to offset \$(546,183,600) of this cost, resulting in a net General Fund change of \$228,292,300. When combined with legislatively-mandated changes, or non-formula adjustments, the net General Fund change decreases to \$223,292,300.

The non-General Fund state match offsets are as follows:

- An increase of \$184,389,800 from the Hospital Assessment Fund in FY 2022 to continue to cover the physical health costs of enrollees in the Proposition 204 and Adult Expansion programs.
- An increase of \$380,076,200 from the Health Care Investment Fund to provide directed payments to providers and increase physician and dental fee schedule reimbursement rates.
- A decrease of \$(27,309,600) in Political Subdivision Funds, mostly for Traditional.
- An increase of \$1,109,500 in County Funds, mostly for ALTCS.
- An increase of \$7,917,700 from tobacco tax revenues to reflect higher-than-budgeted receipts.

---

#### **Operating Budget**

---

The Baseline includes \$98,260,900 and 1,023.2 FTE Positions in FY 2022 for the operating budget. These amounts consist of:

	<b>FY 2022</b>
General Fund	\$29,289,400
Children’s Health Insurance Program (CHIP) Fund	5,676,500
Health Care Investment Fund	2,472,300
Prescription Drug Rebate Fund (PDRF) - State	661,700
Federal Medicaid Authority (FMA)	60,161,000

FY 2022 adjustments are as follows:

**Formula Adjustments**

The Baseline includes an increase of \$4,944,500 in FY 2022 for the cost of administering the Health Care Investment Fund, established by Laws 2020, Chapter 46. This amount consists of:

Health Care Investment Fund	2,472,300
Federal Medicaid Authority (FMA)	2,472,200

A.R.S. § 36-2999.73 authorizes AHCCCS to retain a maximum of 1% of Health Care Investment Fund monies for administrative purposes. At its September 2020 meeting, the Joint Legislative Budget Committee favorably reviewed AHCCCS' expenditure plan for the Health Care Investment Fund.

**Administration**

**AHCCCS Data Storage**

The Baseline includes \$19,325,800 in FY 2022 for the AHCCCS Data Storage. This amount consists of:

General Fund	5,915,400
CHIP Fund	160,000
Federal Medicaid Authority	13,250,400

These amounts are unchanged from FY 2021.

This line item funds charges paid by AHCCCS to ADOA pursuant to an interagency service agreement through which ADOA provides mainframe computing services to AHCCCS, including storage of medical records for AHCCCS enrollees.

The Baseline changes the name of the line item from "ADOA Data Center" to "AHCCCS Data Storage" pursuant to an agency request to more broadly reflect AHCCCS' expenses on computing services, which include both ADOA data center charges as well as cloud migration and storage costs.

**DES Eligibility**

The Baseline includes \$88,874,500 and 885 FTE Positions in FY 2022 for DES Eligibility services. These amounts consist of:

General Fund	25,491,200
Federal Medicaid Authority	63,383,300

These amounts are unchanged from FY 2021.

Through an Intergovernmental Agreement, DES performs eligibility determination for AHCCCS programs.

**Proposition 204 - AHCCCS Administration**

The Baseline includes \$13,964,300 and 131 FTE Positions in FY 2022 for Proposition 204 - AHCCCS Administration costs. These amounts consist of:

General Fund	4,545,000
PDRF - State	60,900
Federal Medicaid Authority	9,358,400

These amounts are unchanged from FY 2021.

Proposition 204 expanded AHCCCS eligibility. This line item contains funding for AHCCCS' administration costs of the Proposition 204 program.

**Proposition 204 - DES Eligibility**

The Baseline includes \$44,358,700 and 300.1 FTE Positions in FY 2022 for Proposition 204 - DES Eligibility costs. These amounts consist of:

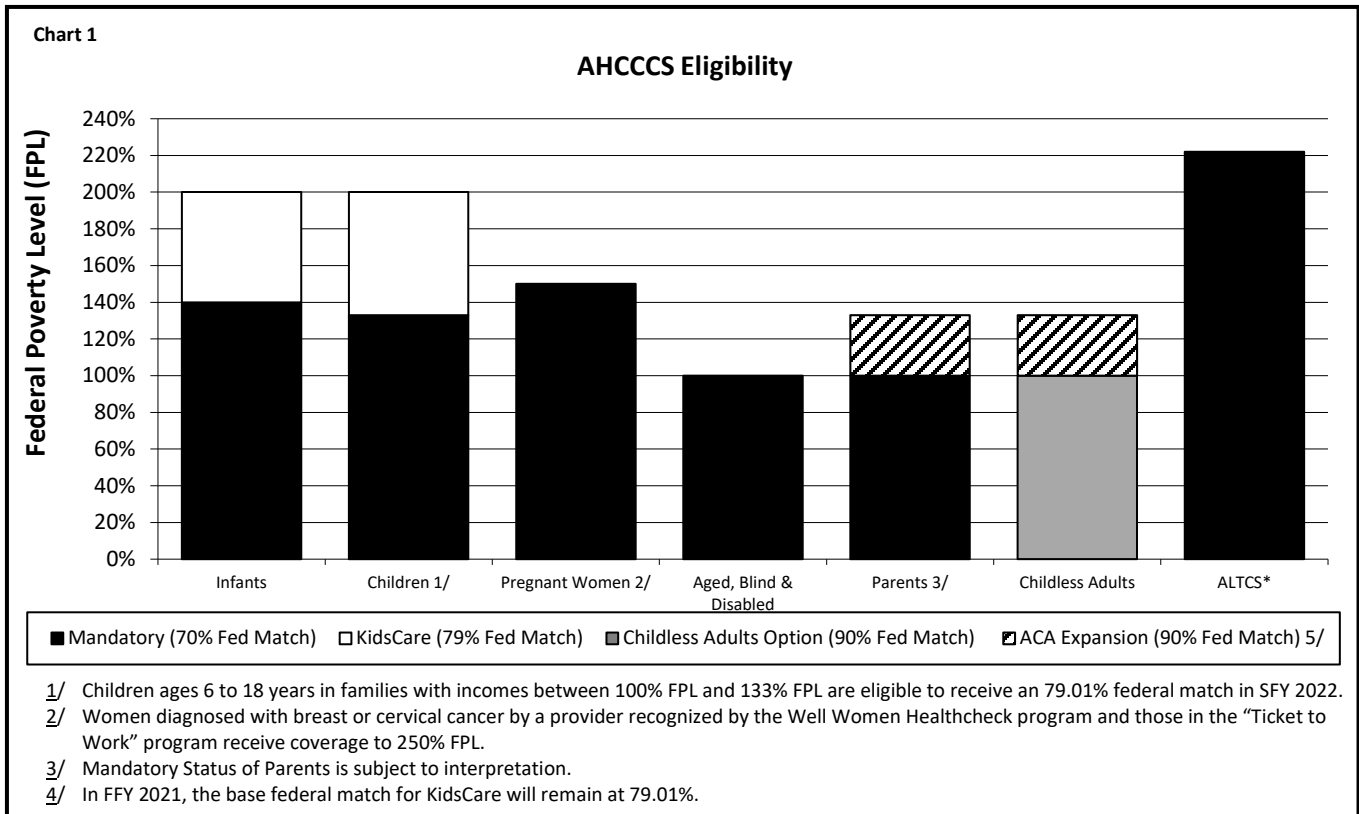
General Fund	16,646,000
Budget Neutrality Compliance Fund (BNCF)	4,076,200
Federal Medicaid Authority	23,636,500

FY 2022 adjustments are as follows:

**Formula Adjustments**

The Baseline includes a decrease of \$(38,800) from the General Fund and a corresponding increase of \$38,800 from the BNCF in FY 2022 to reflect an increase of county contributions in FY 2022 as required by A.R.S. § 11-292.

*Background* – The BNCF is comprised of contributions from Arizona counties for administrative costs of the implementation of Proposition 204. Prior to the proposition, the counties funded and administered the health care program for some of the Proposition 204



population. This line item contains funding for eligibility costs in DES for the Proposition 204 program.

**Medicaid Services**

AHCCCS oversees acute care, behavioral health services, and long-term care services for Medicaid enrollees.

Chart 1 shows the income eligibility limits for each AHCCCS population in FY 2022. A description of program components can be found in the *Other Issues* section.

**Traditional Medicaid Services**

The Baseline includes \$7,058,092,600 in FY 2022 for Traditional Medicaid Services. This amount consists of:

General Fund	1,476,087,300
County Funds	45,634,000
Health Care Investment Fund	226,678,100
Political Subdivision Funds	50,247,800
PDRF - State	140,158,600
TTHCF - Medically Needy Account	69,002,100
Third Party Liability and Recovery Fund	194,700
PDRF - In Lieu of Federal Funds	572,638,300
Federal Medicaid Authority	4,477,451,700

FY 2022 adjustments are as follows:

**Formula Adjustments**

The Baseline includes an increase of \$1,314,131,100 in FY 2022 for formula adjustments. This amount consists of:

General Fund	198,465,000
County Funds	(185,000)
Health Care Investment Fund	226,678,100
Political Subdivision Funds	(23,570,800)
TTHCF - Medically Needy Account	3,374,900
Federal Medicaid Authority	909,368,900

These adjustments include:

- Caseload growth of 10.7% in comparison to the enacted FY 2021 budget.
- Flat FY 2022 enrollment growth.
- 3.0% capitation rate increase.
- Repeal of the Health Insurer Fee.
- \$3,374,900 increase from the TTHCF - Medically Needy Account with a corresponding General Fund decrease.
- \$(185,000) decrease in the Maricopa County Acute Care contribution (County Funds) under A.R.S. § 11-292 with a corresponding General Fund increase.

*Background* – Traditional Medicaid Services funds acute care and behavioral health services of the following populations:

- Children under 1, up to 140% of the federal poverty level (FPL).
- Children aged 1-18, up to 133% FPL.
- Pregnant women, up to 150% FPL.
- Aged, blind, and disabled adults, up to 75% FPL.
- Parents, up to 22% FPL.
- Women diagnosed with breast or cervical cancer by a provider recognized by DHS' Well Women Healthcheck program up to 250% FPL.
- Individuals aged 16-64 receiving Supplemental Security Income, up to 250% FPL ("Ticket to Work").

### **Proposition 204 Services**

The Baseline includes \$6,337,948,400 in FY 2022 for Proposition 204 Services. This amount consists of:

General Fund	129,026,100
Health Care Investment Fund	123,904,400
Hospital Assessment Fund	491,233,900
Political Subdivision Funds	4,398,100
Tobacco Litigation Settlement Fund	102,000,000
TPTF - Emergency Health Services Account	17,921,600
TPTF - Proposition 204 Protection Account	37,635,400
Federal Medicaid Authority	5,431,828,900

FY 2022 adjustments are as follows:

#### **Formula Adjustments**

The Baseline includes an increase of \$1,752,572,400 in FY 2022 for formula adjustments. This amount consists of:

General Fund	7,814,600
Health Care Investment Fund	123,904,400
Hospital Assessment Fund	127,049,200
Political Subdivision Funds	(2,996,700)
TPTF - Emergency Health Services Account	1,705,300
TPTF - Proposition 204 Protection Account	2,837,500
Federal Medicaid Authority	1,492,258,100

These adjustments include:

- Caseload growth of 17.8% in comparison to the enacted FY 2021 budget.
- Flat FY 2022 enrollment growth.
- No change to the base federal match rate (70.01%) in SFY 2022 for the non-childless adult population.
- No change to the federal match rate for the childless adult population (90.00%) in SFY 2022.
- 3.0% capitation rate increase.
- \$2,837,500 increase from the TPTF - Proposition 204 Protection Account due to higher-than-expected tobacco tax revenues and a corresponding decrease of in other state costs.
- Repeal of the federal Health Insurer Fee.

*Background* – The Proposition 204 program serves individuals with incomes that exceed the income limits for the Traditional population but are below 100% FPL.

### **Adult Expansion Services**

The Baseline includes \$1,267,247,400 in FY 2022 for Adult Expansion Services. This amount consists of:

General Fund	13,056,300
Health Care Investment Fund	9,045,900
Hospital Assessment Fund	101,376,400
Political Subdivision Funds	482,500
Federal Medicaid Authority	1,143,286,300

FY 2022 adjustments are as follows:

#### **Formula Adjustments**

The Baseline includes an increase of \$695,139,200 in FY 2022 for formula adjustments. This amount consists of:

General Fund	5,694,700
Health Care Investment Fund	9,045,900
Hospital Assessment Fund	57,340,500
Political Subdivision Funds	(142,000)
Federal Medicaid Authority	623,200,100

These adjustments include:

- Caseload growth of 114.9% in comparison to the enacted FY 2021 budget.
- Flat FY 2022 enrollment growth.
- A federal match rate of 90.00% in SFY 2022.
- 3.0% capitation rate increase.
- Repeal of the Health Insurer Fee.

*Background* – The Adult Expansion Services line item funds Medicaid services for adults from 100% to 133% FPL who are not eligible for another Medicaid program. While the federal government previously paid 100% of the cost of this population, the federal share gradually declined to 90% by CY 2020.

Pursuant to A.R.S. § 36-2901.07 and Laws 2013, First Special Session, Chapter 10, coverage of this population is discontinued if any of the following occur: 1) the federal matching rate for adults in this category or childless adults falls below 80%; 2) the maximum amount that can be generated from the hospital assessment is insufficient to pay for the newly-eligible populations; or 3) the Federal ACA is repealed.



### **Comprehensive Medical and Dental Program**

The Baseline includes \$228,690,300 in FY 2022 for the Comprehensive Medical and Dental Program (CMDP). This amount consists of:

General Fund	65,963,700
Health Care Investment Fund	2,600,700
Federal Medicaid Authority	160,125,900

FY 2022 adjustments are as follows:

#### **Formula Adjustments**

The Baseline includes an increase of \$30,958,100 in FY 2022 for formula adjustments. This amount consists of:

General Fund	6,712,800
Health Care Investment Fund	2,600,700
Federal Medicaid Authority	21,644,600

These adjustments include:

- Flat enrollment in FY 2022.
- No change to the base federal match rate (70.01%) in FY 2022.
- 3.0% capitation rate increase.

*Background* – This line item provides coverage to CMDP eligible children. CMDP is the health plan responsible for providing health services for children in foster care. The Department of Child Safety (DCS) administers the physical health services of the population while AHCCCS administers the behavioral health services through contracts with Regional Behavioral Health Authorities (RHBA).

Laws 2019, Chapter 305 authorizes the integration of physical health services and behavioral health services under a single plan administered by DCS if sufficient funding is available. The Baseline does not include funding for administrative cost increases associated with integration of physical and behavioral health services within CMDP. Laws 2019, Chapter 305 requires that “funding is made available by the federal government and this state” prior to implementation of an integrated health plan by AHCCCS and DCS. The Legislature did not make any such funding available as part of the 3-year spending plan associated with the enacted FY 2021 budget. As a result, the Baseline excludes \$1,278,100 of General Fund and \$4,323,300 of Federal Medicaid Authority of DCS’ administrative costs for the integrated plan that AHCCCS proposes to fund through the CMDP capitation rate in FY 2022. (Please see the [CMDP Integration section](#) of the Department of Child Safety narrative for additional information.)

### **KidsCare Services**

The Baseline includes \$134,795,000 in FY 2022 for KidsCare Services. This amount consists of:

General Fund	25,629,500
Health Care Investment Fund	2,232,700
Political Subdivision Funds	462,900
CHIP Fund	106,469,900

FY 2022 adjustments are as follows:

#### **Formula Adjustments**

The Baseline includes an increase of \$42,706,800 in FY 2022 for formula adjustments. This amount consists of:

General Fund	9,415,100
Health Care Investment Fund	2,232,700
Political Subdivision Funds	100,800
CHIP Fund	30,958,200

These adjustments include:

- Caseload growth of 32.3% in comparison to the enacted FY 2021 budget.
- Flat FY 2022 enrollment growth.
- A decrease in the base CHIP federal match rate from 82.04% in SFY 2021 to 79.01% in SFY 2022.
- 3.0% capitation rate increase.
- Repeal of the federal Health Insurer Fee.

*Background* – The KidsCare program, also referred to as the Children’s Health Insurance Program (CHIP), provides health coverage to children in families with incomes between 133% and 200% FPL, above the levels required for the regular AHCCCS program. Families of KidsCare members are charged a monthly premium of \$10 to \$70, depending on level of family income and number of children enrolled in the program.

KidsCare is funded with the federal CHIP Block Grant and state matching dollars. The federal monies are deposited into the CHIP Fund, and the CHIP Fund is then appropriated, along with the General Fund match, to fund KidsCare.

For additional program history, please refer to the [FY 2020 Appropriations Report](#).

### **ALTCS Services**

The Baseline includes \$2,016,757,300 in FY 2022 for ALTCS Services. This amount consists of:

General Fund	265,664,500
County Funds	307,127,700
Health Care Investment Fund	15,614,400
Political Subdivision Funds	450,000
PDRF - State	7,578,400
PDRF - In Lieu of Federal Funds	36,422,000
Nursing Facility Provider Assessment Fund	32,989,600
Federal Medicaid Authority	1,350,910,700

FY 2022 adjustments are as follows:

**Formula Adjustments**

The Baseline includes an increase of \$50,412,000 in FY 2022 for formula adjustments. This amount consists of:

General Fund	228,900
County Funds	1,255,700
Health Care Investment Fund	15,614,400
Political Subdivision Funds	(700,900)
Federal Medicaid Authority	34,013,900

These adjustments include:

- Caseload decline of (3.5)% in comparison to the enacted FY 2021 budget.
- 0.5% enrollment growth in FY 2022.
- No change to the base federal match rate (70.01%) in SFY 2022.
- 3.0% capitation rate increase.
- Repeal of the federal Health Insurer Fee.

*Background* – ALTCS provides coverage for individuals up to 222% of the FPL, or \$28,327 per person. The federal government requires coverage of individuals up to 100% of the Supplemental Security Income limit (SSI), which is equivalent to approximately 75% of FPL, or \$9,570 per person. In addition to state funding, AHCCCS charges assessments on nursing facilities to receive matching Federal Funds that are used to make supplemental payments to facilities for covered expenditures.

Clients contribute to the cost of their care based on their income and living arrangement, with institutionalized members contributing more of their income to the cost of their care. For FY 2021, AHCCCS estimates that client contributions will pay for 3.7%, or \$52,400,000 of the cost of care.

A.R.S. § 36-2999.52 authorizes AHCCCS to set the amount of and charge a provider assessment on health items and services provided to ALTCS enrollees by nursing facilities that are not paid for by Medicare. A.R.S. § 36-2999.55 continues the assessment through September 30, 2023. The assessment ranges from \$1.80 to \$15.63 per day of

patient care. AHCCCS may not increase rates to a level that generates assessment revenues more than 3.5% of facilities' net patient revenues.

**Behavioral Health Services in Schools**

The Baseline includes \$10,003,300 in FY 2022 for Behavioral Health Services in schools. This amount consists of:

General Fund	3,000,000
Federal Medicaid Authority	7,003,300

FY 2022 adjustments are as follows:

**Children's Behavioral Health Services**

The Baseline includes a decrease of \$(8,000,000) from the General Fund in FY 2022 to remove one-time funding for a deposit into the Children's Behavioral Health Services Fund established by Laws 2020, Chapter 46. This funding will be used to pay contractors for behavioral health services rendered to low-income, non-Medicaid students.

*Background* – This line item funds behavioral health services at or near public school campuses for both Medicaid-eligible and non-Medicaid students. AHCCCS plans to use \$1,000,000 of this funding for an interagency service agreement with the Arizona Department of Education for administration of Mental Health First Aid training in public schools. Of the remaining funds, \$9,003,300 will be allocated to behavior health providers contracted with AHCCCS health plans working directly in schools. (See the Other Issues section for more information.)

**Non-Medicaid Behavioral Health Services**

**Non-Medicaid Seriously Mentally Ill Services**

The Baseline includes \$77,646,900 from the General Fund in FY 2022 for Non-Medicaid Seriously Mentally Ill (SMI) Services. This amount is unchanged from FY 2021.

*Background* – This line item provides funding for Non-Medicaid SMI clients. The state had been a longstanding defendant in the *Arnold v. Sarn* litigation concerning the level of services provided to the SMI population. (Please see footnotes for more information on service targets established by the *Arnold v. Sarn* exit agreement and see the FY 2015 Appropriations Report for a history of the case.)

### Supported Housing

The Baseline includes \$5,324,800 from the General Fund in FY 2022 for Supported Housing. This amount is unchanged from FY 2021.

*Background* – This line item funds housing services that enable individuals to live in the community. These funds are distributed to the RBHAs and may serve Medicaid and 100% state-funded recipients. Medicaid, however, does not provide a match for housing assistance.

In addition to the \$5,324,800 for Supported Housing in this line item, the RBHAs may also expend monies in the Non-Medicaid Seriously Mentally Ill Services line item on Supported Housing services. The RBHAs report expending \$19,530,200 of their allocation from the Non-Medicaid Seriously Mentally Ill Services line item on Supported Housing Services in FY 2019.

### Crisis Services

The Baseline includes \$16,391,300 in FY 2022 for Crisis Services. This amount consists of:

General Fund	14,141,100
Substance Abuse Services Fund	2,250,200

These amounts are unchanged from FY 2021.

*Background* – This line item provides funding for persons in need of emergency behavioral health assistance. These services may include 24-hour crisis telephone lines, crisis mobile teams, and facility-based crisis services.

### Hospital Payments

These line items represent supplemental payments made to hospitals and other providers separate from Medicaid service payments.

### Disproportionate Share Hospital Payments Overview

The Disproportionate Share Hospital (DSH) program provides supplemental payments of federal and state dollars to hospitals that serve a large, or disproportionate, number of low-income patients. The total amount of eligible funding has historically been adjusted for annual changes in prices and the federal match rate.

#### *Reduction in Federal DSH Payments*

The Consolidated Appropriations Act of 2021 delayed nationwide DSH payment reductions that were originally authorized by the federal Affordable Care Act (ACA) until

FY 2024. Given that Congress has enacted multiple delays to the ACA's DSH payment reductions to states, the Baseline does not assume any federal funding loss related to DSH in FY 2024. The Baseline therefore assumes that Arizona's DSH allocation would be adjusted in FY 2022 through FY 2024 according to the regular federal formula, as outlined below.

#### *MIHS Distribution*

After the enactment of the budget, AHCCCS informed the JLBC Staff that the actual certifiable uncompensated care from MIHS in FY 2020 was \$95,696,000, or \$(18,122,500) below the eligible funding level assumed in the budget. As a result, the net General Fund deposit in FY 2020 was only \$83,314,600, or \$(12,515,400) less than the amount budgeted. The Baseline assumes no changes in MIHS' uncompensated care levels in FY 2021 and FY 2022, which would result in net General Fund deposits of \$82,729,000 in both years. To maximize the potential General Fund revenues associated with DSH funding, the Baseline would continue to establish an eligible DSH funding level for MIHS of \$113,818,500 in FY 2021 and FY 2022. If MIHS' uncompensated care increases again, the state would be able to deposit additional monies into the General Fund revenues of up to \$12,687,500 in FY 2021 and FY 2022.

#### *Increase in Uncompensated Care Payments*

In FY 2022, the state's total DSH payments are estimated to increase by \$3,406,400 from \$170,315,800 in FY 2021 to \$173,722,200 due to federal adjustments for inflation and the FMAP. Of the \$173,722,200 of eligible DSH funding in FY 2022, \$136,483,400 is distributed according to the allocations described below and listed in *Table 3*. The remaining \$37,238,800 of eligible funding represents existing expenditures used as part of the state match.

*For more information regarding public hospital distributions, private hospital distributions, and DSH voluntary match distributions, please refer to the [Hospital Payments](#) program summary on the JLBC website.*

### Disproportionate Share Payments

The Baseline includes \$5,087,100 in FY 2022 for Disproportionate Share Payments. This amount consists of:

General Fund	265,400
Federal Medicaid Authority	4,821,700

These amounts are unchanged from FY 2021.

Of the \$5,087,100 of total funds appropriated by the budget in the Disproportionate Share Payments line, \$884,800 represents distributions to private hospitals,

including \$265,400 from the General Fund and \$619,400 in federal expenditure authority. In FY 2018, there were 31 private hospitals that received DSH payments. The remaining \$4,202,300 represents federal matching funds that the state appropriates to MIHS.

**DSH Payments - Voluntary Match**

The Baseline includes \$48,666,500 in FY 2022 for DSH Payments - Voluntary Match. This amount consists of:

Political Subdivision Funds	14,595,100
Federal Medicaid Authority	34,071,400

FY 2022 adjustments are as follows:

**Increased Funding**

The Baseline includes an increase of \$3,406,400 in FY 2022 due to an increase in Arizona's allocation of federal DSH funding. This amount consists of:

Political Subdivision Funds	1,021,600
Federal Medicaid Authority	2,384,800

Although the FY 2021 General Appropriation Act displays a \$27,137,600 appropriation for FY 2021, a footnote appropriates any additional payments in excess of that amount. AHCCCS has informed that JLBC that the actual DSH - Voluntary monies received for FY 2020 will be \$41,591,700 due to a lower-than-budgeted level of

uncompensated care at MIHS of \$95,696,000. The FY 2021 appropriation has been adjusted to \$45,260,100, or an increase of \$18,122,500, to reflect the lower level of uncompensated care at MIHS.

*Background* – This line item provides DSH payments to hospitals with matching funds provided by political subdivisions. The Baseline would continue a provision that gives priority to eligible rural hospitals when allocating voluntary match DSH payments and continues to permit AHCCCS to include MIHS in allocations of voluntary match DSH payments if MIHS' CPE and matching Federal Funds exceed \$113,818,500 in FY 2022.

**Graduate Medical Education**

The Baseline includes \$361,324,500 in FY 2022 for Graduate Medical Education (GME) expenditures. This amount consists of:

General Fund	9,000,000
Political Subdivision Funds	99,352,900
Federal Medicaid Authority	252,971,600

FY 2022 adjustments are as follows:

**Decreased Funding**

The Baseline includes a decrease of \$(6,300,000) in FY 2022 to reflect AHCCCS' revised projections of

<b>Eligible Funding <sup>1/</sup></b>	<b>FY 2021 (Enacted)</b>	<b>FY 2021 (Estimated)</b>	<b>FY 2022</b>
MIHS - CPE <sup>2/</sup>	\$ 113,818,500	\$ 95,696,000	\$ 95,696,000
ASH - CPE	28,474,900	28,474,900	28,474,900
Private Hospitals	884,800	884,800	884,800
DSH Voluntary Match	<u>27,137,600</u>	<u>45,260,100</u>	<u>48,666,500</u>
<b>Total Funding</b>	<b>\$ 170,315,800</b>	<b>\$ 170,315,800</b>	<b>\$ 173,722,200</b>
<b>General Fund</b>			
Retain FF of CPE (via MIHS)	\$ 75,812,100	\$ 62,794,500	\$ 62,794,500
Retain FF of CPE (via ASH)	<u>20,017,900</u>	<u>19,935,300</u>	<u>19,935,300</u>
Subtotal - General Fund	\$ 95,830,000	\$ 82,729,800	\$ 82,729,800
<b>Other Entities</b>			
State MIHS	\$ 4,202,300	\$ 4,202,300	\$ 4,202,300
Private Hospitals	<u>884,800</u>	<u>884,800</u>	<u>884,800</u>
Subtotal - Other Entities	<u>\$ 5,087,100</u>	<u>\$ 5,087,100</u>	<u>\$ 5,087,100</u>
<b>Total DSH Distributions</b>	<b>\$ 100,917,100</b>	<b>\$ 87,816,900</b>	<b>\$ 87,816,900</b>
<b>Voluntary Match</b>	<b>\$ 27,137,600</b>	<b>\$ 45,260,100</b>	<b>\$ 48,666,500</b>
<b>Total Distributions</b>	<b>\$ 128,054,700</b>	<b>\$ 133,077,000</b>	<b>\$ 136,483,400</b>

<sup>1/</sup> Amounts include state and federal match funding.  
<sup>2/</sup> The Baseline would continue to establish an MIHS DSH limit of \$113,818,500 in the FY 2022 Health BRB to maximize the DSH General Fund revenue deposit in the event actual uncompensated care is higher.

reimbursable GME expenses among participating hospitals in FY 2022. This amount consists of:

Political Subdivision Funds	(2,505,400)
Federal Medicaid Authority	(3,794,600)

**Health Professional Shortage Areas**

The Baseline includes an increase of \$10,003,300 in FY 2022 for GME payments to hospitals located in health professional shortage areas. This amount consists of:

General Fund	3,000,000
Federal Medicaid Authority	7,003,300

With this increase, \$30,010,000 Total Funds will be available for Health Professional Shortage Areas, or \$9,000,000 from the General Fund and \$21,010,000 from Federal Medicaid Authority.

A pair of General Appropriation Act footnotes would instruct AHCCCS how to allocate the \$30,010,000 total amount for this program. The Baseline allocates \$5,501,800 Total Funds of the increase for GME programs located in a county with less than 500,000 persons and the remaining \$4,501,500 to programs in counties with a population of more than 500,000 persons. The General Fund amount may supplement, but not supplant, existing political subdivision funds for GME programs. AHCCCS shall prioritize funding for hospitals located in federally-designated health professional shortage areas.

The 3-year spending plan associated with the enacted FY 2020 budget assumed the General Fund appropriation for Graduate Medical Education program would increase from \$3,000,000 in FY 2020 to \$6,000,000 in FY 2021 and \$9,000,000 in FY 2022. The \$9,000,000 in FY 2022 would include a \$5,000,000 allocation for rural GME program and \$4,000,000 for urban GME programs. The funding phase-in assumes that the recipient hospitals would increase the number of slots for incoming residents in FY 2020 and each successive class thereafter, but that the number of slots for the cohorts already enrolled in the program (i.e., that started in FY 2019 or before) would remain unchanged. As a result, the full phase-in of the larger number of slots is scheduled to occur in FY 2022.

*Background* – The GME program reimburses hospitals with graduate medical education programs for the additional costs of treating AHCCCS members with graduate medical students. Besides the use of General Fund monies, A.R.S. § 36-2903.01 allows local, county, and tribal governments, along with public universities to provide state match for GME, and entities may designate the recipients of such funds. In FY 2020, 19 hospitals received a total of \$396,566,000 for Graduate Medical

Education. Please see *Table 4* for a breakdown of funding between the regular GME program and the Health Professional Shortage Area program.

<u>Expenditure Categories</u>	<u>FY 2021</u>	<u>FY 2022</u>
Locally Funded GME	\$ 337,614,500	\$ 331,314,500
FY 2021 Rebase	<u>(67,157,500)</u>	<u>0</u>
<i>GME Subtotal</i>	\$ 270,457,000	\$ 331,314,500
<i>HPSA GME</i>	<u>\$ 20,006,700</u>	<u>\$ 30,010,000</u>
<b>Total Revenues</b>	<b>290,463,700</b>	<b>\$ 361,324,500</b>

**Rural Hospitals**

The Baseline includes \$28,612,400 in FY 2022 for Rural Hospitals, which includes Critical Access Hospitals (CAH). This amount consists of:

General Fund	8,580,800
Federal Medicaid Authority	20,031,600

These amounts are unchanged from FY 2022.

*Background* – This line item includes \$12,158,100 for the Rural Hospital Reimbursement program, which increases inpatient reimbursement rates for qualifying rural hospitals. The remaining \$16,454,300 is for the CAH program, which provides increased reimbursement to small rural hospitals that are federally designated as CAHs. Funding is distributed according to a hospital's share of the cost in serving Medicaid enrollees during the prior year. In FY 2020, 19 hospitals qualified for funding from Rural Hospital Reimbursement and 11 from CAH.

**Targeted Investments Program**

The Baseline includes \$50,000,000 in FY 2022 for the Targeted Investments Program. This amount consists of:

Delivery System Reform	15,495,200
Incentive Payment (DSRIP) Fund	
Federal Medicaid Authority	34,504,800

FY 2022 adjustments are as follows:

**Decreased Funding**

The Baseline includes a decrease of \$(20,000,000) in FY 2022 to reflect resources authorized by the federal government for the Targeted Investments Program. This amount consists of:

DSRIP Fund (6,191,500)  
 Federal Medicaid Authority (13,808,500)

*Background* – In January 2017, the Centers for Medicare and Medicaid Services (CMS) approved AHCCCS’ request to create a Targeted Investments Program. AHCCCS began using the program in FY 2018 to make incentive payments to Medicaid providers that adopt processes to integrate physical care and behavioral health services. CMS has authorized up to \$300 million in total funds for the program from FY 2018 through FY 2022. The state portion of the program’s cost is funded from certified public expenditures for existing state-funded programs and voluntary contributions from local governments and public universities.

**Other Issues**

This section includes information on the following topics:

- FY 2021 Supplemental
- Statutory Changes
- Long-Term Budget Impacts
- Health Care Investment Fund
- Prescription Drug Rebate Fund
- Federal Waivers
- Affordable Care Act Litigation
- County Contributions
- COVID-19-Related FMAP and Enrollment Requirements
- Program Components
- Tobacco Master Settlement Agreement
- Tobacco Tax Allocations

**FY 2021 Supplemental**

The Baseline includes an FY 2021 supplemental appropriation of \$2,417,171,700 for costs associated with increased caseload growth from the pandemic. That amount includes of a state match cost increase of \$54,273,000, offset by growth in other funds of \$258,613,800, resulting in an estimated net General Fund surplus of \$(204,340,800). The remaining \$2,362,448,700 comes from federal matching funds.

*Table 5* delineates the individual impacts contributing to the General Fund savings of \$(204,340,800) in FY 2021. The Baseline includes federal match rate savings through March 31, 2021, though actual savings may be higher if the public health emergency is extended beyond the third quarter of FY 2021. Expiration of the public health emergency determines when the enhanced federal match rate expires and when can AHCCCS can begin disenrolling members who are no longer eligible.

<b>Table 5</b>	
<b>AHCCCS' FY 2021 General Fund Savings</b> (in millions)	
<b>State Match Components</b>	
FY 2021 Inflation Growth	207
FY 2021 Federal Medicaid Match Rate Change	(379)
FY 2021 Enrollment Growth	<u>227</u>
State Match Rebase Cost <sup>1/</sup>	54
<b>Non-General Fund State Match Offsets</b>	
Political Subdivisions Fund Decrease	9
Hospital Assessment Fund Increase	(72)
County Funds Decrease	58
Tobacco Tax Revenue Increase	(9)
Health Care Investment Fund Increase	(248)
Nursing Facility Assessment Decrease	<u>5</u>
General Fund Offsets Subtotal <sup>1/</sup>	(258)
<b>Total General Fund Spending Change</b>	<b>\$(204)</b>
<sup>1/</sup> Numbers do not add to total due to rounding.	

**Statutory Changes**

The Baseline would make the following statutory changes:

*Rates and Services*

- As session law, continue the FY 2010 risk contingency rate reduction for all managed care organizations. Continue to impose a reduction on funding for all managed care organizations administrative funding levels.

*Counties*

- As session law, continue to exclude Proposition 204 administration costs from county expenditure limitations.
- As session law, set the FY 2022 County Acute Care contribution at \$45,634,000. This amount includes an inflation indexing of the Maricopa County contribution as required by Laws 2005, Chapter 328.
- As session law, continue to require AHCCCS to transfer any excess monies back to the counties by December 31, 2022, if the counties’ proportion of state match exceeds the proportion allowed in order to comply with the Federal Affordable Care Act.
- As session law, set the FY 2022 county Arizona Long Term Care System (ALTCs) contributions at \$307,127,700.

*Hospitals*

- As session law, continue to establish FY 2022 disproportionate share (DSH) distributions to the Maricopa Special Healthcare District (MIHS), the Arizona State Hospital, private qualifying disproportionate share hospitals, and Yuma Regional Medical Center. Keep the MIHS distribution of \$113,818,500 in FY 2022.

- As session law, continue to require AHCCCS to give priority to rural hospitals in Pool 5 distribution, and allow MIHS to be eligible for Pool 5 allocations, as well as permit local jurisdictions to provide additional local match for Pool 5 distributions.

*Available Funding*

- As session law, continue to state that it is the intent of the Legislature that AHCCCS implement a program within its available appropriation.

**Long-Term Budget Impacts**

As part of the Baseline's 3-year spending plan, AHCCCS's General Fund spending increases by \$60,151,300 in FY 2023 above FY 2022 and by \$56,077,800 in FY 2024 above FY 2023. These figures assumes a (2.0)% enrollment decline for most populations, a 3.0% inflation rate, and no change to the federal match rate.

In addition to AHCCCS spending changes, the Baseline's 3-year spending plan assumes that the current \$16,700,000 transfer from the Prescription Drug Rebate Fund - State to the General Fund continues through FY 2024.

**Health Care Investment Fund**

Laws 2020, Chapter 46 establishes the Health Care Investment Fund. The fund receives revenues based on an assessment on hospital revenues, discharges, or bed days relative to inpatient and outpatient services, to be established by the AHCCCS director.

At the September 2020 JLBC meeting, AHCCCS received a favorable review of its proposed methodology to collect the Health Care Investment Fund assessment. AHCCCS' spending plan for FY 2021 includes the following distributions:

- \$204,831,400 in HCIF monies (\$955,467,400 Total Funds) for directed payments to hospitals. The payments represent a net reimbursement increase of approximately 40%. The hospital payments will not be included in AHCCCS capitation rates and will instead supplement payments hospitals receive from health plans and other AHCCCS programs.
- \$43,658,300 from HCIF (\$213,535,900 Total Funds) for increase to base reimbursement rates for physician and dentists of approximately 15%. These rate increases will be funded via capitation rate increases.
- \$1,854,300 from HCIF (\$3,708,500 Total Funds) for administration of the HCIF. These monies will be allocated to the AHCCCS operating budget.

The Health Care Investment Fund, in combination with the original Hospital Assessment, will result in total Hospital Assessment collections of \$975,158,900 in FY 2022.

**Prescription Drug Rebate Fund**

Since FY 2019, the budget has used high balances in the Prescription Drug Rebate Fund (PDRF) - State to the benefit of the General Fund. The FY 2021 budget's 3-year revenue and expenditure plan continued that usage by assuming a) the use of \$148,459,600 in PDRF as part of the state match in lieu of the General Fund and b) a \$16,700,100 transfer from the PDRF fund to the General Fund each year through FY 2023. The Baseline continues both practices and extends them through FY 2024. Under the budgeted projections of ongoing fund revenues and disbursements, the PDRF - State balance is estimated to total \$18,932,300 at the end of FY 2022 (see Table 6).

**Table 6**

**State Prescription Drug Rebate Fund Sources and Uses**

	<u>FY 2021</u>	<u>FY 2022</u>
<b>Revenues</b>		
Beginning Balance	\$ 9,765,100	\$ 0
Rebate Collections	<u>151,280,800</u>	<u>184,091,900</u>
<b>Total Revenues</b>	<b>\$161,045,900</b>	<b>\$184,091,900</b>
<b>Budgeted Disbursements</b>		
Operating Budget and		
Administration	\$ 661,700	\$ 661,700
Traditional Services	140,158,600	140,158,600
ALTCS Services	7,578,400	7,578,400
Prop 204	<u>60,900</u>	<u>60,900</u>
AHCCCS Subtotal	\$148,459,600	\$148,459,600
<b>Total Disbursements</b>	<b>\$148,459,600</b>	<b>\$148,459,600</b>
<b>General Fund Transfer <sup>1/</sup></b>	<b><u>\$ 16,700,000</u></b>	<b><u>\$ 16,700,000</u></b>
<b>Projected Ending Balance</b>	<b>\$ (4,113,700)<sup>2/</sup></b>	<b>\$ 18,932,300</b>

<sup>1/</sup> The FY 2021 transfer was enacted by Laws 2019, Chapter 263.

<sup>2/</sup> AHCCCS' estimates assume that total rebate collections will decline by (8.4)% in FY 2021 and grow by 5.1% in FY 2022. Ending balances could be higher or lower depending on how actual growth rates compare to these estimates. The JLBC Staff anticipates that total PDRF collections will not decline and there will be sufficient funds for the FY 2021 transfer.

**Federal Waivers**

State Medicaid programs can apply for waivers from the Centers for Medicare and Medicaid Services (CMS) in order to implement changes to service delivery that would otherwise not comply with federal rules. This

section describes current waivers being utilized by AHCCCS.

#### AHCCCS Works Waiver

Laws 2015, Chapter 7 requires AHCCCS to reapply by March 30 of each year to implement a lifetime limit of 5 years for enrollment of able-bodied adults and a requirement for able-bodied adults to work, actively seek work, or participate in a job training program.

On January 18, 2019, CMS partly approved AHCCCS' waiver submittal. Effective January 1, 2020, AHCCCS enrollees aged 19-49 were to be subject to a "community engagement" requirement of 80 hours per month, which may be satisfied with employment, education, job or life skills training, job search activities, or community service. Individuals failing to comply with the requirement will have their AHCCCS coverage suspended for 2 months. Coverage will be automatically reinstated following the 2-month suspension. CMS did not approve the request for a 5-year time limit on coverage.

The waiver exempts several populations from the community engagement requirement, including individuals with an SMI diagnosis, members of federally recognized tribes, and former foster youth. After accounting for the exemptions, AHCCCS estimates that 120,000 enrollees will be subject to the community engagement requirement.

In January 2019, AHCCCS opened a request for proposals (RFP) for a new information technology system called the "AHCCCS Works Portal" that AHCCCS enrollees will use to report their compliance with the community engagement requirement. The portal is expected to cost \$4,778,900 across 5 years.

In November 2019, AHCCCS announced that implementation of AHCCCS Works would be delayed while court cases involving CMS community engagement requirements are heard. The program, which was set to begin no sooner than summer 2020, is further delayed as a result of the maintenance of eligibility requirement associated with the Families First Coronavirus Response Act (FFCRA). To be eligible for the enhanced federal match rate, state Medicaid agencies cannot disenroll members during the federal public health emergency period. Thus, the program will not be implemented before the end of the public health emergency.

#### Section 1135 Waiver

In response to the COVID-19 emergency, AHCCCS submitted an 1135 waiver to CMS on March 17, 2020. Section 1135 waivers permit the Health and Human Services Secretary to temporarily waive or modify

Medicaid requirements during a national emergency. As part of the list of approved flexibilities, AHCCCS is authorized to streamline provider enrollment requirements, suspend member cost-sharing requirements, extend KidsCare renewal deadlines, and delay action on changes of circumstances that would affect KidsCare eligibility, among other administrative changes. These authorities will expire following the end of the public health emergency.

#### **Affordable Care Act Litigation**

Current litigation revolves around the constitutionality of the ACA's individual mandate. The Tax Cuts and Jobs Act (TCJA), passed in December 2017, established a \$0 penalty for not having health insurance. On December 14, 2018, the Fifth Circuit Court ruled in *Texas v. Azar* that a \$0 Shared Responsibility Payment renders the mandate unconstitutional and that, by extension, the entirety of the ACA is unconstitutional. In November 2020, the U.S. Supreme Court heard oral arguments for the case. A ruling has not been made at the time of this writing.

Formal repeal of the ACA by Congress would trigger the authorizations set forth in A.R.S. § 36-2901.07 and A.R.S. § 36-2901.08, which extend eligibility to the adult expansion population. However, coverage would continue for the Proposition 204 population from 0-100% and for children ages 6-18 from 100-133%. *For more information regarding prior federal litigation, refer to the [FY 2020 Appropriations Report](#).*

#### **County Contributions**

County governments make 3 different payments to defray the AHCCCS budget's costs, as summarized in *Table 7*. The counties' single largest contribution is the ALTCS program. Pursuant to A.R.S. § 11-292, the state and the counties share in the growth of the ALTCS program. *More details regarding how [County Contributions](#) are calculated can be found in the corresponding program summary on the JLBC website.*

#### **COVID-19-Related FMAP and Enrollment Requirements**

In March 2020, the President signed the federal Families First Coronavirus Response Act (FFCRA) into law. Among other provisions, the bill temporarily increases the regular Medicaid match rate by 6.2% retroactive to January 1, 2020. The temporary enhanced match rate is effective through the last quarter that the federal public health emergency is in effect. At the time of this writing, the public health emergency has been extended through January 2021.



The JLBC Staff's estimates assume that that the 6.2% increase will be in effect through March 2021 given that the federally-declared public health emergency is currently scheduled to expire in January 2021. If the public health emergency is extended, the JLBC Staff estimates that the match rate increase will reduce AHCCCS' General Fund expenditures by \$(105) million per quarter relative to the Baseline.

FFCRA also stipulates, however, that state Medicaid agencies are prohibited from disenrolling Medicaid recipients for the duration of the federal public health emergency. As a result, any federal match rate savings above would likely be at least partially offset by caseload growth rates above what is assumed in the Baseline.

**Program Components**

Traditional Medicaid, Proposition 204, Adult Expansion, KidsCare, ALTCS, and CMDP services include the following:

Capitation

The majority of AHCCCS payments are made through monthly capitated payments to contracted health plans to cover Medicaid services. In FY 2022, the average capitation rate is expected to be approximately \$511 per member per month (or \$6,100 annually). Of that amount, an average of \$123 is from state match and \$388 from Federal Medicaid Authority.

Reinsurance

Reinsurance is a stop-loss program for health plans and program contractors for patients with unusually high costs. The health plan is responsible for paying all member costs until an annual deductible has been met.

Fee-For-Service

Rather than using Capitation, Fee-For-Service payments are made for 3 programs: 1) federally-mandated services for Native Americans living on reservations; 2) temporary Fee-For-Service coverage for those who leave AHCCCS before enrolling in a capitated plan, and 3) federally-mandated emergency services for unauthorized and qualified immigrants.

Medicare Premiums

AHCCCS provides funding for the purchase of Medicare Part B (supplemental medical insurance) and Part A (hospital insurance). Purchasing supplemental coverage reduces state expenditures since the federal Medicare program absorbs a portion of the costs. In addition, this includes the cost of premiums for certain disabled workers and low-income Qualified Medicare Beneficiaries.

Clawback

AHCCCS is not required to pay for prescription drug costs for members who are eligible for Medicare. Instead, AHCCCS is required to make "Clawback" payments to Medicare based on 75.0% of the estimated drug costs.

<b>County</b>	<b>FY 2021</b>			<b>FY 2022</b>		
	<b>BNCF <sup>1/</sup></b>	<b>Acute</b>	<b>ALTCS</b>	<b>BNCF <sup>1/</sup></b>	<b>Acute</b>	<b>ALTCS</b>
Apache	\$133,100	\$268,800	696,200	\$134,400	\$268,800	721,800
Cochise	248,200	2,214,800	5,181,000	250,600	2,214,800	5,063,700
Coconino	244,900	742,900	2,090,300	247,200	742,900	2,167,100
Gila	100,600	1,413,200	2,519,200	101,500	1,413,200	2,520,800
Graham	71,500	536,200	1,745,100	72,200	536,200	1,468,300
Greenlee	18,400	190,700	3,900	18,500	190,700	(44,200)
La Paz	38,100	212,100	716,100	38,400	212,100	407,400
Maricopa	0	17,788,700	196,891,500	0	17,603,700	199,613,900
Mohave	285,800	1,237,700	9,763,200	288,600	1,237,700	9,916,400
Navajo	187,300	310,800	2,881,800	189,100	310,800	2,987,800
Pima	1,702,500	14,951,800	47,415,800	1,718,800	14,951,800	47,742,600
Pinal	333,100	2,715,600	14,431,100	336,300	2,715,600	13,154,000
Santa Cruz	78,700	482,800	2,402,000	79,500	482,800	2,429,500
Yavapai	314,700	1,427,800	9,074,300	317,700	1,427,800	8,469,400
Yuma	280,600	1,325,100	10,060,500	283,300	1,325,100	10,509,200
<b>Subtotal</b>	<b>\$4,037,400</b>	<b>\$45,819,000</b>	<b>\$305,872,000</b>	<b>\$4,076,200</b>	<b>\$45,634,000</b>	<b>\$307,127,700</b>
<b>Total</b>			<b>\$355,728,400</b>			<b>\$356,837,900</b>

<sup>1/</sup> Numbers do not add to total due to rounding.

### ***Tobacco Master Settlement Agreement***

The Baseline continues to require AHCCCS to transfer up to \$2,036,000 from the Traditional Medicaid Services line item in FY 2022 to assist in the enforcement of a multi-year settlement reached between tobacco companies and the state over the Master Settlement Agreement (MSA). This transfer amount consists of:

- Up to \$1,200,000 to the Attorney General for costs associated with tobacco settlement litigation.
- \$836,000 to the Department of Revenue to fund 6 positions that perform luxury tax enforcement and audit duties.

For additional details related to [Tobacco Tax Enforcement and Litigation](#), please refer to the corresponding program summary on the JLBC website.

### ***Tobacco Tax Allocations***

The Baseline projects AHCCCS and DHS will receive \$148,754,800 in transfers of tobacco tax collections in FY 2022. This amount represents a decrease of \$(1,800,000) from FY 2021. *Table 8* summarizes tobacco tax transfers and allocations to the agencies.

Table 8

**Summary of Tobacco Tax and Health Care Fund and Tobacco Products Tax Fund**

	<u>FY 2020</u>	<u>FY 2021</u>
<b>Medically Needy Account</b>		
<u>Funds Available</u>		
Balance Forward	\$ 0	\$ 1,580,600
Transfer In - Tobacco Tax and Health Care Fund	44,749,600	45,339,400
Transfer In - Tobacco Products Tax Fund	<u>24,392,800</u>	<u>24,481,200</u>
<b>Total Funds Available</b>	<b>\$ 69,142,400</b>	<b>\$ 71,401,200</b>
<u>Allocations</u>		
<i>AHCCCS</i>		
AHCCCS State Match Appropriation	\$ 66,861,800	\$ 65,627,200
Total AHCCCS Allocations	\$ 66,861,800	\$ 65,627,200
<i>DHS</i>		
Folic Acid	\$ 400,000	\$ 400,000
Renal, Dental Care, and Nutrition Supplements	300,000	300,000
Administrative Adjustments	<u>0</u>	<u>0</u>
Total DHS Allocations	<u>700,000</u>	<u>700,000</u>
<b>Balance Forward</b>	<b>\$ 1,580,600</b>	<b>\$ 5,074,000</b>
<b>AHCCCS Proposition 204 Protection Account</b>		
<u>Funds Available</u>		
Balance Forward	\$ 0	\$ 3,890,000
Transfer In - Tobacco Products Tax Fund	<u>37,944,300</u>	<u>38,081,800</u>
<b>Total Funds Available</b>	<b>\$ 37,944,300</b>	<b>\$ 41,971,800</b>
<u>Allocations</u>		
AHCCCS State Match Appropriation	\$ 34,054,300	\$ 34,797,900
Administrative Adjustments	<u>0</u>	<u>0</u>
<b>Balance Forward</b>	<b>\$ 3,890,000</b>	<b>\$ 7,173,900</b>
<b>AHCCCS Emergency Health Services Account</b>		
<u>Funds Available</u>		
Balance Forward	\$ 0	\$ 1,852,400
Transfer In - Tobacco Products Tax Fund	<u>18,068,700</u>	<u>18,134,200</u>
<b>Total Funds Available</b>	<b>\$ 18,068,700</b>	<b>\$ 19,986,600</b>
<u>Allocations</u>		
AHCCCS State Match Appropriation	16,216,300	16,216,300
Administrative Adjustments	<u>0</u>	<u>0</u>
<b>Balance Forward <sup>1/</sup></b>	<b>\$ 1,852,400</b>	<b>\$ 3,770,300</b>
<b>DHS Health Education Account</b>		
<u>Funds Available</u>		
Balance Forward	\$ 1,810,500	\$ 5,342,100
Transfer In - Tobacco Tax and Health Care Fund	14,406,300	13,679,800
Transfer In - Tobacco Products Tax Fund	<u>3,427,500</u>	<u>1,637,500</u>
<b>Total Funds Available</b>	<b>\$ 19,644,300</b>	<b>\$ 20,659,400</b>
<u>Allocations</u>		
Tobacco Education and Prevention Program	\$ 11,441,200	\$ 13,999,300
Leading Causes of Death - Prevention and Detection	<u>2,861,000</u>	<u>3,500,700</u>
<b>Balance Forward</b>	<b>\$ 5,342,100</b>	<b>\$ 3,159,400</b>
<b>Health Research Account</b>		
<u>Funds Available</u>		
Balance Forward	\$ 5,915,200	\$ 2,330,300
Transfer In - Tobacco Tax and Health Care Fund	3,196,300	3,067,300
Transfer In - Tobacco Products Tax Fund	<u>4,517,200</u>	<u>4,414,000</u>
<b>Total Funds Available</b>	<b>\$ 13,628,700</b>	<b>\$ 9,811,600</b>
<u>Allocations</u>		
Biomedical Research Support	\$ 2,000,000	\$ 2,000,000
Alzheimer's Disease Research	3,000,000	1,000,000
Research Grants	<u>6,298,400</u>	<u>6,678,000</u>
<b>Balance Forward</b>	<b>\$ 2,330,300</b>	<b>\$ 133,600</b> *

<sup>1/</sup> Unencumbered funds in Emergency Health Services Account are transferred to Prop 204 Protection Account at end of year.  
 \* Actual ending balance will not be negative.

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Arizona Tobacco Litigation Settlement Fund (TRA2561/A.R.S. § 36-2901.02)</b>		<b>Expenditure Authority</b>
<b>Source of Revenue:</b> Monies received from tobacco companies as part of a lawsuit settlement.		
<b>Purpose of Fund:</b> Established by Proposition 204 (enacted in the 2000 General Election) to provide funding to expand the AHCCCS program to 100% of the Federal Poverty Level and for 6 public health programs.		
<b>Funds Expended</b>	94,283,100	102,000,000
<b>Year-End Fund Balance</b>	0	0
<b>Budget Neutrality Compliance Fund (HCA2478/A.R.S. § 36-2928)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> County contributions.		
<b>Purpose of Fund:</b> To provide administrative funding for costs associated with the implementation of the Proposition 204 expansion. Proposition 204 shifted some county administrative functions to the state, for which the counties now compensate the state.		
<b>Funds Expended</b>	3,906,400	4,037,400
<b>Year-End Fund Balance</b>	626,000	0
<b>Children's Behavioral Health Services Fund (HCA2735/A.R.S. § 36-3436)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Includes monies appropriated to the fund, gifts or donations to the fund, and any interest earned.		
<b>Purpose of Fund:</b> To provide behavioral health services for uninsured or underinsured non-Medicaid children. Expenditures are not displayed to avoid double counting the General Fund.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>Children's Health Insurance Program Fund (HCA2409/A.R.S. § 36-2995)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Includes Medicaid matching monies for Arizona's State Children's Health Insurance Program (CHIP), called KidsCare. General Fund monies are used to leverage federal monies for KidsCare and are not included in the reported CHIP Fund expenditures.		
<b>Purpose of Fund:</b> To provide health insurance for low-income children 19 years of age and under. The eligibility limit for the KidsCare program has been set at 200% of the Federal Poverty Level (FPL), which is approximately \$52,400 for a family of 4.		
<b>Funds Expended</b>	80,961,300	81,348,200
<b>Year-End Fund Balance</b>	10,182,500	10,182,500
<b>County Funds (HCA2120 Acute Care/HCA2223 Long Term Care/A.R.S. § 36-2912)</b>		<b>Expenditure Authority</b>
<b>Source of Revenue:</b> Statutorily prescribed county contributions.		
<b>Purpose of Fund:</b> For the provision of acute medical and long term care services to Arizona Health Care Cost Containment System (AHCCCS) eligible populations. County contributions and state General Fund appropriations serve as the state match for federal Medicaid dollars. County Funds received by AHCCCS to provide behavioral health services to persons with a serious mental illness are accounted for separately in the IGA for County Behavioral Health Services Fund.		
<b>Funds Expended</b>	291,575,800	351,691,000
<b>Year-End Fund Balance</b>	0	0
<b>Crisis Contingency and Safety Net Fund (HCA3240/A.R.S. § 41-110)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations, public or private gifts, grants and donations.		
<b>Purpose of Fund:</b> Monies in the fund may only be distributed by the Governor for the following forms of economic assistance during a state of emergency: 1) housing assistance; 2) services for homeless persons; 3) economic assistance to small businesses with less than 50 employees, non-profit organizations, and health care providers; and 4) monies for food bank operations. Expenditures are not displayed to avoid double counting the General Fund.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Delivery System Reform Incentive Payment Fund (HCA2130/A.R.S. § 36-2930.04)</b>		<b>Expenditure Authority</b>
<b>Source of Revenue:</b> Monies voluntarily given to AHCCCS from local governments or Arizona public universities in order to obtain a federal match.		
<b>Purpose of Fund:</b> To fund incentive payments to Medicaid providers that adopt processes to integrate physical care and behavioral health services through the Targeted Investment Program (TI Program). The projects will be funded with existing state matching monies and intergovernmental transfers (IGTs) from counties and universities.		
<b>Funds Expended</b>	28,062,400	21,686,700
<b>Year-End Fund Balance</b>	20,798,300	5,000,000
<b>Employee Recognition Fund (HCA2025/A.R.S. § 36-2903)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Private donations.		
<b>Purpose of Fund:</b> To be used for the agency's employee recognition program.		
<b>Funds Expended</b>	2,800	2,800
<b>Year-End Fund Balance</b>	3,500	1,900
<b>Federal - Medicaid Direct Services (HCA2120/A.R.S. § 36-2913)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Federal funding through the U.S. Department of Health & Human Services, Centers for Medicare and Medicaid Services.		
<b>Purpose of Fund:</b> To reimburse schools participating in the Direct Services Claiming program for services provided to children with disabilities who are Medicaid eligible. All federal Medicaid monies must flow through AHCCCS. Therefore, these monies are obtained by AHCCCS and then passed on to the participating schools.		
<b>Funds Expended</b>	68,808,600	69,294,100
<b>Year-End Fund Balance</b>	0	0
<b>Federal Funds (HCA2120 Acute Care/A.R.S. § 36-2913)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Federal grant monies.		
<b>Purpose of Fund:</b> To provide federal match for non-appropriated state expenditures.		
<b>Funds Expended</b>	86,794,000	84,942,600
<b>Year-End Fund Balance</b>	286,400	0
<b>Federal Medicaid Authority (HCA2120/HCA2223 Long Term Care/A.R.S. § 36-2913)</b>		<b>Expenditure Authority</b>
<b>Source of Revenue:</b> Federal funding through the U.S. Department of Health & Human Services, Centers for Medicare and Medicaid Services.		
<b>Purpose of Fund:</b> For AHCCCS' administrative costs and for the provision of services to eligible Medicaid populations.		
<b>Funds Expended</b>	9,386,797,000	10,012,054,700
<b>Year-End Fund Balance</b>	301,892,400	0
<b>Health Care Investment Fund (HCA2588/A.R.S. § 36-2999.73)</b>		<b>Expenditure Authority</b>
<b>Source of Revenue:</b> An assessment on hospital revenues, discharges, or beds days in addition to the Hospital Assessment established by A.R.S. § 36-2901.09, interest earnings, and legislative appropriations.		
<b>Purpose of Fund:</b> To increase the base reimbursement level for hospital services, to increase dental and physician fee schedules, and to cover related administrative expenses incurred by AHCCCS.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>Hospital Assessment Fund (HCA9692/A.R.S. § 36-2901.09)</b>		<b>Expenditure Authority</b>
<b>Source of Revenue:</b> An assessment on hospital revenues, discharges, or beds days.		
<b>Purpose of Fund:</b> For funding the non-federal share of Proposition 204 services and the adult population who became eligible for AHCCCS services on January 1, 2014.		
<b>Funds Expended</b>	314,374,800	408,220,600
<b>Year-End Fund Balance</b>	69,606,700	69,606,700

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>IGA and ISA Fund (HCA2500/A.R.S. § 36-2925)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies voluntarily given to AHCCCS from local governments and tribal communities in order to obtain a federal match.		
<b>Purpose of Fund:</b> To expand funding for Graduate Medical Education or other payments to hospitals. Expenditures are not displayed to avoid double counting.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>IGA for County Behavioral Health Services Fund (HSA4503/A.R.S. § 36-108.01)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies from local governments and state liquor service fees.		
<b>Purpose of Fund:</b> To fund the delivery of behavioral health services to seriously mentally ill (SMI) individuals, some mental health services for non-SMI individuals, and the administration of Local Alcohol Reception Centers (LARC) to treat substance abuse. This fund was transferred from DHS to AHCCCS on July 1, 2016.		
<b>Funds Expended</b>	69,092,300	73,436,000
<b>Year-End Fund Balance</b>	1,293,300	0
<b>Intergovernmental Service Fund (HCA2438/A.R.S. § 36-2927)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies collected from the State of Hawaii.		
<b>Purpose of Fund:</b> To be used for costs associated with information technology services provided by AHCCCS to the State of Hawaii for the design, development, implementation, operation, and maintenance of a Medical Management Information System.		
<b>Funds Expended</b>	14,691,900	10,842,500
<b>Year-End Fund Balance</b>	110,200	192,700
<b>Nursing Facility Provider Assessment Fund (HCA2567/A.R.S. § 36-2999.53)</b>		<b>Expenditure Authority</b>
<b>Source of Revenue:</b> Assessment on health care items and services provided by some nursing facilities, nursing facility penalties, grants, gifts, and contributions from public or private sources.		
<b>Purpose of Fund:</b> To qualify for federal matching funds for supplemental payments for nursing facility services, to reimburse the Medicaid share of the assessment, to provide Medicaid supplemental payments to fund covered nursing facility services for Medicaid beneficiaries, and to pay up to 1% in administrative expenses incurred by AHCCCS for administering this fund.		
<b>Funds Expended</b>	32,201,000	32,989,600
<b>Year-End Fund Balance</b>	0	0
<b>Political Subdivision Funds (HCA1111/A.R.S. § 36-2927)</b>		<b>Expenditure Authority</b>
<b>Source of Revenue:</b> Monies voluntarily given to AHCCCS from local governments, tribal communities, or Arizona public universities in order to obtain a federal match.		
<b>Purpose of Fund:</b> To expand funding for hospitals through supplemental payments and the Access to Professional Services Initiative. Includes agreements for the Disproportionate Share Hospital (DSH) Voluntary Match Payments, or Graduate Medical Education (GME) programs.		
<b>Funds Expended</b>	139,370,100	198,782,700
<b>Year-End Fund Balance</b>	0	0
<b>Prescription Drug Rebate Fund - Federal (HCA2546/A.R.S. § 36-2930)</b>		<b>Expenditure Authority</b>
<b>Source of Revenue:</b> Prescription drug rebate collections, interest from prescription drug rebate late payments and Federal monies made available to this state for the operation of the AHCCCS Prescription Drug Rebate Program.		
<b>Purpose of Fund:</b> To pay for the administrative costs of the Prescription Drug Rebate Program, for payments to contractors or providers in the administration's medical services programs, and to offset General Fund costs for Medicaid programs. Also used to return the federal share of Prescription Drug Rebate collections and interest from late payments to the federal Centers for Medicare and Medicaid Services by offsetting future federal draws. Federal monies are listed as Expenditure Authority. All other monies are appropriated.		
<b>Funds Expended</b>	616,503,700	609,060,300
<b>Year-End Fund Balance</b>	284,797,700	175,163,200

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Prescription Drug Rebate Fund - State (HCA2546/A.R.S. § 36-2930)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Prescription drug rebate collections and interest from prescription drug rebate late payments.		
<b>Purpose of Fund:</b> To pay for the administrative costs of the Prescription Drug Rebate Program, for payments to contractors or providers in the administration's medical services programs, and to offset General Fund costs for Medicaid programs. The federal share of rebates is retained by the state and is used in lieu of federal match funds. Monies in the fund used in lieu of federal match funds are subject to expenditure authority; all other monies are appropriated.		
<b>Funds Expended</b>	149,574,500	148,459,600
<b>Year-End Fund Balance</b>	9,765,100	(4,113,700)
<b>Proposition 202 - Trauma and Emergency Services Fund (HCA2494/A.R.S. § 36-2903.07)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Gaming monies received from the Arizona Benefits Fund.		
<b>Purpose of Fund:</b> For unrecovered trauma center readiness and emergency services costs.		
<b>Funds Expended</b>	30,328,900	25,000,000
<b>Year-End Fund Balance</b>	1,831,000	1,831,000
<b>Seriously Mentally Ill Housing Trust Fund (HSA2555/A.R.S. § 41-3955.01)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Receives \$2,000,000 from the proceeds of the sales of unclaimed property and interest income. A.R.S. § 44-313 states that the first \$2,000,000 in unclaimed property revenues are distributed to the Seriously Mentally Ill Housing Trust Fund. The second \$2,500,000 in unclaimed property revenues are distributed to the Housing Trust Fund, which is administered by the Department of Housing.		
<b>Purpose of Fund:</b> To fund housing projects and rental assistance for seriously mentally ill persons. The Legislature may appropriate up to 10% of the monies from the fund for administrative costs in providing services relating to the fund.		
<b>Funds Expended</b>	1,244,700	4,500,000
<b>Year-End Fund Balance</b>	7,828,700	5,488,700
<b>Substance Abuse Services Fund (HSA2227/A.R.S. § 36-2005)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> The fund receives 23.6% of monies collected from Medical Services Enhancement Fund, which is a 13% penalty levied on criminal offenses, motor vehicle civil violations, and game and fish violations. Monies are deposited into 2 subaccounts.		
<b>Purpose of Fund:</b> To provide alcohol and other drug screening, education or treatment for persons court-ordered to attend and who do not have the financial ability to pay for the services, to contract for preventive or rehabilitative and substance abuse services, and to provide priority for treatment services to pregnant substance abusers.		
<b>Funds Expended</b>	1,350,200	2,250,200
<b>Year-End Fund Balance</b>	1,826,600	1,826,600
<b>Substance Use Disorder Services Fund (HCA2325/A.R.S. § 36-2930.06)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies appropriated to the fund, any gifts or donations to the fund and interest earned on those monies.		
<b>Purpose of Fund:</b> To enter into agreements with one or more contractors for substance use disorder services. Monies in the fund shall not be used for persons eligible for Medicaid or Children's Health Insurance Program services. Preferences shall be given to persons with lower household incomes. Contractor administrative costs shall not exceed 8% of the expenditures for services. Monies in the fund are non-lapsing. Expenditures are not displayed to avoid double counting of General Fund monies.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	1,396,700	0
<b>Third Party Liability and Recovery Fund (HCA3791 Acute Care/HCA3019 Long Term Care/A.R.S. § 36-2913)</b>		<b>Expenditure Authority</b>
<b>Source of Revenue:</b> Collections from third-party payers and revenues from lien and estate recoveries.		
<b>Purpose of Fund:</b> To provide acute medical services to AHCCCS members.		
<b>Funds Expended</b>	0	194,700
<b>Year-End Fund Balance</b>	0	0

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Third Party Liability and Recovery Fund (HCA 3791 Acute Care/HCA3019 Long Term Care/A.R.S. § 36-2913)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Collections from third-party payers and revenues from lien and estate recoveries.		
<b>Purpose of Fund:</b> To provide acute medical services to AHCCCS members. This account displays payment of the Third Party Liability contractor fee and return of the federal share of recoveries to CMS.		
<b>Funds Expended</b>	1,034,700	2,000,000
<b>Year-End Fund Balance</b>	4,581,500	4,736,800
<b>Tobacco Products Tax Fund - Emergency Health Services Account (HCA1304/A.R.S. § 36-776)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> This account receives 20¢ of each dollar deposited into the Tobacco Products Tax Fund, administered by the Department of Revenue.		
<b>Purpose of Fund:</b> For primary care services, reimbursement of uncompensated care costs, and trauma center readiness costs.		
<b>Funds Expended</b>	16,216,300	16,216,300
<b>Year-End Fund Balance</b>	1,852,600	1,852,600
<b>Tobacco Products Tax Fund - Proposition 204 Protection Account (HCA1303/A.R.S. § 36-778)</b>		<b>Expenditure Authority</b>
<b>Source of Revenue:</b> This account receives 42¢ of each dollar deposited into the Tobacco Products Tax Fund, administered by the Department of Revenue.		
<b>Purpose of Fund:</b> To fund state match costs in AHCCCS for the Proposition 204 program. These monies must be spent before any other state monies on the Proposition 204 program.		
<b>Funds Expended</b>	34,054,300	34,797,900
<b>Year-End Fund Balance</b>	3,890,500	3,890,500
<b>Tobacco Tax and Health Care Fund - Medically Needy Account (HCA1306/A.R.S. § 36-774)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> The account receives 70¢ of each dollar deposited in the Tobacco Tax and Health Care Fund, administered by the Department of Revenue, and 27¢ of each dollar deposited into the Tobacco Products Tax Fund, also administered by the Department of Revenue. The fund also receives a portion of the monies reverting from the Corrections Fund Adjustment Account and an allocation from the Healthcare Adjustment Account.		
<b>Purpose of Fund:</b> For health care services including, but not limited to, preventive care, transplants and the treatment of catastrophic illness or injury. Eligible recipients include persons statutorily determined to be medically indigent, medically needy, or low-income children. A portion of the monies is transferred to the DHS for statutorily established services, grants and pilot programs. These taxes were enacted in Proposition 200 and approved by voters in the 1994 General Election.		
<b>Funds Expended</b>	66,861,800	65,627,200
<b>Year-End Fund Balance</b>	1,581,400	1,581,400