

Arizona Health Care Cost Containment System

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	2,348.3	2,348.3	2,354.3 ^{1/}
Personal Services	44,563,400	53,542,000	53,542,000
Employee Related Expenditures	17,948,400	20,793,400	20,793,400
Professional and Outside Services	10,040,800	18,387,700	15,887,700
Travel - In State	1,900	28,500	28,500
Travel - Out of State	18,200	376,300	376,300
Other Operating Expenditures	23,356,600	40,254,700	38,304,700
Equipment	365,700	574,000	574,000
OPERATING SUBTOTAL	96,295,000	133,956,600	129,506,600
SPECIAL LINE ITEMS			
Administration			
AHCCCS Data Storage	15,587,700	19,325,800	19,325,800
DES Eligibility	75,612,300	97,074,500	97,074,500 ^{2/}
Proposition 204 - AHCCCS Administration	20,230,700	15,367,300	15,367,300 ^{3/}
Proposition 204 - DES Eligibility	36,965,300	44,358,700	44,358,700 ^{3/}
Medicaid Services			
Traditional Medicaid Services	7,499,245,100	7,303,608,100	7,977,675,900 ^{4/-7/}
Proposition 204 Services	6,824,672,900	6,390,896,200	7,038,319,000 ^{6/7/}
Adult Expansion Services	1,210,747,900	804,705,200	926,824,300 ^{6/7/}
Comprehensive Medical and Dental Program	235,238,000	244,906,300	203,903,500 ^{6/}
KidsCare Services	172,211,900	152,682,100	164,800,200
ALTCS Services	2,105,955,500	2,576,091,400	2,680,175,800 ^{8/-11/}
Behavioral Health Services in Schools	10,003,300	9,891,200	9,120,600
Non-Medicaid Behavioral Health Services			
Non-Medicaid Seriously Mentally Ill Services	73,341,200	77,646,900	77,646,900 ^{12/}
One-Time Substance Use Disorder Services Fund Deposit	6,000,000	0	0
Supported Housing	5,087,500	65,324,800	65,324,800
Crisis Services	16,306,000	16,391,300	16,391,300
Secure Behavioral Health Residential Facilities	0	25,000,000	10,000,000
Hospital Payments			
Disproportionate Share Payments	4,742,800	5,087,100	5,087,100 ^{13/}
DSH Payments - Voluntary Match	35,870,100	37,425,900	69,735,200 ^{7/14/}
Graduate Medical Education	373,004,400	393,232,100	426,531,500 ^{7/15/-18/}
Rural Hospitals	36,068,900	28,612,400	28,612,400
Targeted Investments Program	8,381,200	50,000,000	26,000,000
AGENCY TOTAL	18,861,567,700	18,491,583,900	20,031,781,400 ^{19/-23/}
FUND SOURCES			
General Fund	1,858,004,900	2,321,039,900	2,508,542,000
<u>Other Appropriated Funds</u>			
Budget Neutrality Compliance Fund	4,076,200	4,303,100	4,669,300
Children's Health Insurance Program Fund	147,543,100	123,622,900	134,214,800
Prescription Drug Rebate Fund - State	174,892,200	165,160,800	165,160,800
Seriously Mentally Ill Housing Trust Fund	0	217,300	217,300
Substance Abuse Services Fund	2,250,200	2,250,200	2,250,200
Tobacco Products Tax Fund - Emergency Health Services Account	17,921,600	17,448,300	17,458,500
Tobacco Tax and Health Care Fund - Medically Needy Account	66,291,400	67,179,700	67,258,900
SUBTOTAL - Other Appropriated Funds	412,974,700	380,182,300	391,229,800

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
SUBTOTAL - Appropriated Funds	2,270,979,600	2,701,222,200	2,899,771,800
<u>Expenditure Authority Funds</u>			
Arizona Tobacco Litigation Settlement Fund	108,433,100	102,000,000	102,000,000
County Funds	0	397,615,200	409,939,100
Delivery System Reform Incentive Payment Fund	2,513,500	15,495,200	8,321,200
Federal Medicaid Authority	14,554,953,300	13,426,977,000	14,544,713,400
Health Care Investment Fund	267,186,500	453,104,400	588,163,600
Hospital Assessment Fund	547,618,700	548,910,500	606,180,400
Nursing Facility Provider Assessment Fund	29,668,300	32,989,600	32,989,600
Political Subdivision Funds	134,041,600	167,373,400	193,784,400
Prescription Drug Rebate Fund - Federal	908,537,700	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	37,635,400	36,641,400	36,662,900
SUBTOTAL - Expenditure Authority Funds	16,590,588,100	15,790,361,700	17,132,009,600
SUBTOTAL - Appropriated/Expenditure Authority Funds	18,861,567,700	18,491,583,900	20,031,781,400
Other Non-Appropriated Funds	119,709,400	121,935,600	121,935,600
Federal Funds	195,566,800	280,796,300	280,796,300
TOTAL - ALL SOURCES	19,176,843,900	18,894,315,800	20,434,513,300

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 2024.
- 2/ 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)
- 3/ 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)
- 4/ 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 2023-2024 to the attorney general for costs associated with e-cigarette enforcement and tobacco settlement litigation. (General Appropriation Act footnote)
- 5/ The Arizona health care cost containment system administration shall transfer \$836,000 from the traditional medicaid services line item for fiscal year 2023-2024 to the department of revenue for enforcement costs associated with the March 13, 2013 master settlement agreement with tobacco companies. (General Appropriation Act footnote)
- 6/ 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)
- 7/ 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 2023-2024 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)
- 8/ 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)

- 9/ Pursuant to section 11-292, subsection B, Arizona Revised Statutes, the county portion of the fiscal year 2023-2024 nonfederal costs of providing long-term care system services is \$366,205,400. This amount is included in the expenditure authority fund source. (General Appropriation Act footnote)
- 10/ Any supplemental payments received in excess of \$101,756,900 for nursing facilities that serve Arizona long-term care system medicaid patients in fiscal year 2023-2024, including any federal matching monies, by the Arizona health care cost containment system administration are appropriated to the administration in fiscal year 2023-2024. 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)
- 11/ The amount appropriated for the ALTCS services line item includes \$347,740,500 from expenditure authority to implement the American rescue plan act of 2021 (P.L. 117-2) home and community-based services spending plan in fiscal year 2023-2024. The administration may not use these monies for marketing purposes, and any direct payments or grants provided with the monies shall include a notification to the recipient that the monies are one-time funding. Beginning on or before July 31, 2023, the administration shall provide quarterly reports to the joint legislative budget committee at the same time that the information is provided to the centers for medicare and medicaid services, reflecting any changes to the administration's spending plan. Of the amount appropriated for the ALTCS services line in FY 2024, \$347,740,500 is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations. (General Appropriation Act footnote)
- 12/ On or before June 30, 2024, 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 2023-2024 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 2023-2024 by the Arizona health care cost containment system administration in excess of \$69,735,200 are appropriated to the administration in fiscal year 2023-2024. 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.
- 15/ Any monies for graduate medical education received in fiscal year 2023-2024, including any federal matching monies, by the Arizona health care cost containment system administration in excess of \$426,531,500 are appropriated to the administration in fiscal year 2023-2024. 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 \$15,721,100 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)
- 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 \$12,576,900 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. (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, 2024. (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, 2024 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 \$1,000,000 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, 2024, 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, 2023. (General Appropriation Act footnote)
- 23/ General Appropriation Act funds are appropriated as Operating Lump Sum with Special Line Items by Agency.

Summary

AHCCCS's FY 2024 General Fund spending increases by \$187,502,100 from FY 2023. This amount includes:

- \$201,416,800 for formula adjustments.
- \$700,000 for one-time PMMIS replacement costs.
- \$280,300 for implementation of a newborn screening fee.
- \$800,000 for chiropractic services.
- \$10,000,000 for secure behavioral health residential facility rate increases.
- \$(195,000) for removal of one-time funding for federal IT regulation compliance.
- \$(500,000) for removal of one-time funding for PMMIS replacement.
- \$(25,000,000) for removal of one-time funding for behavioral health residential facilities construction.

Below is an overview of FY 2024 formula adjustments, which *Table 1* summarizes, as well as any non-formula adjustments. As part of the budget's 3-year spending plan, AHCCCS's General Fund costs are projected to increase by \$147,515,200 in FY 2025 above FY 2024 and by \$109,694,600 in FY 2026 above FY 2025. (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

\$201,416,800 from the General Fund in FY 2024 for the following AHCCCS formula adjustments. This amount includes:

- \$419,706,200 for state match expenses associated with formula adjustments.
- \$(218,289,400) for changes in General Fund offsets.

FY 2023 Base Adjustment

The Baseline includes a decrease of \$(247,003,300) from state match and a Total Funds increase of \$3,097,906,300 in FY 2024 for an FY 2023 base adjustment. The base adjustment is primarily associated with the temporary extension of the federal public health emergency (PHE). Through March 2023, AHCCCS receives a 6.2% increase to the regular federal match rate due to the extension of the PHE. In addition, pursuant to a provision in the 2023 Consolidated Appropriations Act, AHCCCS will receive a 5.0% increase to the regular federal match rate in April 2023 through June 2023. These increases will lower AHCCCS costs relative to the enacted budget.

The 2020 Families First Coronavirus Response Act prohibited disenrolling members for exceeding income eligibility limits while the COVID Public Health Emergency (PHE) was in effect. The enacted FY 2023 budget assumed that the PHE would no longer be in effect in FY 2023. The disenrollment prohibition, however, was continued by federal executive action until April 1, 2023. At that time, the 2023 Consolidated Appropriations Act will again allow disenrollment. As a result, enrollment is higher than assumed in the enacted FY 2023 budget.

Table 1	
AHCCCS State Match Spending Changes (in millions) ^{1/}	
State Match Formula Adjustments	
FY 2023 Rebase	(247)
FY 2024 Caseload Growth	(354)
FY 2024 Inflation Increase	156
FY 2024 Federal Medicaid Match Rate Change	<u>865</u>
State Match Costs Subtotal	420
Non-General Fund State Match Offsets	
Political Subdivisions Fund Increase	13
Hospital Assessment Fund	57
County Funds Increase	13
Health Care Investment Fund	<u>135</u>
General Fund Offsets Subtotal	218
Non-Formula Adjustments	
BH Residential Facility Increases	10
Removal of BH Residential Facilities	(25)
Other Adjustments	<u>1</u>
Non-Formula Subtotal	(14)
Total General Fund Spending Change	\$188
^{1/} Numbers may not sum due to rounding.	

The savings from the higher match rate, however, will exceed the cost of the higher enrollment. As a result, we estimate that the base adjustment will be associated with an FY 2023 General Fund surplus within AHCCCS of \$(268,000,000) along with an estimated supplemental need of \$3,366,348,500 in FY 2023 from Other Funds and Expenditure Authority fund sources. (See FY 2023 Supplemental in Other Issues for additional information).

FY 2024 Caseload Adjustment

Formula adjustments reflect a (19.5)% enrollment decline in FY 2024 due to the elimination of the disenrollment provision discussed above. Table 2 displays historical and forecasted member months across AHCCCS populations.

The expiration of continuous enrollment is assumed to result in AHCCCS enrollment returning to pre-pandemic levels by June 2024, 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 \$(353,509,900) and Total Funds expenses by \$(2,390,722,400) in FY 2024. (See the Other Issues section for more information.)

In addition, pursuant to a provision of the 2023 Consolidated Appropriations Act, AHCCCS will be required to guarantee eligibility to children for 12 months after the date they are first determined eligible for the program. Laws 2022, Chapter 338 provided this for children in the KidsCare program, but this extends the 12-month guarantee to all children within AHCCCS. We estimate this

Table 2				
AHCCCS Member Months ^{1/}				
	June 2022	June 2023	June 2024	'23-'24 %
Population	(Actual)	(Forecast)^{2/}	(Forecast)^{2/}	Change
Traditional	1,152,342	1,180,744	1,028,085	(12.9)%
Prop 204 Childless Adults	456,601	501,951	326,882	(34.9)%
Other Proposition 204	183,028	185,239	178,168	(3.8)%
Adult Expansion	139,093	138,556	82,361	(40.6)%
KidsCare	63,161	70,346	39,247	(44.2)%
CMDP	12,829	11,705	11,761	0.5%
ALTCs - Elderly & Physically Disabled ^{3/}	28,410	29,028	30,044	3.5%
Emergency Services	<u>136,968</u>	<u>140,344</u>	<u>122,199</u>	(12.9)%
Total Member Months	2,172,432	2,257,913	1,818,747	(19.5)%
^{1/} The figures represent June 1 enrollment.				
^{2/} The forecasted numbers account for caseload decreases associated with the end to a prohibition of disenrollment on April 1, 2023, established by the 2023 Consolidated Appropriations Act.				
^{3/} The ALTCs program is funded in AHCCCS. An additional 38,497 people receive Medicaid services through the Department of Economic Security's Developmental Disabilities program as of June 1, 2022.				

will annually increase state match expenses by \$20,000,000 and Total Funds expenses by \$60,000,000. However, the requirement will not go into effect until January 1, 2024, so the FY 2024 state match expense would increase by \$10,000,000 and Total Funds expenses by \$30,000,000. The Baseline does not account for these increases due to their small size relative to the overall AHCCCS budget.

FY 2024 Inflation Adjustments

The Baseline assumes a 3.1% inflation adjustment for capitation, fee-for-service, and reinsurance effective October 1, 2023. This increase is based on a 5-year average of the medical care consumer price index. The Baseline also annualizes the FY 2023 capitation rate adjustment of 0.6%. Inflation adjustments increase AHCCCS state costs by \$155,529,500 and Total Funds costs by \$811,625,600 in FY 2024.

FY 2024 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 2024, the standard FMAP rates will be as follows:

- Traditional Medicaid rate will decrease to 67.10% (a 2.57 percentage point decrease).
- Proposition 204 Childless Adult rate will remain at 90.0%.
- Adult Expansion rate will remain at 90.0%.
- CHIP rate will decrease to 76.97% (a 1.80 percentage point decrease).

- The additional 6.2% enhanced match rate will not be available in FY 2024. Instead, pursuant to a provision of the 2023 Consolidated Appropriations Act, the state will receive an additional 2.5% enhanced match rate in July 2023 through September 2023 and an additional 1.5% in October 2023 through December 2023.

The Baseline includes an increase of \$864,689,900 in state costs and a corresponding decrease of \$(864,689,900) in Federal Medicaid Authority in FY 2024 as a result of these FMAP adjustments.

Non-General Fund State Match Items

The gross state match contribution from the FY 2023 base adjustment, FY 2024 caseload growth, inflation, and federal match rate changes is projected to increase by \$419,706,200. The Non-General Fund state match is forecast to increase by \$218,289,400, resulting in a net General Fund change of \$201,416,800.

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

- An increase of \$57,269,900 from the Hospital Assessment Fund in FY 2024 for physical health costs of enrollees in the Proposition 204 and Adult Expansion programs.
- An increase of \$135,059,200 from the Health Care Investment Fund. The increase primarily covers the lower federal match for directed payments to hospitals in FY 2024.
- An increase of \$13,159,300 in Political Subdivision Funds, mostly for Traditional.
- An increase of \$12,690,100 in County Funds (including the Budget Neutrality Compliance Fund), mostly for ALTCS.
- An increase of \$110,900 from increased tobacco tax revenues.

Operating Budget

The Baseline includes \$129,506,600 and 1,038.2 FTE Positions in FY 2024 for the operating budget. These amounts consist of:

	FY 2024
General Fund	\$36,645,400
Children’s Health Insurance Program (CHIP) Fund	5,728,500
Health Care Investment Fund	2,472,300
Prescription Drug Rebate Fund (PDRF) - State	662,900
Seriously Mentally Ill (SMI) Housing Trust Fund	217,300
Federal Medicaid Authority (FMA)	83,780,200

PMMIS Replacement Funding

The Baseline includes a one-time increase of \$7,000,000 in FY 2024 to fund implementation of the draft roadmap associated with replacement of AHCCCS's Prepaid Medicaid Management Information System (PMMIS). This increase was included in the 3-year spending plan associated with the enacted FY 2023 budget. This amount consists of:

General Fund	700,000
Federal Medicaid Authority	6,300,000

Remove PMMIS Replacement Funding

The Baseline includes a decrease of \$(9,500,000) in FY 2024 to remove one-time funding for AHCCCS to contract the services of a Systems Integration provider to replace AHCCCS's Prepaid Medicaid Management Information System (PMMIS). This amount consists of:

General Fund	(500,000)
Federal Medicaid Authority	(9,000,000)

AIHP FTE Adjustment

The Baseline includes an increase of 7 FTE Positions in FY 2024 for the American Indian Health Program (AIHP). This includes 2.1 FTE Positions from the General Fund and 4.9 FTE Positions from Federal Medicaid Authority. These increases adjust AHCCCS FTE authority to account for funding already provided in the enacted FY 2023 budget.

The 7 positions include 2 new nurse case managers, 2 prior authorization/utilization review nurses, 1 supervisor, 1 administrative assistant, and 1 clinical care specialist position. These 7 positions will provide behavioral health services to 350 individuals with an SMI designation that are transferring from contracted Regional Behavioral Health Authorities (RBHAs) to AIHP in October 2022.

Suicide Prevention FTE Adjustment

The Baseline includes a decrease of (1) FTE Position in FY 2024 to transfer the suicide prevention coordinator position to the Department of Health Services. This decrease adjusts AHCCCS FTE authority to account for a funding transfer included in the enacted FY 2023 budget.

Remove Federal IT Regulation Compliance Funding

The Baseline includes a decrease of \$(1,950,000) in FY 2024 to eliminate one-time funding for federal IT regulation compliance. This amount consists of:

General Fund	(195,000)
Federal Medicaid Authority	(1,755,000)

Administration

AHCCCS Data Storage

The Baseline includes \$19,325,800 in FY 2024 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 2023.

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 \$97,074,500 and 885 FTE Positions in FY 2024 for DES Eligibility services. These amounts consist of:

General Fund	30,191,200
Federal Medicaid Authority	66,883,300

These amounts are unchanged from FY 2023.

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

Proposition 204 - AHCCCS Administration

The Baseline includes \$15,367,300 and 131 FTE Positions in FY 2024 for Proposition 204 - AHCCCS Administration costs. These amounts consist of:

General Fund	4,838,900
PDRF - State	60,900
Federal Medicaid Authority	10,467,500

These amounts are unchanged from FY 2023.

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 2024 for Proposition 204 - DES Eligibility costs. These amounts consist of:

General Fund	16,052,900
Budget Neutrality Compliance Fund (BNCF)	4,669,300
Federal Medicaid Authority	23,636,500

Adjustments are as follows:

Formula Adjustments

The Baseline includes a decrease of \$(366,200) from the General Fund and a corresponding increase of \$366,200 from the BNCF in FY 2024 to reflect an increase of county contributions in FY 2024. This adjustment assumes an inflation adjustment of 7.01% 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

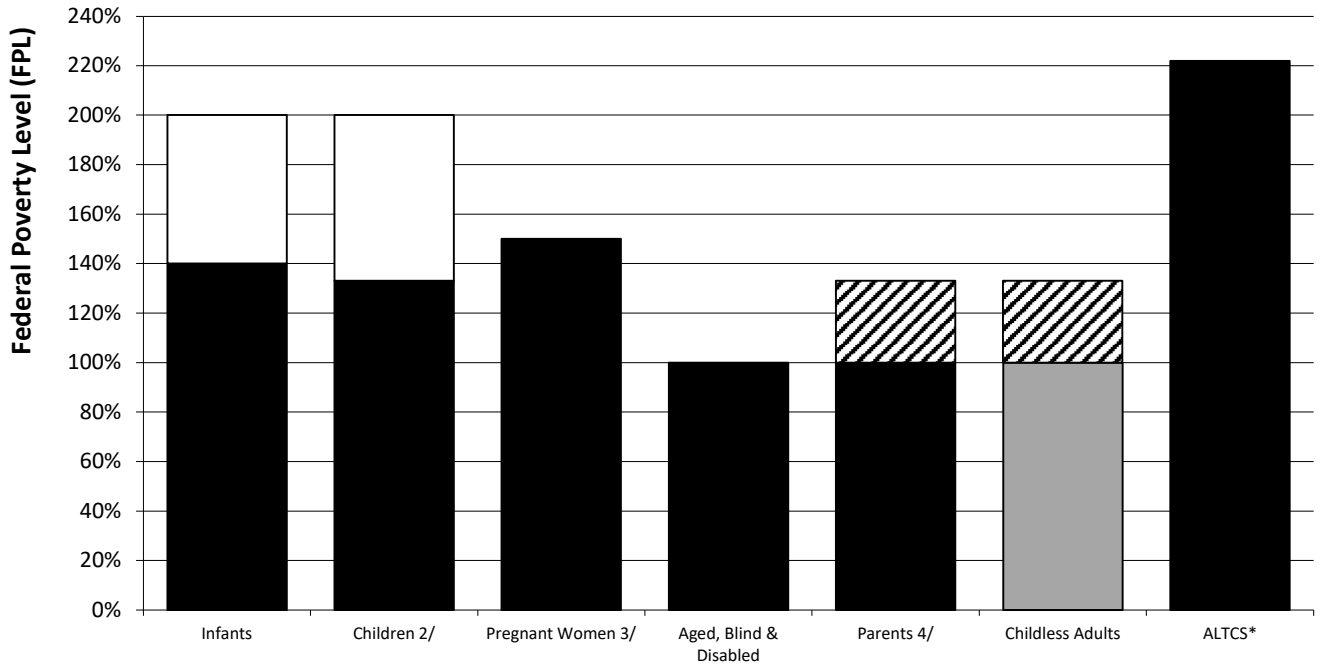
The Baseline includes \$7,977,675,900 in FY 2024 for Traditional Medicaid Services. This amount consists of:

General Fund	1,721,219,700
County Funds	43,733,700
Health Care Investment Fund	384,822,000
Political Subdivision Funds	50,319,400
PDRF - State	156,858,600
TTHCF - Medically Needy Account	67,258,900
Third Party Liability and Recovery Fund	194,700
PDRF - In Lieu of Federal Funds	572,638,300
Federal Medicaid Authority	4,980,630,600

Adjustments are as follows:

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.

Formula Adjustments

The Baseline includes an increase of \$670,783,600 in FY 2024 for formula adjustments. This amount consists of:

General Fund	198,485,900
County Funds	(1,183,800)
Health Care Investment Fund	93,929,500
Political Subdivision Funds	10,176,500
TTHCF - Medically Needy Account	79,200
Federal Medicaid Authority	369,296,300

Newborn Screening Fee Increase

The Baseline includes an increase of \$852,100 in FY 2024 for increased newborn screening fees. This amount consists of:

General Fund	280,300
Federal Medicaid Authority	571,800

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 2024. The 3-year spending plan associated with the enacted FY 2022 budget assumed this increase in FY 2024.

Chiropractic Services Increase

The Baseline includes an increase of \$2,432,100 in FY 2024 for the full-year cost of implementing chiropractic services. This amount consists of:

General Fund	800,000
Federal Medicaid Authority	1,632,100

Laws 2022, Chapter 314 authorized AHCCCS to include medically necessary chiropractic care as part of its covered services. The service must be provided by a licensed chiropractor and ordered by a primary care

physician or practitioner. The FY 2023 budget's 3-year spending plan assumed this \$800,000 increase in FY 2024.

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

- Children under 1, up to 147% of the federal poverty level (FPL).
- Children aged 1-5, up to 141% FPL.
- Children ages 6-19, up to 133% FPL.
- Pregnant women (including 1 year postpartum), up to 156% 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 \$7,038,319,000 in FY 2024 for Proposition 204 Services. This amount consists of:

General Fund	140,497,600
Health Care Investment Fund	146,321,500
Hospital Assessment Fund	542,059,500
Political Subdivision Funds	11,595,400
Tobacco Litigation Settlement Fund	102,000,000
TPTF - Emergency Health Services Account	17,458,500
TPTF - Proposition 204 Protection Account	36,662,900
Federal Medicaid Authority	6,041,723,600

Adjustments are as follows:

Formula Adjustments

The Baseline includes an increase of \$647,422,800 in FY 2024 for formula adjustments. This amount consists of:

General Fund	(323,800)
Health Care Investment Fund	26,557,300
Hospital Assessment Fund	54,534,100
Political Subdivision Funds	2,951,400
TPTF - Emergency Health Services Account	10,200
TPTF - Proposition 204 Protection Account	21,500
Federal Medicaid Authority	563,672,100

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

Adult Expansion Services

The Baseline includes \$926,824,300 in FY 2024 for Adult Expansion Services. This amount consists of:

General Fund	9,264,600
Health Care Investment Fund	14,882,700
Hospital Assessment Fund	64,120,900
Political Subdivision Funds	1,099,100
Federal Medicaid Authority	837,457,000

Adjustments are as follows:

Formula Adjustments

The Baseline includes an increase of \$122,119,100 in FY 2024 for formula adjustments. This amount consists of:

General Fund	2,292,600
Health Care Investment Fund	4,084,000
Hospital Assessment Fund	2,735,800
Political Subdivision Funds	(122,600)
Federal Medicaid Authority	113,129,300

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 \$203,903,500 in FY 2024 for the Comprehensive Medical and Dental Program (CMDP). This amount consists of:

General Fund	57,155,700
Health Care Investment Fund	7,993,700
Federal Medicaid Authority	138,754,100

Adjustments are as follows:

Formula Adjustments

The Baseline includes a decrease of \$(41,002,800) in FY 2024 for formula adjustments. This amount consists of:

General Fund	(11,906,800)
Health Care Investment Fund	3,294,900
Federal Medicaid Authority	(32,390,900)

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 \$164,800,200 in FY 2024 for KidsCare Services. This amount consists of:

General Fund	28,135,400
Health Care Investment Fund	7,826,100
Political Subdivision Funds	512,400
CHIP Fund	128,326,300

Adjustments are as follows:

Formula Adjustments

The Baseline includes an increase of \$12,118,100 in FY 2024 for formula adjustments. This amount consists of:

General Fund	(1,382,900)
Health Care Investment Fund	4,854,500
Political Subdivision Funds	154,000
CHIP Fund	10,591,900
Federal Medicaid Authority	(2,099,400)

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 \$2,680,175,800 in FY 2024 for ALTCS Services. This amount consists of:

General Fund	329,568,900
County Funds	366,205,400
Health Care Investment Fund	23,845,300
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	1,877,338,400

Adjustments are as follows:

Formula Adjustments

The Baseline includes a decrease of \$(6,456,100) in FY 2024 for formula adjustments. This amount consists of:

General Fund	13,653,400
County Funds	13,507,700
Health Care Investment Fund	2,339,000
Federal Medicaid Authority	(35,956,200)

FY 2024 American Rescue Plan HCBS Spending

The Baseline includes an increase of \$110,540,500 from Federal Medicaid Authority in FY 2024 for home-and community-based services (HCBS). The increase will bring total appropriations of federal monies for ARPA within AHCCCS to \$347,740,500 in FY 2024, which is the final year of available funding. On March 11, 2021, the American Rescue Plan Act (ARPA) gave state Medicaid agencies the ability to spend on HCBS with an enhanced match percentage. The amount will be spent in accordance with the department's HCBS Spending Plan. Monies in this appropriation are non-lapsing.

Background – ALTCS provides coverage for individuals up to 222% of the FPL, or \$30,169 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 \$10,192 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 2023, AHCCCS estimates that client contributions will pay for 4.5%, or \$71,700,000, 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. Laws 2022, Chapter 64 continued the assessment through September 30, 2031. 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 \$9,120,600 in FY 2024 for Behavioral Health Services in schools. This amount consists of:

General Fund	3,000,000
Federal Medicaid Authority	6,120,600

Adjustments are as follows:

Formula Adjustments

The Baseline includes a decrease of \$(770,600) from Federal Medicaid Authority in FY 2024 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 behavioral 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 2024 for Non-Medicaid Seriously Mentally Ill (SMI) Services. This amount is unchanged from FY 2023.

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 \$65,324,800 in FY 2024 for Supported Housing. This amount consists of:

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

This amount is unchanged from FY 2023.

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 \$23,301,000 of RBHAs' allocation from the Non-Medicaid Seriously Mentally Ill Services line item will be spent on Supported Housing Services in SFY 2022.

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. As of October 2022, AHCCCS's "Housing and Health Opportunities" waiver amendment has been approved by CMS.

The new funds will 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. Specific services allowed under the waiver include short-term post-transition housing up to 6 months, housing supports, pre-tenancy and tenancy supportive services, and home modifications deemed medically necessary. AHCCCS reports that the approved waiver would allow the agency to draw down an estimated \$73.8 million in Federal Funds annually for housing initiatives through FY 2027. Obtaining the full federal allocation, however, would require AHCCCS to identify \$5.5 million in additional state monies over and above existing state housing funding. AHCCCS is still exploring potential sources for the state share of funding.

Crisis Services

The Baseline includes \$16,391,300 in FY 2024 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 2023.

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.

Secure Behavioral Health Residential Facilities

The Baseline includes \$10,000,000 from the General Fund in FY 2024 for Secure Behavioral Health Residential Facilities. Adjustments are as follows:

Remove Secure Behavioral Health Residential Facilities Construction Funding

The Baseline includes a decrease of \$(25,000,000) from the General Fund in FY 2024 to remove one-time funding for the construction of 5 secure behavioral health residential facilities.

The facilities will provide on-site supportive treatment to persons determined to be seriously mentally ill, chronically resistant to treatment, and who are placed in the facility pursuant to occur order.

A General Appropriation Act footnote instructed AHCCCS to award \$5,000,000 for each recipient facility, prioritizing facilities that can open within 1 year, as well as ensuring that one facility is located in each geographic service area. AHCCCS plans to issue a Request for Proposal (RFP) in January 2023.

As part of major decisions related to the pending RFP, AHCCCS announced new total available funding of \$43,600,000 for the construction of 6 facilities (\$7,000,000 each). The additional funding will be sourced from the American Rescue Plan Act State and Local Fiscal Recovery Fund.

Ongoing Funding

The Baseline includes an increase of \$10,000,000 from the General Fund in FY 2024 to provide a daily payment rate to the newly-constructed facilities that is higher than the rate available to existing behavioral health facilities. This increase was included in the 3-year spending plan associated with the enacted FY 2023 budget.

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 2024 through FY 2026 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 \$75,853,500 of federal DSH funds associated with uncompensated care in public hospitals (MIHS and the Arizona State Hospital) are available for General Fund deposit. The \$75,853,500 assumes MIHS would report uncompensated care of \$92,291,200 in FY 2024.

Increase in Uncompensated Care Payments

In FY 2024, the state's total DSH payments are estimated to increase by \$15,386,200 from \$175,999,900 in FY 2023 (budgeted) to \$191,386,100 due to federal adjustments for inflation and the FMAP. Of the \$191,386,100 of eligible DSH funding in FY 2024, \$150,675,800 is distributed according to the allocations described below and listed in *Table 3*. The remaining \$40,710,300 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 2024 for Disproportionate Share Payments. This amount consists of:

General Fund	298,300
Federal Medicaid Authority	4,788,800

Adjustments are as follows:

Formula Adjustments

The Baseline includes an increase of \$29,000 from the General Fund and a corresponding decrease of \$(29,000) from Federal Medicaid Authority in FY 2024 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,

Table 3

Disproportionate Share Hospital Payments

Eligible Funding ^{1/}	FY 2023 (Enacted)	FY 2023 (Estimated)	FY 2024
Valleywise - CPE ^{2/}	\$ 109,214,300	\$ 92,291,200	\$ 92,291,200
ASH - CPE	28,474,900	28,474,900	28,474,900
Private Hospitals	884,800	884,800	884,800
DSH Voluntary Match	<u>37,425,900</u>	<u>57,739,100</u>	<u>69,735,200</u>
Total Funding	\$ 175,999,900	\$ 179,390,000	\$ 191,386,100
General Fund			
Retain FF of CPE (via Valleywise) ^{3/}	\$ 71,767,200	\$ 63,788,100	\$ 56,977,500
Retain FF of CPE (via ASH)	<u>19,807,100</u>	<u>20,689,900</u>	<u>18,876,000</u>
Subtotal - General Fund	\$ 91,574,300	\$ 84,478,000	\$ 75,853,500
Other Entities			
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	\$ 5,087,100	\$ 5,087,100	\$ 5,087,100
Total DSH Distributions	\$ 96,661,400	\$ 89,565,100	\$ 80,940,600
Voluntary Match	\$ 37,425,900	\$ 57,739,100	\$ 69,735,200
Total Distributions	\$ 134,087,300	\$ 147,304,200	\$ 150,675,800

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

^{2/} The Baseline continues a Valleywise DSH limit of \$113,818,500 in the FY 2024 Health Care BRB to maximize the DSH General Fund revenue deposit in the event actual uncompensated care is higher. However, due to uncompensated care not reaching the statutory limit in recent years, the Baseline assumes the FY 2022 uncompensated care amount of \$92,291,200 in FY 2023 and FY 2024.

including \$298,300 from the General Fund and \$586,500 in federal expenditure authority. In FY 2021, there were 34 private hospitals that received DSH payments. The remaining \$4,202,300 represents federal matching funds that the state appropriates to MIHS.

DSH payments if MIHS' CPE and matching Federal Funds exceed \$113,818,500 in FY 2024. (Please see Table 3.)

DSH Payments - Voluntary Match

The Baseline includes \$69,735,200 in FY 2024 for DSH Payments - Voluntary Match. This amount consists of:

Political Subdivision Funds	23,507,700
Federal Medicaid Authority	46,227,500

Adjustments are as follows:

Increased Funding

The Baseline includes an increase of \$32,309,300 in FY 2024 due to DSH Formula adjustments. This amount consists of:

Political Subdivision Funds	12,082,000
Federal Medicaid Authority	20,227,300

Background – This line item provides DSH payments to hospitals with matching funds provided by political subdivisions. The budget continues 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

Graduate Medical Education

The Baseline includes \$426,531,500 in FY 2024 for Graduate Medical Education (GME) expenditures. This amount consists of:

General Fund	9,000,000
Political Subdivision Funds	100,522,600
Federal Medicaid Authority	317,008,900

Adjustments are as follows:

Funding Adjustment

The Baseline includes an increase of \$33,299,400 in FY 2024 for GME formula adjustments. This amount consists of:

Political Subdivision Funds	1,169,700
Federal Medicaid Authority	32,129,700

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 2022, 22 hospitals received a total of \$373,004,355 for Graduate Medical Education.

Rural Hospitals

The Baseline includes \$28,612,400 in FY 2024 for Rural Hospitals, which includes Critical Access Hospitals (CAH). This amount consists of:

General Fund	9,645,200
Federal Medicaid Authority	18,967,200

Adjustments are as follows:

Formula Adjustments

The Baseline includes an increase of \$935,600 from the General Fund and a corresponding decrease of \$(935,600) from Federal Medicaid Authority in FY 2024 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 \$26,000,000 in FY 2024 for the Targeted Investments Program. This amount consists of:

Delivery System Reform	8,321,200
Incentive Payment (DSRIP) Fund	
Federal Medicaid Authority	17,678,800

Adjustments are as follows:

Funding Adjustment

The Baseline includes a decrease of \$(24,000,000) in FY 2024 for a revised expenditure estimate. This amount consists of:

Delivery System Reform	(7,174,000)
Incentive Payment (DSRIP) Fund	
Federal Medicaid Authority	(16,826,000)

AHCCCS included waiver authority for this program as part of its 2022-2027 waiver renewal application, which

received CMS approval in October 2022. Due to the timing of the waiver approval and AHCCCS's transition into the new waiver period, AHCCCS expects a reduction in its FY 2024 Targeted Investments allocation.

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 initially authorized up to \$300,000,000 in total funds for the program from FY 2018 through FY 2022. In October 2022, CMS granted a 5-year extension of the program at a total funding level of \$250,000,000. 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 2023 Supplemental
- Statutory Changes
- Long-Term Budget Impacts
- Health Workforce Development Funding
- Auditor General Report
- County Contributions
- Program Components
- Tobacco Master Settlement Agreement
- Tobacco Tax Allocations

FY 2023 Supplemental

The Baseline assumes AHCCCS General Fund formula expenses for FY 2023 will be \$(268,000,000) lower than the original FY 2023 General Fund appropriation. The FY 2024 Baseline does not, however, include an ex-appropriation to account for the savings. Instead, the surplus would be realized through General Fund reverts. The Baseline, however, does include an Expenditure Authority and Other Funds supplemental of \$3,366,348,500 (See Table 4).

The \$(268,000,000) surplus is based on the federal government's extension of the enhanced FMAP associated with the COVID-19 public health emergency. The FY 2023 enacted budget assumed the enhanced rate would not be extended into FY 2023. However, the 6.2% enhanced rate is currently available through March 2023, as well as a 5.0% enhanced rate in April 2023 through

June 2023. (See Formula Adjustments for additional information on the enhanced match rates.)

An Expenditure Authority and Other Fund Supplemental would provide AHCCCS with the authority to expend the additional federal resources associated with the match rate increases and would cover higher-than-budgeted caseloads associated with the prohibition on disenrollment during the PHE. Table 4 shows the estimated supplemental by fund source.

Table 4	
AHCCCS FY 2023 Supplemental by Fund Source (in millions)	
Expenditure Authority	
County Funds	(86)
Health Care Investment Fund	12
Hospital Assessment Fund	99
Political Subdivisions Funds	(3)
Federal Medicaid Authority	<u>3,286</u>
<i>Expenditure Authority Subtotal</i>	<i>3,308</i>
Other Funds	
Tobacco Tax and Health Care Fund - Medically Needy Account	<1
Children's Health Insurance Program Fund	<u>58</u>
<i>Other Funds Subtotal</i>	<i>58</i>
Supplemental Total Fund	\$3,366

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 2024 County Acute Care contribution at \$43,733,700.
- As session law, continue to require AHCCCS to transfer any excess monies back to the counties by December 31, 2024, 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 2024 county Arizona Long Term Care System (ALTCS) contributions at \$366,205,400.

Hospitals

- As session law, continue to establish FY 2024 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. The MIHS distribution would remain at \$113,818,500 in FY 2024.

- 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.
- As session law, continue to establish priority for payments to private hospitals via the DSH-Voluntary program in FY 2024 according to county population size. Hospitals in rural counties (i.e. excluding Maricopa, Pima, and Pinal) have first priority; hospitals in Pinal County have second priority; and hospitals in Maricopa and Pima Counties have third priority.

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 \$147,515,200 in FY 2025 above FY 2024 and by \$109,694,600 in FY 2026 above FY 2025.

The FY 2025 amount includes:

- 1% caseload growth.
- 3.1% capitation growth.
- An estimated 66.13% FMAP.
- The loss of the FY 2024 enhanced match rates.
- \$(700,000) to remove funding for one-time PMMIS replacement costs.

The FY 2026 amount includes:

- 1% caseload growth.
- 3.1% capitation growth.
- An estimated 66.27% FMAP.

Health Workforce Development Funding

The 3-year spending plan associated with the FY 2023 enacted budget assumed the Executive would spend \$27,000,000 in each of FY 2023, FY 2024, and FY 2025 from federal American Rescue Plan Act (ARPA) monies for the Student Nurse Clinical Rotation and Licensed or Certified Nurse Training Program established by Laws 2022, Chapter 330. The program is administered by

AHCCCS and provides grants to hospitals, nursing facilities, and assisted living facilities to expand or create clinical training placements for undergraduate nursing students and licensed or certified nurses. AHCCCS designated the Arizona State Board of Nursing as the administrator of the program in December 2022. The Nursing Board intends to open the first grant cycle for the program in January 2023.

The 3-year spending plan also assumed \$5,000,000 in non-appropriated Federal Funds in each of FY 2023, FY 2024, and FY 2025 to expand behavioral health care worker training. Federal funding will be deposited into the Behavioral Health Training Pilot Program Fund, established by Laws 2022, Chapter 330. The funding will be used to create behavioral health curriculum in the Maricopa County and Navajo County Community College Districts.

These monies do not appear in the General Appropriations Act because they are non-appropriated Federal Funds.

Auditor General Report

Performance Audit and Sunset Review

In September 2022, the Auditor General published an audit of AHCCCS as part of the sunset review process prescribed in A.R.S. § 41-2951. The audit addressed AHCCCS's investigation of fraud and abuse, accuracy of

eligibility determinations, review of contracted health plans and provider performance, and implementation of findings related to service delivery for members with a serious mental illness. In terms of budget implications, the Auditor General found that AHCCCS has taken over 1 year to investigate over half of potential fraud and abuse cases open as of May 2022, potentially resulting in unnecessary payments.

The Auditor General's report recommended AHCCCS conduct a workload/cost analysis to determine if its funding and staffing levels are sufficient to provide timely investigation of fraud and abuse cases.

County Contributions

County governments make 3 different payments to defray the AHCCCS budget's costs, as summarized in *Table 5*. 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:

County	County Contributions					
	FY 2023			FY 2024		
	<u>BNCF</u>^{1/}	<u>Acute</u>	<u>ALTCS</u>	<u>BNCF</u>^{1/}	<u>Acute</u>	<u>ALTCS</u>
Apache	\$141,800	\$268,800	860,500	\$153,900	\$268,800	692,800
Cochise	264,500	2,214,800	6,320,300	287,100	2,214,800	6,587,900
Coconino	261,000	742,900	2,583,200	283,200	742,900	2,080,000
Gila	107,200	1,413,200	2,855,600	116,300	1,413,200	2,852,300
Graham	76,200	536,200	1,258,800	82,700	536,200	1,540,200
Greenlee	19,600	190,700	0	21,200	190,700	0
La Paz	40,600	212,100	653,700	44,000	212,100	682,700
Maricopa	0	16,887,200	229,265,800	0	15,703,400	240,195,400
Mohave	304,600	1,237,700	10,473,800	330,500	1,237,700	10,847,500
Navajo	199,700	310,800	3,561,400	216,700	310,800	2,867,700
Pima	1,814,500	14,951,800	54,350,500	1,968,900	14,951,800	56,396,600
Pinal	355,000	2,715,600	17,427,100	385,300	2,715,600	18,011,700
Santa Cruz	83,900	482,800	2,775,000	91,100	482,800	2,582,800
Yavapai	335,400	1,427,800	9,429,000	363,900	1,427,800	9,820,100
Yuma	<u>299,000</u>	<u>1,325,100</u>	<u>10,883,000</u>	<u>324,500</u>	<u>1,325,100</u>	<u>11,047,700</u>
Subtotal	\$4,303,100	\$44,917,500	\$352,697,700	\$4,669,300	\$43,733,700	\$366,205,400
Total			\$401,918,300			\$414,608,400

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

Capitation

The majority of AHCCCS payments are made through monthly capitated payments to contracted health plans to cover Medicaid services. In FY 2024, the average capitation rate is expected to be approximately \$562 per member per month (or \$6,700 annually). Of that amount, an average of \$136 is from state match and \$426 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 2024 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. (See the program summary on the JLBC website.)

Tobacco Tax Allocations

The Baseline projects AHCCCS and DHS will receive \$142,829,200 in transfers of tobacco tax collections in FY 2024. This amount represents a decrease of \$(1,997,000) from the FY 2023 budgeted amount. *Table 6* summarizes tobacco tax transfers and allocations to the agencies.

Table 6

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

Medically Needy Account	<u>FY 2022</u>	<u>FY 2023</u>
<u>Funds Available</u>		
Balance Forward	\$ 2,981,600	\$ (163,100)
Transfer In - Tobacco Tax and Health Care Fund	40,438,600	40,519,500
Transfer In - Tobacco Products Tax Fund	<u>23,408,100</u>	<u>23,454,900</u>
Total Funds Available	\$ 66,828,300	\$ 63,811,300
<u>Allocations</u>		
<i>AHCCCS</i>		
AHCCCS State Match Appropriation	\$ <u>66,291,400</u>	\$ <u>67,179,700</u>
Total AHCCCS Allocations	\$ 66,291,400	\$ 67,179,700
<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*	\$ (163,100) *	\$ (4,068,400) *
AHCCCS Proposition 204 Protection Account		
<u>Funds Available</u>		
Balance Forward	\$ 6,266,200	\$ 5,043,300
Transfer In - Tobacco Products Tax Fund	<u>36,412,500</u>	<u>36,485,300</u>
Total Funds Available	\$ 42,678,700	\$ 41,528,600
<u>Allocations</u>		
AHCCCS State Match Appropriation	\$ 37,635,400	\$ 36,641,400
Administrative Adjustments	<u>0</u>	<u>0</u>
Balance Forward	\$ 5,043,300	\$ 4,887,200
AHCCCS Emergency Health Services Account		
<u>Funds Available</u>		
Balance Forward	\$ 3,337,700	\$ 2,755,400
Transfer In - Tobacco Products Tax Fund	<u>17,339,300</u>	<u>17,374,000</u>
Total Funds Available	\$ 20,677,000	\$ 20,129,400
<u>Allocations</u>		
AHCCCS State Match Appropriation	\$ 17,921,600	\$ 17,448,300
Administrative Adjustments	<u>0</u>	<u>0</u>
Balance Forward ^{1/}	\$ 2,755,400	\$ 2,681,100
DHS Health Education Account		
<u>Funds Available</u>		
Balance Forward	\$ 10,994,400	\$ 16,127,700
Transfer In - Tobacco Tax and Health Care Fund	14,159,400	12,714,600
Transfer In - Tobacco Products Tax Fund	1,744,800	1,774,100
Smoke-Free Arizona Fund	<u>357,700</u>	<u>295,700</u>
Total Funds Available	\$ 27,256,300	\$ 30,912,100
<u>Allocations</u>		
Tobacco Education and Prevention Program	\$ 9,705,200	\$ 18,596,000
Leading Causes of Death - Prevention and Detection	<u>1,423,400</u>	<u>3,179,000</u>
Balance Forward	\$ 16,127,700	\$ 9,137,100
Health Research Account		
<u>Funds Available</u>		
Balance Forward	\$ 1,866,100	\$ 5,337,600
Transfer In - Tobacco Tax and Health Care Fund	2,888,500	2,894,300
Transfer In - Tobacco Products Tax Fund	<u>4,334,800</u>	<u>4,343,500</u>
Total Funds Available	\$ 9,089,400	\$ 12,575,400
<u>Allocations</u>		
Biomedical Research Support	\$ 499,400	\$ 0
Research Grants	<u>3,252,400</u>	<u>9,285,500</u>
Balance Forward	\$ 5,337,600	\$ 3,289,900

^{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 2022 Actual	FY 2023 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	108,433,100	102,000,000
Year-End Fund Balance	0	0
Behavioral Health Training Pilot Program Fund (HCA9999/A.R.S. § 36-1807)		Non-Appropriated
Source of Revenue: Legislative appropriations, grants, donations, and federal monies.		
Purpose of Fund: Monies in the fund shall be used to expand the capacity of the Maricopa County Community College District and the Navajo County Community College District to train students as behavioral health workers by developing behavioral health curriculum in partnership with the community college districts.		
Funds Expended	0	0
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	4,076,200	4,303,100
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	6,955,500	3,477,800
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 \$55,500 for a family of 4.		
Funds Expended	147,543,100	123,622,900
Year-End Fund Balance	1,685,500	1,685,500
Coronavirus Relief Fund (HCA2975/A.R.S. § 35-142)		Federal Funds
Source of Revenue: Monies received by the state from the federal COVID-19 response legislation. Arizona received \$1.86 billion from the Coronavirus Relief Fund established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act based on the state’s share of the population.		
Purpose of Fund: Monies are allocated by the Governor to supplement costs of the state’s COVID-19 response, including necessary expenditures incurred by the state due to the public health emergency from March 1, 2020 to December 30, 2020.		
Funds Expended	908,200	0
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
County Funds (HCA9691/A.R.S. § 36-2912)		Expenditure Authority
Source of Revenue: Statutorily prescribed county contributions that are deposited in the AHCCCS Fund or the Long Term Care System Fund.		
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	0	397,615,200
Year-End Fund Balance	0	0
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. Federal revenues and expenditures associated with DSRIP are accounted for in Federal Medicaid Authority.		
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	2,513,500	15,495,200
Year-End Fund Balance	0	0
Employee Recognition Fund (HCA2449/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)		Federal Funds
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	88,647,400	88,647,400
Year-End Fund Balance	0	0
Federal Funds (HCA2000/A.R.S. § 36-2913)		Federal Funds
Source of Revenue: Non-Medicaid federal grant monies.		
Purpose of Fund: To support specific federally funded behavioral health programs, including the Mental Health Block Grant and the Substance Abuse Prevention and Treatment Block Grant.		
Funds Expended	106,011,200	192,148,900
Year-End Fund Balance	531,100	531,100
Federal Medicaid Authority (HCA2120/HCA2223 Long Term Care/A.R.S. § 36-2913)		Expenditure Authority
Source of Revenue: Federal matching funding through the U.S. Department of Health & Human Services, Centers for Medicare and Medicaid Services that is deposited in the AHCCCS Fund, the Long Term Care System Fund, the Nursing Facility Provider Assessment Fund, or the Delivery System Reform Incentive Payment Fund. Federal matching dollars for the Medicaid in the Public Schools program are accounted for in Federal - Medicaid Direct Services.		
Purpose of Fund: For AHCCCS's administrative costs and for the provision of services to eligible Medicaid populations.		
Funds Expended	14,554,953,300	13,426,977,000
Year-End Fund Balance	56,033,600	56,033,600

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
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	267,186,500	453,104,400
Year-End Fund Balance	113,075,700	113,075,700
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	547,618,700	548,910,500
Year-End Fund Balance	106,771,800	135,138,400
IGA and ISA Fund (HCA2500/A.R.S. § 36-2925)		Non-Appropriated
Source of Revenue: Operating transfers to provide the state matches for the Department of Economic Security Long-Term Care Program, Department of Corrections claims processing for inmates, and county claims for processing inmates. Excludes amounts received from political subdivisions for GME, DSH, APSI and PSI programs.		
Purpose of Fund: To receive and spend monies associated with intergovernmental agreements and interagency service agreements. Expenditures are not displayed to avoid double counting of the General Fund.		
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	76,507,600	74,919,800
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	12,036,000	14,768,200
Year-End Fund Balance	787,500	787,500
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. Federal revenues and expenditures associated with the nursing facility assessment are accounted for in Federal Medicaid Authority.		
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	29,668,300	32,989,600
Year-End Fund Balance	448,500	228,500

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
Political Subdivision Funds (HCA1111/A.R.S. § 36-2927)		Expenditure Authority
Source of Revenue: Portion of IGA and ISA Fund 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	134,041,600	167,373,400
Year-End Fund Balance	0	0
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. Expenditures displayed only include the federal share of disbursements and exclude "contra expenses" recorded in AFIS associated with the federal share of rebate collections.		
Funds Expended	908,537,700	609,060,300
Year-End Fund Balance	137,948,200	68,974,100
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. Expenditures displayed only include the state share of disbursements from the fund and exclude "contra expenses" recorded in AFIS associated with the state share of rebate collections.		
Funds Expended	174,892,200	165,160,800
Year-End Fund Balance	20,488,000	36,297,900
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	29,746,600	29,746,600
Year-End Fund Balance	9,576,500	9,576,500
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	217,300
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
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	1,419,200	2,500,000
Year-End Fund Balance	10,078,500	9,361,200
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	527,200	527,200
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	3,858,000	1,929,000
Third Party Liability and Recovery Fund (HCA3791 Acute 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	0	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	0	0
Year-End Fund Balance	6,161,000	6,161,000
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	17,921,600	17,448,300
Year-End Fund Balance	2,799,500	2,799,500

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
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	37,635,400	36,641,400
Year-End Fund Balance	5,138,500	5,138,500
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	66,291,400	67,179,700
Year-End Fund Balance	0	0