

Arizona Health Care Cost Containment System

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	2,339.3	2,348.3	2,348.3 ^{1/}
Personal Services	45,660,500	47,141,900	47,141,900
Employee Related Expenditures	18,992,100	19,357,500	19,357,500
Professional and Outside Services	16,920,200	17,700,900	17,700,900
Travel - In State	15,300	15,300	15,300
Other Operating Expenditures	22,420,700	27,232,600	26,452,600
Equipment	98,400	98,400	98,400
OPERATING SUBTOTAL	104,107,200	111,546,600	110,766,600 ^{2/}
SPECIAL LINE ITEMS			
Administration			
AHCCCS Data Storage	15,173,500	19,325,800	19,325,800
DES Eligibility	101,760,300	88,874,500	88,874,500 ^{3/}
Proposition 204 - AHCCCS Administration	21,885,900	13,906,200	13,906,200 ^{4/}
Proposition 204 - DES Eligibility	41,745,200	44,358,700	44,358,700 ^{4/}
Medicaid Services			
Traditional Medicaid Services	5,219,519,500	6,858,335,700	6,874,421,500 ^{5/6/7/8/}
Proposition 204 Services	4,108,435,000	6,504,234,100	5,944,540,300 ^{7/8/}
Adult Expansion Services	602,859,200	1,569,961,900	813,985,400
Comprehensive Medical and Dental Program	198,750,800	227,089,300	235,498,300 ^{7/}
KidsCare Services	95,663,000	141,691,200	117,645,400
ALTCS Services	1,648,966,200	2,022,877,700	2,105,506,100 ^{9/10/11/}
Behavioral Health Services in Schools	10,003,300	10,003,300	9,891,200
Non-Medicaid Behavioral Health Services			
Non-Medicaid Seriously Mentally Ill Services	75,714,600	77,646,900	77,646,900 ^{12/}
One-Time Substance Use Disorder Services Fund Deposit	0	6,000,000	0
Supported Housing	5,324,800	65,324,800	65,324,800 ^{13/14/}
Crisis Services	16,319,700	16,391,300	16,391,300
Hospital Payments			
Disproportionate Share Payments	4,202,300	5,087,100	5,087,100 ^{15/}
DSH Payments - Voluntary Match	30,632,100	48,666,500	37,535,300 ^{8/16/}
Graduate Medical Education	270,797,800	351,322,800	389,658,300 ^{8/16/-20/}
Rural Hospitals	36,068,900	28,612,400	28,612,400
Targeted Investments Program	7,499,200	50,000,000	50,000,000
AGENCY TOTAL	12,615,428,500	18,261,256,800	17,048,976,100 ^{21/-25/}
FUND SOURCES			
General Fund	1,274,618,300	1,915,630,200	2,172,721,300
<u>Other Appropriated Funds</u>			
Budget Neutrality Compliance Fund	4,037,400	4,076,200	4,303,100
Children's Health Insurance Program Fund	100,299,800	117,660,900	98,396,100
Prescription Drug Rebate Fund - State	148,305,700	175,236,600	165,158,600
Seriously Mentally Ill Housing Trust Fund	0	200,000	200,000
Substance Abuse Services Fund	2,250,200	2,250,200	2,250,200
Tobacco Products Tax Fund - Emergency Health Services Account	16,216,300	17,921,600	17,448,300
Tobacco Tax and Health Care Fund - Medically Needy Account	65,627,200	69,002,100	67,179,700
SUBTOTAL - Other Appropriated Funds	336,736,600	386,347,600	354,936,000
SUBTOTAL - Appropriated Funds	1,611,354,900	2,301,977,800	2,527,657,300

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
Expenditure Authority Funds			
Arizona Tobacco Litigation Settlement Fund	105,683,600	102,000,000	102,000,000
County Funds	303,982,200	328,828,000	375,233,300
Delivery System Reform Incentive Payment Fund	2,249,000	15,495,200	15,495,200
Federal Medicaid Authority	9,461,104,900	13,671,841,100	12,305,443,400
Health Care Investment Fund	97,764,900	382,548,500	362,711,100
Hospital Assessment Fund	251,024,200	608,696,900	517,750,200
Nursing Facility Provider Assessment Fund	28,411,500	32,989,600	32,989,600
Political Subdivision Funds	109,800,400	169,989,300	163,799,600
Prescription Drug Rebate Fund - Federal	609,060,300	609,060,300	609,060,300
Third Party Liability and Recovery Fund	194,700	194,700	194,700
Tobacco Products Tax Fund - Proposition 204 Protection Account	34,797,900	37,635,400	36,641,400
SUBTOTAL - Expenditure Authority Funds	11,004,073,600	15,959,279,000	14,521,318,800
SUBTOTAL - Appropriated/Expenditure Authority Funds	12,615,428,500	18,261,256,800	17,048,976,100
Other Non-Appropriated Funds	108,798,000	119,404,400	119,404,400
Federal Funds	157,393,300	263,968,200	263,968,200
TOTAL - ALL SOURCES	12,881,619,800	18,644,629,400	17,432,348,700

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 2023.
- 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, 2023 on the suicide prevention coordinator's accomplishments in fiscal year 2022-2023. (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 2022-2023 to the attorney general for costs associated with e-cigarette enforcement and 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 2022-2023 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 2022-2023 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. (General Appropriation Act footnote)
- 10/ Pursuant to section 11-292, subsection B, Arizona Revised Statutes, the county portion of the fiscal year 2022-2023 nonfederal costs of providing long-term care system services is \$330,315,800. This amount is included in the expenditure authority fund source. (General Appropriation Act footnote)
- 11/ Any supplemental payments received in excess of \$107,449,200 for nursing facilities that serve Arizona long-term care system medicaid patients in fiscal year 2022-2023, including any federal matching monies, by the Arizona health care cost containment system administration are appropriated to the administration in fiscal year 2022-2023. 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, 2023, 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/ On or before September 30, 2023, the Arizona health care cost containment system administration shall report to the joint legislative budget committee on its progress in implementing services specified in the housing and health opportunities section 1115 waiver amendment. The report shall include, at a minimum, the types of services provided for eligible AHCCCS members, expenditures by service category, the number of members receiving services by eligibility category, the number of members waitlisted for housing services and progress toward achieving program outcomes, including changes in hospital utilization rates and utilization of primary care and preventive health services. (General Appropriation Act footnote)
- 14/ The appropriated amount for the supported housing line item includes \$60,000,000 of federal medicaid expenditure authority. If the administration's housing and health opportunities section 1115 waiver amendment is denied federal approval, the amount of \$60,000,000 of federal medicaid expenditure authority is reduced from the supported housing line item appropriation. (General Appropriation Act footnote)
- 15/ The \$5,087,100 appropriation for disproportionate share payments for fiscal year 2022-2023 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)
- 16/ 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 2022-2023 by the Arizona health care cost containment system administration in excess of \$37,535,300 are appropriated to the administration in fiscal year 2022-2023. 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)
- 17/ Any monies for graduate medical education received in fiscal year 2022-2023, including any federal matching monies, by the Arizona health care cost containment system administration in excess of \$389,658,300 are appropriated to the administration in fiscal year 2022-2023. 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)
- 18/ 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 \$13,549,300 from expenditure authority for the direct and indirect costs of graduate medical education programs located in counties 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)

- 19/ 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 \$10,875,400 from expenditure authority for the direct and indirect costs of graduate medical education programs located in counties 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)
- 20/ 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, 2023. (General Appropriation Act footnote)
- 21/ 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)
- 22/ 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)
- 23/ The Arizona health care cost containment system administration shall report to the joint legislative budget committee on or before March 1, 2023, 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)
- 24/ On or before July 1, 2023, 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, 2022. (General Appropriation Act footnote)
- 25/ General Appropriation Act funds are appropriated as Operating Lump Sum with Special Line Items by Agency.

Summary

AHCCCS's FY 2023 General Fund spending increases by \$257,091,100 from FY 2022. This amount includes:

- \$253,951,000 for formula adjustments.
- \$3,000,000 for Graduate Medical Education funding.
- \$140,100 for implementation of a newborn screening fee.

Below is an overview of FY 2023 formula adjustments, which *Table 1* summarizes. As part of the Baseline's 3-year spending plan, AHCCCS's General Fund costs are projected to increase by \$204,611,800 in FY 2024 above FY 2023 and by \$161,935,200 in FY 2025 above FY 2024. (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 \$253,951,000 from the General Fund in FY 2023 for the

following AHCCCS formula adjustments. This amount includes:

- \$182,836,000 for state match expenses associated with formula adjustments.
- \$71,115,000 for changes in General Fund offsets.

FY 2023 Caseload Adjustment

Formula adjustments include a (4.1)% enrollment decline for Traditional; a (7.9)% decline for Proposition 204; a (26.2)% decline for Adult Expansion; a (22.2)% decline for KidsCare; 0.5% growth for CMDP; and 3.5% growth for ALTCS. The continuous enrollment provision included in the Families First Coronavirus Response Act prevents AHCCCS from disenrolling ineligible members before the public health emergency expires. These figures assume that the public health emergency will expire in January 2022. While the enhanced match will remain in place until March 2022, AHCCCS can begin to disenroll members in February.

Table 1	
AHCCCS State Match Spending Changes (in millions)	
State Match Formula Adjustments	
FY 2023 Caseload Growth	(418)
FY 2023 Inflation Increase	291
FY 2023 Federal Medicaid Match Rate Change	<u>310</u>
State Match Costs Subtotal	183
Non-General Fund State Match Offsets	
Political Subdivisions Fund Decrease	(1)
Hospital Assessment Fund	91
County Funds Increase	(46)
Tobacco Tax Revenue Increase	3
Health Care Investment Fund	20
PDRF State	<u>4</u>
General Fund Offsets Subtotal	71
Non-Formula Adjustments	
GME/Health Professional Shortage Area	<u>3</u>
Non-Formula Subtotal	3
Total General Fund Spending Change	\$257

The expiration of continuous enrollment and improving economic conditions are assumed to result in AHCCCS enrollment returning to pre-pandemic levels by November 2022, adjusted for state population growth since that time. Thereafter, enrollment is assumed to grow at an annualized average rate of 1.0% based on Arizona population growth projections. Overall, caseload declines are expected to decrease state match expenses by \$(417,840,300) and Total Funds expenses by \$(2,964,865,700) in FY 2023. *Table 2* displays historical and forecasted member months across AHCCCS populations. (See the *Other Issues* section for more information.)

FY 2023 Inflation Adjustments

The Baseline assumes a 3.1% inflation adjustment for capitation, fee-for-service, and reinsurance effective October 1, 2022. This increase is based on a 5-year average of the medical care consumer price index. The Baseline also annualizes the FY 2022 capitation rate adjustment of 3.7%. Inflation adjustments increase AHCCCS state costs by \$291,132,600 and Total Funds costs by \$1,732,272,800 in FY 2023.

FY 2023 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 2023, the standard FMAP rates will be as follows:

- Traditional Medicaid rate will decrease to 69.67% (a 4.99 percentage point decrease).

Table 2				
AHCCCS Member Months ^{1/}				
	June 2021	June 2022	June 2023	'22-'23 %
Population	(Actual)	(Revised)	(Forecast)^{2/}	Change
Traditional	1,076,356	1,059,884	1,016,946	(4.1)%
Prop 204 Childless Adults	383,009	366,838	319,975	(12.8)%
Other Proposition 204	191,151	184,175	187,416	1.8%
Adult Expansion	141,505	107,417	79,326	(26.2)%
KidsCare	51,696	45,895	35,689	(22.2)%
CMDP	13,628	13,569	13,634	0.5%
ALTCS - Elderly & Physically Disabled ^{3/}	28,587	29,041	30,052	3.5%
Emergency Services	<u>125,482</u>	<u>123,562</u>	<u>118,556</u>	<u>(4.1)%</u>
Total Member Months	2,011,414	1,930,381	1,801,594	(6.7)%

^{1/} The figures represent June 1 enrollment.
^{2/} The FY 2023 forecasted numbers account for caseload decreases associated with expiration of the Families First Coronavirus Response Act maintenance of eligibility requirement.
^{3/} The ALTCS program is funded in AHCCCS. An additional 37,405 people receive Medicaid services through the Department of Economic Security's Developmental Disabilities program as of December 1, 2021.

- Proposition 204 Childless Adult rate will remain at 90.0%.
- Adult Expansion rate will remain at 90.0%.
- CHIP rate will decrease to 78.77% (a 3.49 percentage point decrease).

The Baseline includes an increase of \$309,543,700 in state costs and a corresponding decrease of \$(309,543,700) in Federal Medicaid Authority in FY 2023 as a result of these FMAP adjustments.

In accordance with the Families First Coronavirus Response Act (FFCRA) and guidance from the Biden Administration, the FY 2022 enacted budget included an enhanced federal match rate of 6.2% for the first 2 quarters of SFY 2022. Since that time, the enhanced FMAP provision has been extended into the third quarter of FY 2022, resulting in additional General Fund savings of \$(77,932,400) compared to the enacted budget. The Baseline assumes the enhanced match rate would expire in March 2022. (See the *Other Issues* section for more information.)

Non-General Fund State Match Items

The gross state match contribution from FY 2023 caseload growth, inflation, and federal match rate changes is projected to increase by \$182,836,000. The Non-General Fund state match is forecast to decrease by \$(71,115,000), resulting in a net General Fund change of \$253,951,000. The decline in the non-General Fund state match is attributable to substantial enrollment declines associated with expiration of the FFCRA's continuous enrollment requirement. In particular, the Hospital Assessment realizes most of the enrollment savings for Proposition 204 and Adult Expansion populations since it

funds acute care for both populations. When combined with legislatively-mandated changes, or non-formula adjustments, the net General Fund change increases to \$257,091,100.

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

- A decrease of \$(90,946,700) from the Hospital Assessment Fund in FY 2023 for physical health costs of enrollees in the Proposition 204 and Adult Expansion programs.
- A decrease of \$(19,837,400) from the Health Care Investment Fund.
- An increase of \$553,500 in Political Subdivision Funds, mostly for Traditional.
- An increase of \$46,405,300 in County Funds, mostly for ALTCS.
- A decrease of \$(3,289,700) from tobacco tax revenues to reflect higher-than-budgeted receipts.
- A decrease of \$(4,000,000) from Prescription Drug Rebate Fund - State to remove one-time funding for physician and dental fee schedule increases.

Operating Budget

The Baseline includes \$110,766,600 and 1,032.2 FTE Positions in FY 2023 for the operating budget. These amounts consist of:

	FY 2023
General Fund	\$32,209,900
Children’s Health Insurance Program (CHIP) Fund	5,582,500
Health Care Investment Fund	2,472,300
Prescription Drug Rebate Fund (PDRF) - State	660,700
Seriously Mentally Ill (SMI) Housing Trust Fund	200,000
Federal Medicaid Authority (FMA)	69,641,200

FY 2023 adjustments are as follows:

Remove One-Time Funding of PMMIS Roadmap

The Baseline includes a decrease of \$(780,000) in FY 2023 to remove one-time funding for the cost of developing a plan to replace AHCCCS's management information system. This amount consists of:

PDRF - State	(78,000)
Federal Medicaid Authority (FMA)	(702,000)

Administration

AHCCCS Data Storage

The Baseline includes \$19,325,800 in FY 2023 for 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 2022.

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. Funds may also be used for broader computing expenses, including cloud migration and storage costs.

DES Eligibility

The Baseline includes \$88,874,500 and 885 FTE Positions in FY 2023 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 2022.

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

Proposition 204 - AHCCCS Administration

The Baseline includes \$13,906,200 and 131 FTE Positions in FY 2023 for Proposition 204 - AHCCCS Administration costs. These amounts consist of:

General Fund	4,486,900
PDRF - State	60,900
Federal Medicaid Authority	9,358,400

These amounts are unchanged from FY 2022.

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

Proposition 204 - DES Eligibility

The Baseline includes \$44,358,700 and 300.1 FTE Positions in FY 2023 for Proposition 204 - DES Eligibility costs. These amounts consist of:

General Fund	16,419,100
Budget Neutrality Compliance Fund (BNCf)	4,303,100
Federal Medicaid Authority	23,636,500

FY 2023 adjustments are as follows:

Formula Adjustments

The Baseline includes a decrease of \$(226,900) from the General Fund and a corresponding increase of \$226,900 from the BNCf in FY 2023 to reflect an increase of county contributions in FY 2023. This adjustment assumes an inflation adjustment of 4.07% and a state population adjustment of 1.5% pursuant to 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 2023. A description of program components can be found in the *Other Issues* section.

Traditional Medicaid Services

The Baseline includes \$6,874,421,500 in FY 2023 for Traditional Medicaid Services. This amount consists of:

General Fund	1,472,315,100
County Funds	44,917,500
Health Care Investment Fund	233,881,200
Political Subdivision Funds	40,142,900
PDRF – State	156,858,600
TTHCF - Medically Needy Account	67,179,700
Third Party Liability and Recovery Fund	194,700
PDRF - In Lieu of Federal Funds	572,638,300
Federal Medicaid Authority	4,286,293,500

FY 2023 adjustments are as follows:

Formula Adjustments

The Baseline includes an increase of \$30,499,300 in FY 2023 for formula adjustments. This amount consists of:

General Fund	223,210,300
County Funds	(716,500)
Health Care Investment Fund	7,203,100
Political Subdivision Funds	(10,104,900)
TTHCF - Medically Needy Account	(1,822,400)
Federal Medicaid Authority	(187,270,300)

These adjustments are based on standard baseline assumptions plus the following:

- (4.1)% enrollment decline in FY 2023.
- \$(1,822,400) decrease from the TTHCF - Medically Needy Account with a corresponding General Fund increase.
- \$(716,500) decrease in the Maricopa County Acute Care contribution (County Funds) under A.R.S. § 11-292 with a corresponding General Fund increase based on an assumed 4.07% inflation rate.

Remove One-Time HCIF Increase

The Baseline includes a decrease of \$(14,875,400) in FY 2023 to remove one-time funding used to maintain 15% physician and dentist base rate increases that would have otherwise been financed by the Health Care Investment Fund. This amount consists of:

PDRF - State	(4,000,000)
Federal Medicaid Authority	(10,875,400)

Newborn Screening Fee

The Baseline includes an increase of \$461,900 in FY 2023 for increased newborn screening fees. This amount consists of:

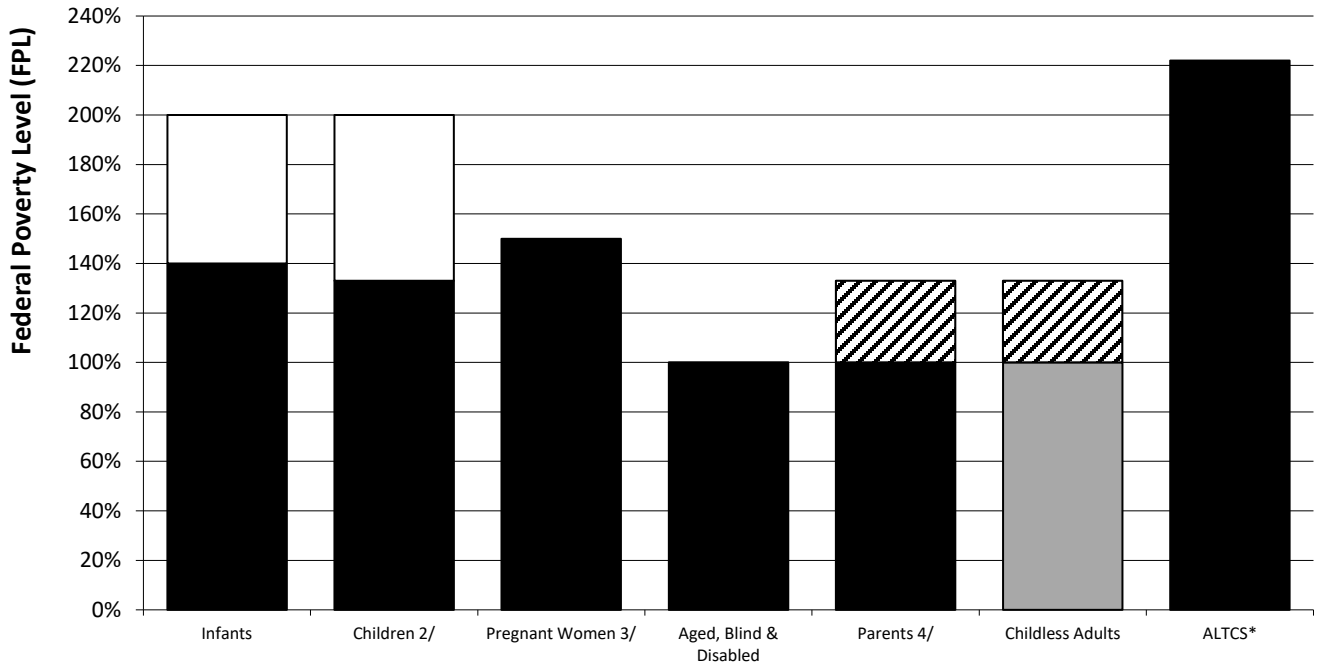
General Fund	140,100
Federal Medicaid Authority	321,800

The FY 2022 Health Budget Reconciliation Bill (BRB) (Laws 2021, Chapter 409) required the Department of Health Services to increase the number of disorders included in newborn screening, which DHS estimates will increase its fees in FY 2023. The 3-year spending plan associated with the enacted FY 2022 budget assumed AHCCCS would incur a cost of \$461,900 for AHCCCS-eligible newborns.

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

Chart 1

AHCCCS Eligibility ^{1/}



Mandatory (70% Fed Match)
 KidsCare (79% Fed Match)
 Childless Adults Option (90% Fed Match)
 ACA Expansion (90% Fed Match)

^{1/} Match rates do not reflect a one-time increase to the regular and KidsCare match rate associated with the federal Families First Coronavirus Response Act.
^{2/} Children ages 6 to 18 years in families with incomes between 100% FPL and 133% FPL are eligible to receive an 78.69% federal match in FFY 2023.
^{3/} Women diagnosed with breast or cervical cancer by a provider recognized by the Well Women Healthcheck program and those in the "Ticket to Work" program receive coverage to 250% FPL.
^{4/} Mandatory Status of Parents is subject to interpretation.

- 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").

Hospital Assessment Fund	457,525,400
Political Subdivision Funds	8,644,000
Tobacco Litigation Settlement Fund	102,000,000
TPTF - Emergency Health Services Account	17,448,300
TPTF - Proposition 204 Protection Account	36,641,400
Federal Medicaid Authority	5,105,753,500

FY 2023 adjustments are as follows:

Formula Adjustments

The Baseline includes a decrease of \$(559,693,800) in FY 2023 for formula adjustments. This amount consists of:

General Fund	(6,303,300)
Health Care Investment Fund	(29,741,000)
Hospital Assessment Fund	(23,102,500)
Political Subdivision Funds	4,245,900
TPTF - Emergency Health Services Account	(473,300)
TPTF - Proposition 204 Protection Account	(994,000)
Federal Medicaid Authority	(503,325,600)

Proposition 204 Services

The Baseline includes \$5,944,540,300 in FY 2023 for Proposition 204 Services. This amount consists of:

General Fund	122,364,300
Health Care Investment Fund	94,163,400

These adjustments are based on standard baseline assumptions plus the following:

- (7.9)% enrollment decline in FY 2023-
- \$(1,467,300) decrease from the tobacco tax accounts and a corresponding increase in other state costs due to lower-than-expected tobacco tax revenues.

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 \$813,985,400 in FY 2023 for Adult Expansion Services. This amount consists of:

General Fund	6,703,500
Health Care Investment Fund	8,439,500
Hospital Assessment Fund	60,224,800
Political Subdivision Funds	1,221,700
Federal Medicaid Authority	737,395,900

FY 2023 adjustments are as follows:

Formula Adjustments

The Baseline includes a decrease of \$(755,976,500) in FY 2023 for formula adjustments. This amount consists of:

General Fund	(9,940,000)
Health Care Investment Fund	(606,400)
Hospital Assessment Fund	(67,844,200)
Political Subdivision Funds	739,200
Federal Medicaid Authority	(678,325,100)

These adjustments are based on standard baseline assumptions plus a (26.2)% enrollment decline in FY 2023.

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.

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 \$235,498,300 in FY 2023 for the Comprehensive Medical and Dental Program (CMDP). This amount consists of:

General Fund	67,489,900
Health Care Investment Fund	3,930,500
Federal Medicaid Authority	164,077,900

FY 2023 adjustments are as follows:

Formula Adjustments

The Baseline includes an increase of \$8,409,000 in FY 2023 for formula adjustments. This amount consists of:

General Fund	8,975,500
Health Care Investment Fund	1,329,800
Federal Medicaid Authority	(1,896,300)

These adjustments are based on standard baseline assumptions plus a 0.5% enrollment growth in FY 2023.

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 both the physical and behavioral health services for this population. The funding amounts listed above are transferred to DCS, where they appear as expenditure authority.

KidsCare Services

The Baseline includes \$117,645,400 in FY 2023 for KidsCare Services. This amount consists of:

General Fund	22,111,500
Health Care Investment Fund	2,521,900
Political Subdivision Funds	358,400
CHIP Fund	92,653,600

FY 2023 adjustments are as follows:

Formula Adjustments

The Baseline includes a decrease of \$(24,045,800) in FY 2023 for formula adjustments. This amount consists of:

General Fund	(4,965,700)
Health Care Investment Fund	289,200
Political Subdivision Funds	(104,500)
CHIP Fund	(19,264,800)

These adjustments are based on standard baseline assumptions plus a (22.2)% enrollment decline in FY 2023.

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. Households 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 \$2,105,506,100 in FY 2023 for ALTCS Services. This amount consists of:

General Fund	279,122,800
County Funds	330,315,800
Health Care Investment Fund	17,302,300
Political Subdivision Funds	6,227,800
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	1,395,547,400

FY 2023 adjustments are as follows:

Formula Adjustments

The Baseline includes an increase of \$82,628,400 in FY 2023 for formula adjustments. This amount consists of:

General Fund	43,068,400
County Funds	47,121,800
Health Care Investment Fund	1,687,900
Political Subdivision Funds	5,777,800
Federal Medicaid Authority	(15,027,500)

These adjustments are based on standard baseline assumptions plus 3.5% enrollment growth in FY 2023.

Background – ALTCS provides coverage for individuals up to 222% of the FPL, or \$28,593 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 \$9,660 per person.

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 2022, AHCCCS estimates that client

contributions will pay for 3.6%, or \$52,300,000 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 \$9,891,200 in FY 2023 for Behavioral Health Services in schools. This amount consists of:

General Fund	3,000,000
Federal Medicaid Authority	6,891,200

FY 2023 adjustments are as follows:

Formula Adjustments

The Baseline includes a decrease of \$(112,100) from Federal Medicaid Authority in FY 2023 for a change in the federal match rate.

Background – This line item funds behavioral health services at or near public school campuses for both Medicaid-eligible and non-Medicaid students. Funds will be allocated to behavior health providers contracted with AHCCCS health plans working directly in schools.

Non-Medicaid Behavioral Health Services

Non-Medicaid Seriously Mentally Ill Services

The Baseline includes \$77,646,900 from the General Fund in FY 2023 for Non-Medicaid Seriously Mentally Ill (SMI) Services. This amount is unchanged from FY 2022.

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.)*

One-Time Substance Use Disorder Services Fund Deposit

The Baseline includes no funding in FY 2023 for One-Time Substance Use Disorder Services Fund Deposit. FY 2023 adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(6,000,000) from PDRF - State in FY 2023 to remove a one-time deposit in the Substance Use Disorder Services (SUDS) Fund. The deposit funds opioid treatment services, including copays, doctor visits, and lab tests, for uninsured and underinsured individuals.

Background – The SUDS Fund was established in 2018 following the enactment of the Opioid Epidemic Act. AHCCCS used the initial \$10,000,000 deposit in FY 2018-FY 2021 to provide substance use disorder treatment services to underinsured or uninsured individuals who are otherwise ineligible for Medicaid.

Supported Housing

The Baseline includes \$65,324,800 in FY 2023 for Supported Housing. This amount consists of:

General Fund	5,324,800
Federal Medicaid Authority	60,000,000

This amount is unchanged from FY 2022.

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. AHCCCS reports \$22,400,000 of RBHAs' allocation from the Non-Medicaid Seriously Mentally Ill Services line item will be spent on Supported Housing Services in SFY 2021.

In May 2021, AHCCCS submitted a waiver amendment to the Centers for Medicare and Medicaid Services (CMS) that would use current state funding for housing initiatives to draw down additional Federal Funds. If approved, the new funds would be used to 1) increase homeless outreach, 2) provide housing for members who are homeless or at risk, and 3) expand wraparound housing services to ensure housing stability. The amendment is currently being considered by the CMS. In the event the amendment is denied federal approval, an

FY 2022 General Appropriation Act footnote would reduce the Federal Medicaid Authority appropriation by \$60,000,000.

Crisis Services

The Baseline includes \$16,391,300 in FY 2023 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 2022.

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 2023 through FY 2025 according to the regular federal formula, as outlined below.

MIHS Distribution

The Baseline continues to appropriate \$4,202,300 of federal DSH funds associated with uncompensated care at Maricopa Integrated Health System (MIHS) for distribution to MIHS. The remaining \$91,498,200 of federal DSH funds associated with uncompensated care in public hospitals (MIHS and the Arizona State Hospital) are available for General Fund deposit. The \$91,498,200

assumes MIHS would report uncompensated care of \$109,104,900 in FY 2023, the same amount reported for FY 2021.

Increase in Uncompensated Care Payments

In FY 2023, the state's total DSH payments are estimated to increase by 2,277,700 from \$173,722,200 in FY 2022 to \$175,999,900 due to federal adjustments for inflation and the FMAP. Of the \$175,999,900 of eligible DSH funding in FY 2023, \$134,120,600 is distributed according to the allocations described below and listed in *Table 3*. The remaining \$41,879,300 of eligible funding represents existing expenditures used as part of the state match. (See the *Hospital Payments program summary on the JLBC website*.)

Disproportionate Share Payments

The Baseline includes \$5,087,100 in FY 2023 for Disproportionate Share Payments. This amount consists of:

General Fund	269,300
Federal Medicaid Authority	4,817,800

FY 2023 adjustments are as follows:

Formula Adjustments

The Baseline includes an increase of \$3,900 from the General Fund and a corresponding decrease of \$(3,900)

from Federal Medicaid Authority in FY 2023 to reflect a change in the federal match rate.

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 \$269,300 from the General Fund and \$615,500 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 \$37,535,300 in FY 2023 for DSH Payments - Voluntary Match. This amount consists of:

Political Subdivision Funds	11,425,700
Federal Medicaid Authority	26,109,600

FY 2023 adjustments are as follows:

Decreased Funding

The Baseline includes a decrease of \$(11,131,200) in FY 2023 due to an increase in Arizona's allocation of federal DSH funding. This amount consists of:

Political Subdivision Funds	(3,169,400)
Federal Medicaid Authority	(7,961,800)

Table 3			
Disproportionate Share Hospital Payments			
Eligible Funding ^{1/}	FY 2022 (Enacted)	FY 2022 (Estimated)	FY 2023
MIHS - CPE ^{2/}	\$ 95,696,000	\$ 109,104,900	\$ 109,104,900
ASH - CPE	28,474,900	28,474,900	28,474,900
Private Hospitals	884,800	884,800	884,800
DSH Voluntary Match	48,666,500	31,881,300	37,535,300
Total Funding	\$ 173,722,200	\$ 170,345,900	\$ 175,999,900
General Fund			
Retain FF of CPE (via MIHS) ^{3/}	\$ 62,794,500	\$ 79,586,800	\$ 71,691,100
Retain FF of CPE (via ASH)	19,935,300	21,867,800	19,807,100
Subtotal - General Fund	\$ 82,729,800	\$ 101,454,600	\$ 91,498,200
Other Entities			
State MIHS	\$ 4,202,300	\$ 4,202,300	\$ 4,202,300
Private Hospitals	884,800	884,800	884,800
Subtotal - Other Entities	\$ 5,087,100	\$ 5,087,100	\$ 5,087,100
Total DSH Distributions	\$ 87,816,900	\$ 106,541,700	\$ 96,585,300
Voluntary Match	\$ 48,666,500	\$ 31,881,300	\$ 37,535,300
Total Distributions	\$ 136,483,400	\$ 138,423,000	\$ 134,120,600

^{1/} Amounts include state and federal match funding.

^{2/} The Baseline would continue to establish an MIHS DSH limit of \$113,818,500 in the FY 2023 Health BRB to maximize the DSH General Fund revenue deposit in the event actual uncompensated care is higher.

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 2023. (Please see Table 3.)

Graduate Medical Education

The Baseline includes \$389,658,300 in FY 2023 for Graduate Medical Education (GME) expenditures. This amount consists of:

General Fund	9,000,000
Political Subdivision Funds	95,779,100
Federal Medicaid Authority	284,879,200

FY 2023 adjustments are as follows:

Increased Funding

The Baseline includes an increase of \$24,874,100 in FY 2023 to reflect AHCCCS's revised projections of reimbursable GME expenses among participating hospitals in FY 2023. This amount consists of:

Political Subdivision Funds	(3,573,800)
Federal Medicaid Authority	28,447,900

Health Professional Shortage Areas

The Baseline includes an increase of \$13,461,400 in FY 2023 for GME payments to hospitals located in health professional shortage areas. This amount consists of:

General Fund	3,000,000
Federal Medicaid Authority	10,461,400

With this increase, \$33,469,700 Total Funds will be available for Health Professional Shortage Areas, or \$9,000,000 from the General Fund and \$24,469,700 from Federal Medicaid Authority.

A pair of General Appropriation Act footnotes instructs AHCCCS how to allocate the \$33,469,700 total amount for this program. The Baseline would allocate \$16,663,900 Total Funds for GME programs located in a county with less than 500,000 persons and the remaining \$13,331,100 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 FY 2022 budget's 3-year spending plan included a \$3,000,000 increase in FY 2023 GME funding for a total General Fund contribution of \$9,000,000. This amount includes \$5,000,000 allocation for rural programs and \$4,000,000 for urban programs.

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 2021, 21 hospitals received a total of \$270,797,900 for Graduate Medical Education.

Rural Hospitals

The Baseline includes \$28,612,400 in FY 2023 for Rural Hospitals, which includes Critical Access Hospitals (CAH). This amount consists of:

General Fund	8,709,600
Federal Medicaid Authority	19,902,800

FY 2023 adjustments are as follows:

Formula Adjustments

The Baseline includes an increase of \$128,800 from the General Fund and a corresponding decrease of \$(128,800) from Federal Medicaid Authority in FY 2023 due to a change in the federal match.

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 2021, 20 hospitals qualified for funding from Rural Hospital Reimbursement and 12 from CAH.

Targeted Investments Program

The Baseline includes \$50,000,000 in FY 2023 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

This amount is unchanged from FY 2022.

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 \$300,000,000 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.

AHCCCS is seeking to extend its waiver authority for this program as part of its 2021-2026 waiver renewal application, submitted December 21, 2020. The current application proposes \$250,000,000 over the next 5 years.

Other Issues

This section includes information on the following topics:

- FY 2022 Adjustments
- Statutory Changes
- Long-Term Budget Impacts
- County Contributions
- Program Components
- Tobacco Master Settlement Agreement
- Tobacco Tax Allocations

FY 2022 Adjustments

The Baseline assumes that AHCCCS General Fund formula expenses for FY 2022 will be \$(77,932,400) lower than the original FY 2022 General Fund appropriation. The \$(77,932,400) surplus is based on the federal government's extension of the enhanced FMAP associated with the COVID-19 public health emergency through March 2022. The enacted budget assumed the enhanced rate would only be available through December 2021. As a result, the initial estimated savings of \$(180,000,000) within AHCCCS will increase to an estimated \$(257,932,400).

The Baseline does not, however, include an ex-appropriation to account for the savings. Instead, the surplus would be realized through General Fund revertments.

Statutory Changes

The Baseline would:

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 2023 County Acute Care contribution at \$44,917,500.
- As session law, continue to require AHCCCS to transfer any excess monies back to the counties by December 31, 2023, 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 2023 county Arizona Long Term Care System (ALTCS) contributions at \$330,315,800.

Hospitals

- As session law, continue to establish FY 2023 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 2023.
- 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 \$204,611,800 in FY 2024 above FY 2023 and by \$161,935,200 in FY 2025 above FY 2024.

County Contributions

County governments make 3 different payments to defray the AHCCCS budget's costs, as summarized in *Table 4*. 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. See the County Contributions program summary on the JLBC website.

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 2023, the average capitation rate is expected to be approximately \$593 per member per month (or \$7,100 annually). Of that amount, an average of \$150 is from state match and \$443 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.

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 2023 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:

Table 4

County Contributions

County	FY 2022			FY 2023		
	<u>BNCF</u> ^{1/}	<u>Acute</u>	<u>ALTCS</u>	<u>BNCF</u> ^{1/}	<u>Acute</u>	<u>ALTCS</u>
Apache	\$134,400	\$268,800	662,900	\$141,300	\$268,800	795,400
Cochise	250,600	2,214,800	4,551,700	263,600	2,214,800	5,737,500
Coconino	247,200	742,900	1,990,400	260,000	742,900	2,387,900
Gila	101,500	1,413,200	2,327,100	106,800	1,413,200	2,683,300
Graham	72,200	536,200	1,328,000	75,900	536,200	1,258,800
Greenlee	18,500	190,700	0	19,500	190,700	0
La Paz	38,400	212,100	357,100	40,400	212,100	590,400
Maricopa	0	17,603,700	184,272,900	0	16,887,200	215,427,200
Mohave	288,600	1,237,700	9,154,300	303,500	1,237,700	9,659,800
Navajo	189,100	310,800	2,744,100	198,900	310,800	3,292,200
Pima	1,718,800	14,951,800	44,073,400	1,807,800	14,951,800	51,069,800
Pinal	336,300	2,715,600	12,109,900	353,700	2,715,600	16,153,500
Santa Cruz	79,500	482,800	2,242,800	83,600	482,800	2,607,500
Yavapai	317,700	1,427,800	7,677,800	334,100	1,427,800	8,576,900
Yuma	283,300	1,325,100	9,701,600	297,900	1,325,100	10,075,600
Subtotal	\$4,076,200	\$45,634,000	\$283,194,000	\$4,287,200	\$44,917,500	\$330,315,800
Total			\$332,904,200			\$379,520,500

^{1/} Numbers do not add to total due to rounding.

- 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. (See the program summary on the JLBC website.)

Tobacco Tax Allocations

The Baseline projects AHCCCS and DHS will receive \$144,826,200 in transfers of tobacco tax collections in FY 2023. This amount represents a decrease of \$(3,928,600) from the FY 2022 budgeted amount. *Table 5* summarizes tobacco tax transfers and allocations to the agencies.

Table 5

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

	<u>FY 2021</u>	<u>FY 2022</u>
Medically Needy Account		
<u>Funds Available</u>		
Balance Forward	\$ 1,581,400	\$ 6,166,000
Transfer In - Tobacco Tax and Health Care Fund	39,610,400	43,201,200
Transfer In - Tobacco Products Tax Fund	<u>22,879,600</u>	<u>22,975,200</u>
Total Funds Available	\$ 64,071,400	\$ 72,342,400
<u>Allocations</u>		
<i>AHCCCS</i>		
AHCCCS State Match Appropriation	\$ 65,627,200	\$ 69,002,100
Total AHCCCS Allocations	<u>\$ 65,627,200</u>	<u>\$ 69,002,100</u>
<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>
Balance Forward*	\$ (2,255,800)	\$ 2,640,300
AHCCCS Proposition 204 Protection Account		
<u>Funds Available</u>		
Balance Forward	\$ 3,890,500	\$ 6,166,000
Transfer In - Tobacco Products Tax Fund	<u>37,073,400</u>	<u>37,228,400</u>
Total Funds Available	\$ 40,963,900	\$ 43,394,400
<u>Allocations</u>		
AHCCCS State Match Appropriation	\$ 34,797,900	\$ 37,635,400
Administrative Adjustments	<u>0</u>	<u>0</u>
Balance Forward	\$ 6,166,000	\$ 5,759,000
AHCCCS Emergency Health Services Account		
<u>Funds Available</u>		
Balance Forward	\$ 1,852,600	\$ 3,290,300
Transfer In - Tobacco Products Tax Fund	<u>17,654,000</u>	<u>17,727,800</u>
Total Funds Available	\$ 19,506,600	\$ 21,018,100
<u>Allocations</u>		
AHCCCS State Match Appropriation	\$ 16,216,300	\$ 17,921,600
Administrative Adjustments	<u>0</u>	<u>0</u>
Balance Forward ^{1/}	\$ 3,290,300	\$ 3,096,500
DHS Health Education Account		
<u>Funds Available</u>		
Balance Forward	\$ 5,542,100	\$ 10,994,400
Transfer In - Tobacco Tax and Health Care Fund	14,431,600	12,946,000
Transfer In - Tobacco Products Tax Fund	<u>2,090,900</u>	<u>2,107,500</u>
Total Funds Available	\$ 22,064,600	\$ 26,047,900
<u>Allocations</u>		
Tobacco Education and Prevention Program	\$ 9,605,800	\$ 17,507,100
Leading Causes of Death - Prevention and Detection	<u>1,464,400</u>	<u>2,292,900</u>
Balance Forward	\$ 10,994,400	\$ 6,247,900
Health Research Account		
<u>Funds Available</u>		
Balance Forward	\$ 2,391,600	\$ 1,866,900
Transfer In - Tobacco Tax and Health Care Fund	3,135,100	3,195,100
Transfer In - Tobacco Products Tax Fund	<u>4,430,800</u>	<u>4,515,600</u>
Total Funds Available	\$ 9,957,500	\$ 9,577,600
<u>Allocations</u>		
Biomedical Research Support	\$ 1,500,600	\$ 0
Alzheimer's Disease Research	1,000,000	0
Research Grants	<u>5,590,000</u>	<u>7,829,100</u>
Balance Forward	\$ 1,866,900	\$ 1,748,500 *

^{1/} 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 2021 Actual	FY 2022 Estimate
Arizona Tobacco Litigation Settlement Fund (HCA2468/A.R.S. § 36-2901.02)		Expenditure Authority
Source of Revenue: Monies received from tobacco companies as part of a lawsuit settlement.		
Purpose of Fund: 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.		
Funds Expended	105,683,600	102,000,000
Year-End Fund Balance	0	0
Budget Neutrality Compliance Fund (HCA2478/A.R.S. § 36-2928)		Appropriated
Source of Revenue: County contributions.		
Purpose of Fund: 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.		
Funds Expended	4,037,400	4,076,200
Year-End Fund Balance	0	0
Children's Behavioral Health Services Fund (HCA2735/A.R.S. § 36-3436)		Non-Appropriated
Source of Revenue: Includes monies appropriated to the fund, gifts or donations to the fund, and any interest earned.		
Purpose of Fund: To provide behavioral health services for uninsured or underinsured non-Medicaid children. Expenditures are not displayed to avoid double counting the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	8,000,000	4,000,000
Children's Health Insurance Program Fund (HCA2410/A.R.S. § 36-2995)		Appropriated
Source of Revenue: 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.		
Purpose of Fund: 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 \$53,000 for a family of 4.		
Funds Expended	100,299,800	117,660,900
Year-End Fund Balance	1,526,000	1,526,000
County Funds (HCA9691/A.R.S. § 36-2912)		Expenditure Authority
Source of Revenue: Statutorily prescribed county contributions.		
Purpose of Fund: 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.		
Funds Expended	303,982,200	328,828,000
Year-End Fund Balance	0	0
Crisis Contingency and Safety Net Fund (HCA3240/A.R.S. § 41-110)		Non-Appropriated
Source of Revenue: Legislative appropriations, public or private gifts, grants and donations. Expenditures are not displayed to avoid double counting the General Fund.		
Purpose of Fund: 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 fewer 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.		
Funds Expended	0	0
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Delivery System Reform Incentive Payment Fund (HCA2130/A.R.S. § 36-2930.04)		Expenditure Authority
Source of Revenue: Monies voluntarily given to AHCCCS from local governments or Arizona public universities in order to obtain a federal match.		
Purpose of Fund: 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.		
Funds Expended	2,249,000	15,495,200
Year-End Fund Balance	0	0
Employee Recognition Fund (HCA2025/A.R.S. § 36-2903)		Non-Appropriated
Source of Revenue: Private donations.		
Purpose of Fund: To be used for the agency's employee recognition program.		
Funds Expended	0	1,000
Year-End Fund Balance	3,600	2,600
Federal - Medicaid Direct Services (HCA2120/A.R.S. § 36-2913)		Non-Appropriated
Source of Revenue: Federal funding through the U.S. Department of Health & Human Services, Centers for Medicare and Medicaid Services.		
Purpose of Fund: 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.		
Funds Expended	59,926,800	92,254,000
Year-End Fund Balance	0	0
Federal Funds (HCA2120 Acute Care/A.R.S. § 36-2913)		Non-Appropriated
Source of Revenue: Federal grant monies.		
Purpose of Fund: To provide federal match for non-appropriated state expenditures.		
Funds Expended	97,466,500	171,714,200
Year-End Fund Balance	478,000	478,000
Federal Medicaid Authority (HCA2120/HCA2223 Long Term Care/A.R.S. § 36-2913)		Expenditure Authority
Source of Revenue: Federal funding through the U.S. Department of Health & Human Services, Centers for Medicare and Medicaid Services.		
Purpose of Fund: For AHCCCS's administrative costs and for the provision of services to eligible Medicaid populations.		
Funds Expended	9,461,104,900	13,671,841,100
Year-End Fund Balance	8,708,400	8,708,400
Health Care Investment Fund (HCA2588/A.R.S. § 36-2999.73)		Expenditure Authority
Source of Revenue: 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.		
Purpose of Fund: 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.		
Funds Expended	97,764,900	382,548,500
Year-End Fund Balance	59,934,400	88,370,000

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Hospital Assessment Fund (HCA2576/A.R.S. § 36-2901.09)		Expenditure Authority
Source of Revenue: An assessment on hospital revenues, discharges, or beds days.		
Purpose of Fund: For funding the non-federal share of Proposition 204 services and the adult population who became eligible for AHCCCS services on January 1, 2014.		
Funds Expended	251,024,200	608,696,900
Year-End Fund Balance	121,312,300	46,215,400
IGA and ISA Fund (HCA2500/A.R.S. § 36-2925)		Non-Appropriated
Source of Revenue: Monies voluntarily given to AHCCCS from local governments and tribal communities in order to obtain a federal match.		
Purpose of Fund: To fund claims processing for inmates by counties and Arizona Department of Corrections.		
Funds Expended	0	0
Year-End Fund Balance	0	0
IGA for County Behavioral Health Services Fund (HCA4503/A.R.S. § 36-108.01)		Non-Appropriated
Source of Revenue: Monies from local governments and state liquor service fees.		
Purpose of Fund: 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.		
Funds Expended	78,732,500	76,651,700
Year-End Fund Balance	0	0
Intergovernmental Service Fund (HCA2442/A.R.S. § 36-2927)		Non-Appropriated
Source of Revenue: Monies collected from the State of Hawaii.		
Purpose of Fund: 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 Medicaid Management Information System.		
Funds Expended	11,284,700	14,284,700
Year-End Fund Balance	4,016,300	3,016,300
Nursing Facility Provider Assessment Fund (HCA2567/A.R.S. § 36-2999.53)		Expenditure Authority
Source of Revenue: Assessment on health care items and services provided by some nursing facilities, nursing facility penalties, grants, gifts, and contributions from public or private sources.		
Purpose of Fund: To qualify for federal matching funds for supplemental payments for nursing facility services, to reimburse the Medicaid sharer 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.		
Funds Expended	28,411,500	32,989,600
Year-End Fund Balance	3,556,500	3,556,500
Political Subdivision Funds (HCA1111/A.R.S. § 36-2927)		Expenditure Authority
Source of Revenue: Monies voluntarily given to AHCCCS from local governments, tribal communities, or Arizona public universities in order to obtain a federal match.		
Purpose of Fund: 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, Graduate Medical Education (GME), and Pediatric Services Initiative (PSI) programs.		
Funds Expended	109,800,400	169,989,300
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Prescription Drug Rebate Fund - Federal (HCA2546/A.R.S. § 36-2930)		Expenditure Authority
Source of Revenue: 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.		
Purpose of Fund: 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.		
Funds Expended	609,060,300	609,060,300
Year-End Fund Balance	156,534,200	78,267,100
Prescription Drug Rebate Fund - State (HCA2546/A.R.S. § 36-2930)		Appropriated
Source of Revenue: Prescription drug rebate collections and interest from prescription drug rebate late payments.		
Purpose of Fund: 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.		
Funds Expended	148,305,700	175,236,600
Year-End Fund Balance	10,130,100	10,243,000
Proposition 202 - Trauma and Emergency Services Fund (HCA2494/A.R.S. § 36-2903.07)		Non-Appropriated
Source of Revenue: Gaming monies received from the Arizona Benefits Fund.		
Purpose of Fund: For unrecovered trauma center readiness and emergency services costs.		
Funds Expended	17,517,300	24,197,000
Year-End Fund Balance	8,510,700	8,510,700
Seriously Mentally Ill Housing Trust Fund (HCA2555/A.R.S. § 41-3955.01)		Appropriated
Source of Revenue: 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.		
Purpose of Fund: To cover related administrative expenses. Please see the Non-Appropriated portion of the fund for additional information.		
Funds Expended	0	200,000
Year-End Fund Balance	0	0
Seriously Mentally Ill Housing Trust Fund (HCA2555/A.R.S. § 41-3955.01)		Non-Appropriated
Source of Revenue: 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.		
Purpose of Fund: 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 of services. Appropriated monies are displayed in the Appropriated portion of the fund. Please see the Appropriated portion of the fund for additional information.		
Funds Expended	222,800	1,800,000
Year-End Fund Balance	9,650,800	9,650,800

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Substance Abuse Services Fund (HCA2227/A.R.S. § 36-2005)		Appropriated
Source of Revenue: The fund receives 23.6% of monies collected from the 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.		
Purpose of Fund: 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.		
Funds Expended	2,250,200	2,250,200
Year-End Fund Balance	706,500	706,500
Substance Use Disorder Services Fund (HCA2325/A.R.S. § 36-2930.06)		Non-Appropriated
Source of Revenue: Monies appropriated to the fund, any gifts or donations to the fund, and interest earned on those monies.		
Purpose of Fund: 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.		
Funds Expended	0	0
Year-End Fund Balance	58,400	4,058,400
Third Party Liability and Recovery Fund (HCA3791 Acute Care/HCA3019 Long Term Care/A.R.S. § 36-2913)		Expenditure Authority
Source of Revenue: Collections from third-party payers and revenues from lien and estate recoveries.		
Purpose of Fund: To provide acute medical services to AHCCCS members. Please see the Non-Appropriated portion of the fund for additional information.		
Funds Expended	194,700	194,700
Year-End Fund Balance	0	0
Third Party Liability and Recovery Fund (HCA3791 Acute Care/HCA3019 Long Term Care/A.R.S. § 36-2913)		Non-Appropriated
Source of Revenue: Collections from third-party payers and revenues from lien and estate recoveries.		
Purpose of Fund: 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. Please see the Expenditure Authority portion of the fund for additional information.		
Funds Expended	1,040,700	2,470,000
Year-End Fund Balance	5,632,100	5,437,400
Tobacco Products Tax Fund - Emergency Health Services Account (HCA1304/A.R.S. § 36-776)		Appropriated
Source of Revenue: This account receives 20¢ of each dollar deposited into the Tobacco Products Tax Fund, administered by the Department of Revenue.		
Purpose of Fund: For primary care services, reimbursement of uncompensated care costs, and trauma center readiness costs.		
Funds Expended	16,216,300	17,921,600
Year-End Fund Balance	3,337,600	3,337,600
Tobacco Products Tax Fund - Proposition 204 Protection Account (HCA1303/A.R.S. § 36-778)		Expenditure Authority
Source of Revenue: This account receives 42¢ of each dollar deposited into the Tobacco Products Tax Fund, administered by the Department of Revenue.		
Purpose of Fund: To fund state match costs in AHCCCS for the Proposition 204 program. These monies are non-appropriated and must be spent before any other state monies on the Proposition 204 program.		
Funds Expended	34,797,900	37,635,400
Year-End Fund Balance	6,266,200	6,266,200

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Tobacco Tax and Health Care Fund - Medically Needy Account (HCA1306/A.R.S. § 36-774)		Appropriated
Source of Revenue: 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.		
Purpose of Fund: 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.		
Funds Expended	65,627,200	69,002,100
Year-End Fund Balance	2,981,600	2,981,600