

Arizona Health Care Cost Containment System

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	2,348.3	2,358.3	2,358.3 ^{1/}
Personal Services	51,423,200	54,627,300	54,627,300
Employee Related Expenditures	21,723,600	23,164,600	23,164,600
Professional and Outside Services	5,087,900	10,986,800	(3,513,200)
Travel - In State	7,200	68,500	68,500
Travel - Out of State	47,000	304,600	304,600
Other Operating Expenditures	29,248,400	47,351,700	47,351,700
Equipment	621,700	513,900	513,900
OPERATING SUBTOTAL	108,159,000	137,017,400	122,517,400 ^{2/}
SPECIAL LINE ITEMS			
Administration			
AHCCCS Data Storage	14,331,100	19,325,800	19,325,800
DES Eligibility	99,368,100	97,074,500	97,074,500 ^{3/}
Proposition 204 - AHCCCS Administration	24,666,700	15,222,200	15,222,200 ^{4/}
Proposition 204 - DES Eligibility	38,800,400	44,358,700	44,358,700 ^{4/}
Medicaid Services ^{5/6/}			
Traditional Medicaid Services	7,674,991,600	7,978,162,400	7,710,427,500 ^{7/-10/}
Proposition 204 Services	8,377,037,700	7,038,319,000	7,426,608,400 ^{6/9/10/}
Adult Expansion Services	1,027,021,500	926,824,300	726,135,800 ^{9/10/}
Comprehensive Health Plan	189,958,400	203,903,500	173,980,100 ^{9/}
KidsCare Services	195,027,000	186,394,000	222,712,200
ALTCS Services	2,209,373,500	2,680,175,800	2,458,072,600 ^{11/-13/}
Behavioral Health Services in Schools	9,891,200	9,120,600	8,630,600
Non-Medicaid Behavioral Health Services			
Non-Medicaid Seriously Mentally Ill Services	76,569,800	77,646,900	77,646,900 ^{14/}
Supported Housing	5,279,600	65,324,800	65,324,800
Crisis Services	16,278,200	16,391,300	16,391,300
Children's Behavioral Health Services Fund Deposit	0	250,000	0
Non-Medicaid Seriously Mentally Ill Services	76,569,800	77,646,900	77,646,900
Hospital Payments			
Disproportionate Share Payments	4,820,600	5,087,100	5,087,100 ^{15/}
DSH Payments - Voluntary Match	28,627,300	69,735,200	65,330,500 ^{10/16/}
Graduate Medical Education	400,334,300	426,531,500 ^{20/}	469,246,600 ^{10/17/-21/}
Critical Access Hospitals	23,910,900	41,074,400	16,454,300
Targeted Investments Program	50,000,000	26,000,000	56,000,000
On-Call Obstetrics and Gynecological Services	0	7,500,000	0
AGENCY TOTAL	20,574,446,900	20,071,439,400	19,796,547,300 ^{22/-24/}
FUND SOURCES			
General Fund	2,171,637,900	2,515,401,900	2,789,838,100
<u>Other Appropriated Funds</u>			
Budget Neutrality Compliance Fund	4,303,100	4,669,300	4,914,300
Children's Health Insurance Program Fund	164,829,700	150,833,600	174,025,900
Prescription Drug Rebate Fund - State	165,160,800	165,410,500	165,160,500
Seriously Mentally Ill Housing Trust Fund	217,300	217,700	217,700
Substance Abuse Services Fund	2,250,200	2,250,200	2,250,200
Tobacco Products Tax Fund - Emergency Health Services Account	17,448,300	17,458,500	17,458,500
Tobacco Tax and Health Care Fund - Medically Needy Account	58,500,300	67,258,900	66,586,300

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 BASELINE
SUBTOTAL - Other Appropriated Funds	412,709,700	408,098,700	430,613,400
SUBTOTAL - Appropriated Funds	2,584,347,600	2,923,500,600	3,220,451,500
<u>Expenditure Authority Funds</u>			
Arizona Tobacco Litigation Settlement Fund	98,980,700	102,000,000	102,000,000
County Funds	397,615,200	409,939,100	443,048,300
Delivery System Reform Incentive Payment Fund	15,495,200	8,321,200	17,922,700
Federal Medicaid Authority	15,697,080,400	14,560,642,600	13,875,934,000
Health Care Investment Fund	330,087,100	588,163,600	621,552,500
Hospital Assessment Fund	627,866,800	606,180,400	594,319,800
Nursing Facility Provider Assessment Fund	29,129,900	32,989,600	32,989,600
Political Subdivision Funds	147,947,600	193,784,400	242,411,000
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	36,641,400	36,662,900	36,662,900
SUBTOTAL - Expenditure Authority Funds	17,990,099,300	17,147,938,800	16,576,095,800
SUBTOTAL - Appropriated/Expenditure Authority Funds	20,574,446,900	20,071,439,400	19,796,547,300
Other Non-Appropriated Funds	130,167,800	154,859,400	154,859,400
Federal Funds	220,492,800	252,604,100	252,604,100
TOTAL - ALL SOURCES	20,925,107,500	20,478,902,900	20,204,010,800

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 2025.
- 2/ Before spending the monies for the replacement of the prepaid medicaid management information system, the Arizona strategic enterprise technology office shall submit, on behalf of the Arizona health care cost containment system, an expenditure plan for review by the joint legislative budget committee. The report shall include the project cost, deliverables, the timeline for completion and the method of procurement that are consistent with the department's prior reports for its appropriations from the automation projects fund. (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/ 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)
- 6/ The Arizona health care cost containment system administration shall report to the joint legislative budget committee on or before March 1, 2025 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)

- 7/ 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 2024-2025 to the attorney general for costs associated with e-cigarette enforcement and tobacco settlement litigation. (General Appropriation Act footnote)
- 8/ The Arizona health care cost containment system administration shall transfer \$836,000 from the traditional medicaid services line item for fiscal year 2024-2025 to the department of revenue for enforcement costs associated with the March 13, 2013 master settlement agreement with tobacco companies. (General Appropriation Act footnote)
- 9/ 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)
- 10/ 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 2024-2025 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)
- 11/ 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)
- 12/ Pursuant to section 11-292, subsection B, Arizona Revised Statutes, the county portion of the fiscal year 2024-2025 nonfederal costs of providing long-term care system services is \$399,872,100. This amount is included in the expenditure authority fund source. (General Appropriation Act footnote)
- 13/ Any supplemental payments received in excess of \$97,235,600 for nursing facilities that serve Arizona long-term care system medicaid patients in fiscal year 2024-2025, including any federal matching monies, by the Arizona health care cost containment system administration are appropriated to the administration in fiscal year 2024-2025. 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)
- 14/ On or before June 30, 2025, 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)
- 15/ The \$5,087,100 appropriation for disproportionate share payments for fiscal year 2024-2025 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 2024-2025 by the Arizona health care cost containment system administration in excess of \$65,330,500 are appropriated to the administration in fiscal year 2024-2025. 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 2024-2025, including any federal matching monies, by the Arizona health care cost containment system administration in excess of \$469,246,600 are appropriated to the administration in fiscal year 2024-2025. 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 \$10,678,900 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 \$8,543,100 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)
- 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, 2024 2025. (FY 2024 General Appropriation Act footnote, as modified by the FY 2025 General Appropriation Act for a technical correction)
- 21/ 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, 2026. (General Appropriation Act footnote)
- 22/ 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)
- 23/ On or before July 1, 2025, 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, 2024. (General Appropriation Act footnote)
- 24/ General Appropriation Act funds are appropriated as Operating Lump Sum with Special Line Items by Agency.

Summary

AHCCCS's FY 2025 General Fund spending increases by \$274,436,200 from FY 2024. This amount includes:

- \$291,094,400 for formula adjustments.
- \$(700,000) for removal of one-time PMMIS replacement costs.
- \$(160,000) for removal of one-time rapid whole genome sequencing pilot funding.
- \$(4,098,200) to shift rural hospital reimbursement program funding.
- \$(4,200,000) for removal of one-time critical access hospital supplemental payments.
- \$(7,500,000) for removal of one-time funding for on-call obstetrics and gynecological services.

Below is an overview of FY 2025 formula adjustments, which *Table 1* summarizes, as well as any non-formula adjustments. As part of the Baseline's 3-year spending plan, AHCCCS's General Fund costs are projected to increase by \$176,607,200 in FY 2026 above FY 2025 and by \$148,935,400 in FY 2027 above FY 2026. (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 \$291,094,400 from the General Fund in FY 2025 for the following AHCCCS formula adjustments. This amount includes:

- \$355,094,300 for state match expenses associated with formula adjustments.
- \$(63,999,900) for changes in General Fund offsets.

Table 1	
AHCCCS State Match Spending Changes (in millions) ^{1/}	
State Match Formula Adjustments	
FY 2024 Rebase	(127)
FY 2025 Caseload Growth	(55)
FY 2025 Inflation Increase	108
FY 2025 Federal Medicaid Match Rate Change	<u>429</u>
<i>State Match Costs Subtotal</i>	<i>355</i>
Non-General Fund State Match Offsets	
Political Subdivisions Fund Increase	10
County Funds Increase	33
Hospital Assessment Fund	(12)
Health Care Investment Fund	<u>33</u>
<i>General Fund Offsets Subtotal</i>	<i>64</i>
Non-Formula Adjustments	
Remove FY 2024 One-Time Funding	(12)
Remove Rural Hospital Reimbursement Funding	(4)
Other Adjustments	<u>(<1)</u>
<i>Non-Formula Subtotal</i>	<i>(17)</i>
Total General Fund Spending Change	\$274
^{1/} Numbers may not sum due to rounding.	

FY 2024 Base Adjustment

The Baseline includes a decrease of \$(126,626,500) from state match and a Total Funds decrease of \$(546,838,600) in FY 2025 for an FY 2024 base adjustment. The base adjustment is primarily associated with lower-than-budgeted caseloads.

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 disenrollment prohibition was continued by federal executive action until April 1, 2023. At that time, AHCCCS resumed disenrolling members pursuant to the 2023 Consolidated Appropriations Act.

The enacted FY 2024 budget assumed the expiration of continuous enrollment would result in AHCCCS enrollment gradually returning to pre-pandemic levels by June 2024, adjusted for state population growth since that time. In comparison to the enacted budget assumptions, we estimate based on year-to-date trends that enrollment in Traditional Medicaid will be lower than anticipated in FY 2024, while other AHCCCS populations are anticipated to meet or exceed their original FY 2024 enrollment assumptions. The rebase incorporates these adjustments. This lowers AHCCCS costs relative to the enacted budget.

While overall AHCCCS enrollment in June 2024 is expected to be higher than original anticipated, we estimate that overall General Fund formula expenses will be \$(39,944,900) below the enacted budget assumption. This reflects the net impact of faster-than-anticipated enrollment declines within Traditional Medicaid, partially offset by slower-than-anticipated enrollment declines within the Proposition 204 Childless Adults and KidsCare programs. *(Please see Table 2 for more detailed information on enrollment.)* As a result, we also estimate a \$7,527,500 Other Funds supplemental need within the KidsCare program. *(See FY 2024 Adjustments in Other Issues for additional information.)*

FY 2025 Caseload Adjustment

Formula adjustments reflect 1.1% enrollment growth in FY 2025. Table 2 displays historical and forecasted member months across AHCCCS populations.

The Baseline assumes that once AHCCCS completes its pandemic-related disenrollment workload by June 2024, enrollment in FY 2025 will grow at an annualized average rate of 1.1% based on Arizona population growth projections. We estimate, however, that the 1.1% growth rate nevertheless results in a General Fund caseload savings in FY 2025 compared with FY 2024, due to the annualization of caseload declines that occurred prior to June 2024. For example, the June 2025 caseload level is 1.1% higher than in June 2024, but is approximately (8.2)% below enrollment as of June 2023.

Overall, caseload declines are expected to decrease state match expenses by \$(55,329,900) and Total Funds expenses by \$(281,593,800) in FY 2025.

Table 2

AHCCCS Enrollment ^{1/}

	June 2023	June 2024	June 2024	June 2025	'24-'25 %
Population	(Actual)	(Enacted)	(Forecast)^{2/}	(Forecast)	Change
Traditional	1,147,192	1,100,495	1,040,969	1,051,118	1.0%
Prop 204 Childless					
Adults	545,506	357,792	508,070	513,136	1.0%
Other Prop 204	196,261	188,655	172,596	175,254	1.5%
Adult Expansion	103,357	82,361	71,890	72,608	1.0%
KidsCare	63,289	52,899	69,294	69,628	0.5%
CMDP	10,169	11,761	9,755	9,802	0.5%
ALTCS - Elderly & Physically Disabled ^{3/}	28,503	32,301	29,340	30,455	3.8%
Emergency Services	<u>141,388</u>	<u>134,593</u>	<u>128,296</u>	<u>129,547</u>	<u>1.0%</u>
Total Enrollment	2,235,665	1,960,857	2,030,210	2,051,548	1.1%

^{1/} The figures represent June 1 enrollment for both capitated and fee-for-service members.
^{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 40,204 people received Medicaid services through the Department of Economic Security's Developmental Disabilities program as of June 1, 2023.

FY 2025 Inflation Adjustments

The Baseline assumes a 4.0% inflation adjustment for capitation, fee-for-service, and reinsurance effective October 1, 2024. This increase is based on several factors, including the medical care consumer price index and the growth certain categories experienced in the FY 2024 capitation rate adjustment. The Baseline also annualizes the FY 2024 capitation rate adjustment. Inflation adjustments increase AHCCCS state costs by \$107,816,700 and Total Funds costs by \$532,589,900 in FY 2025.

FY 2025 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 2025, the standard FMAP rates will be as follows:

- Traditional Medicaid rate will decrease to 65.24% (a 1.87 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 75.67% (a 1.30 percentage point decrease).

Additionally, the phased-down enhanced match rate that was in effect as states began to disenroll ineligible members will no longer be available in FY 2025. The Baseline annualizes the loss of this enhanced match, which increases state match costs. *(Please see Formula Adjustments in the FY 2024 Appropriations Report for*

more information on enhanced match rates during the pandemic.)

The Baseline includes an increase of \$429,234,000 in state costs and a corresponding decrease of \$(429,234,000) in Federal Medicaid Authority in FY 2025 as a result of these FMAP adjustments.

Non-General Fund State Match Items

The gross state match contribution from the FY 2024 base adjustment, FY 2025 caseload growth, inflation, and federal match rate changes is projected to increase by \$355,094,300. The Non-General Fund state match is projected to increase by \$63,999,900, resulting in a net General Fund change of \$291,094,400.

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

- An increase of \$9,790,000 in Political Subdivision Funds, mostly for Traditional.
- An increase of \$33,354,200 in County Funds (including the Budget Neutrality Compliance Fund), mostly for ALTCS.
- A decrease of \$(11,860,600) from the Hospital Assessment Fund in FY 2025 for physical health costs of enrollees in the Proposition 204 and Adult Expansion programs. The decrease is due to a revision to the methodology AHCCCS uses to determine the proportion of physical/behavioral health costs within the Proposition 204 fee-for-service program.
- An increase of \$33,388,900 from the Health Care Investment Fund. The increase primarily covers the lower federal match for directed payments to hospitals in FY 2025.
- A decrease of \$(672,600) from lower tobacco tax revenues.

Operating Budget

The Baseline includes \$122,517,400 and 1,042.2 FTE Positions in FY 2025 for the operating budget. These amounts consist of:

	FY 2025
General Fund	\$35,989,500
Children’s Health Insurance Program (CHIP) Fund	5,726,500
Health Care Investment Fund	2,472,300
Prescription Drug Rebate Fund (PDRF) - State	662,600
Seriously Mentally Ill (SMI) Housing Trust Fund	217,700
Federal Medicaid Authority (FMA)	77,448,800

Adjustments are as follows:

Remove PMMIS Replacement – Systems Integrator Funding

The Baseline includes a decrease of \$(7,500,000) from Federal Medicaid Authority in FY 2025 to remove one-time funding for the services of a Systems Integration provider to replace AHCCCS’s Prepaid Medicaid Management Information System (PMMIS). The corresponding General Fund state match amount was \$2,000,000 and included in a \$15,000,000 General Fund appropriation to Arizona Department of Administration – Automation Projects Fund for health and human services information technology projects within state agencies. (Please see ADOA – Automation Projects Fund narrative for additional information.)

Remove PMMIS Replacement – Roadmap Implementation Funding

The Baseline includes a decrease of \$(7,000,000) in FY 2025 to remove funding to implement the draft roadmap associated with replacement of AHCCCS’s 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)

An FY 2024 General Appropriation Act footnote makes these monies non-lapsing through FY 2025.

Administration

AHCCCS Data Storage

The Baseline includes \$19,325,800 in FY 2025 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 2024.

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 2025 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 2024.

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

Proposition 204 - AHCCCS Administration

The Baseline includes \$15,222,200 and 131 FTE Positions in FY 2025 for Proposition 204 - AHCCCS Administration costs. These amounts consist of:

General Fund	4,821,700
PDRF - State	60,900
Federal Medicaid Authority	10,339,600

These amounts are unchanged from FY 2024.

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 2025 for Proposition 204 - DES Eligibility costs. These amounts consist of:

General Fund	15,807,900
Budget Neutrality Compliance Fund (BNCF)	4,914,300
Federal Medicaid Authority	23,636,500

Adjustments are as follows:

Formula Adjustments

The Baseline includes a decrease of \$(245,000) from the General Fund and a corresponding increase of \$245,000 from the BNCF in FY 2025 to reflect an increase of county contributions in FY 2025. This adjustment assumes an inflation adjustment of 3.55% and a state population adjustment of 1.7% 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 2025. A description of program components can be found in the *Other Issues* section.

Traditional Medicaid Services

The Baseline includes \$7,710,427,500 in FY 2025 for Traditional Medicaid Services. This amount consists of:

General Fund	1,856,308,200
County Funds	43,176,200
Health Care Investment Fund	396,507,000
Political Subdivision Funds	57,400,800
PDRF - State	156,858,600
TTHCF - Medically Needy Account	66,586,300
Third Party Liability and Recovery Fund	194,700
PDRF - In Lieu of Federal Funds	572,638,300
Federal Medicaid Authority	4,560,757,400

Adjustments are as follows:

Formula Adjustments

The Baseline includes a decrease of \$(267,248,400) in FY 2025 for formula adjustments. This amount consists of:

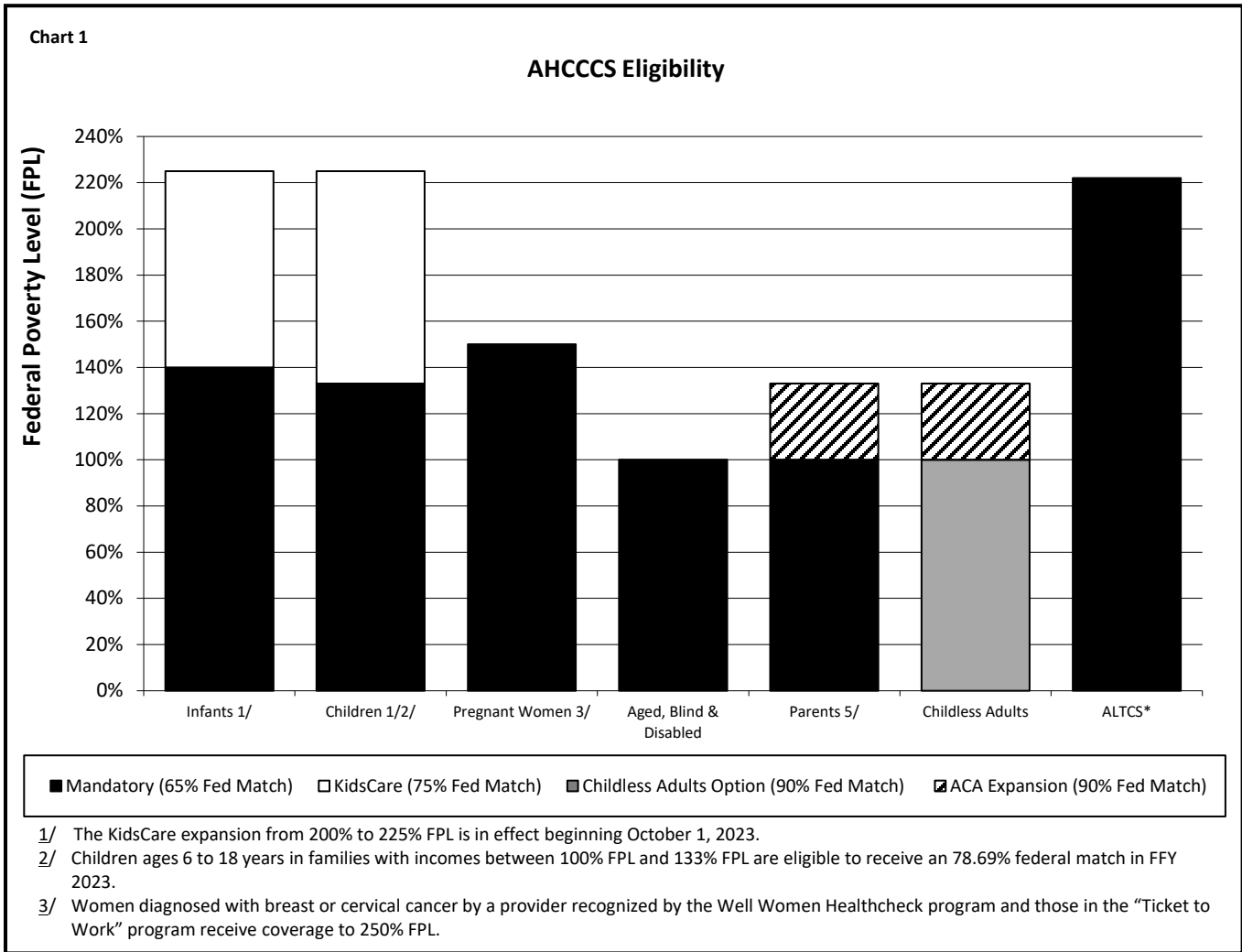
General Fund	135,088,500
County Funds	(557,500)
Health Care Investment Fund	11,685,000
Political Subdivision Funds	7,081,400
TTHCF - Medically Needy Account	(672,600)
Federal Medicaid Authority	(419,873,200)

Remove One-Time Rapid Whole Genome Sequencing Pilot Funding

The Baseline includes a decrease of \$(486,500) in FY 2025 to remove one-time funding for pilot coverage of rapid whole genome sequencing. This amount consists of:

General Fund	(160,000)
Federal Medicaid Authority	(326,500)

Rapid whole genome sequencing involves examining the patient's entire human genome to identify disease-causing genetic changes to diagnose and treat the patient. Laws 2023, Chapter 139 made rapid whole genome sequencing available for AHCCCS members under the age of 1 who meet certain criteria.



Pursuant to an FY 2024 General Appropriation Act footnote, these monies are non-lapsing through FY 2026. The program is repealed after December 31, 2026.

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 17% 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 \$7,426,608,400 in FY 2025 for Proposition 204 Services. This amount consists of:

General Fund	215,011,500
Health Care Investment Fund	167,723,500
Hospital Assessment Fund	550,025,200
Political Subdivision Funds	13,946,600
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	6,323,780,200

Adjustments are as follows:

Formula Adjustments

The Baseline includes an increase of \$388,289,400 in FY 2025 for formula adjustments. This amount consists of:

General Fund	74,513,900
Health Care Investment Fund	21,402,000
Hospital Assessment Fund	7,965,700
Political Subdivision Funds	2,351,200

Federal Medicaid Authority 282,056,600

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 \$726,135,800 in FY 2025 for Adult Expansion Services. This amount consists of:

General Fund	8,020,100
Health Care Investment Fund	16,698,500
Hospital Assessment Fund	44,294,600
Political Subdivision Funds	1,137,300
Federal Medicaid Authority	655,985,300

Adjustments are as follows:

Formula Adjustments

The Baseline includes a decrease of \$(200,688,500) in FY 2025 for formula adjustments. This amount consists of:

General Fund	(1,244,500)
Health Care Investment Fund	1,815,800
Hospital Assessment Fund	(19,826,300)
Political Subdivision Funds	38,200
Federal Medicaid Authority	(181,471,700)

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 Health Plan

The Baseline includes \$173,980,100 in FY 2025 for the Comprehensive Health Plan (CHP). This amount consists of:

General Fund	54,355,300
Health Care Investment Fund	5,988,800
Federal Medicaid Authority	113,636,000

Adjustments are as follows:

Formula Adjustments

The Baseline includes a decrease of \$(29,923,400) in FY 2025 for formula adjustments. This amount consists of:

General Fund	(2,800,400)
Health Care Investment Fund	(2,004,900)
Federal Medicaid Authority	(25,118,100)

Background – This line item provides coverage to CHP eligible children. CHP 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 \$222,712,200 in FY 2025 for KidsCare Services. This amount consists of:

General Fund	47,782,500
Health Care Investment Fund	5,958,700
Political Subdivision Funds	831,600
CHIP Fund	168,139,400

Adjustments are as follows:

Formula Adjustments

The Baseline includes an increase of \$36,318,200 in FY 2025 for formula adjustments. This amount consists of:

General Fund	14,674,100
Health Care Investment Fund	(1,867,400)
Political Subdivision Funds	319,200
CHIP Fund	23,192,300

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 225% FPL. Laws 2023, Chapter 139 raised the upper limit, previously 200% FPL, beginning October 1, 2023. 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 \$2,458,072,600 in FY 2025 for ALTCS Services. This amount consists of:

General Fund	400,434,200
County Funds	399,872,100
Health Care Investment Fund	26,203,700
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	1,548,344,800

Adjustments are as follows:

Formula Adjustments

The Baseline includes an increase of \$125,637,300 in FY 2025 for formula adjustments. This amount consists of:

General Fund	70,865,300
County Funds	33,666,700
Health Care Investment Fund	2,358,400
Federal Medicaid Authority	18,746,900

Remove American Rescue Plan HCBS Spending

The Baseline includes a decrease of \$(347,740,500) from Federal Medicaid Authority in FY 2025 to remove one-time funding for home-and community-based services (HCBS). 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. FY 2024 is the final year of available funding. 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 \$32,368 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 \$10,935 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 2024, AHCCCS estimates that client contributions will pay for 3.7%, or \$61,400,000, of the cost of care.

A.R.S. § 36-2999.52 authorizes AHCCCS to set the amount of and charge a provider assessment on health items and services provided to ALTCS enrollees by nursing facilities

that are not paid for by Medicare. 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 \$8,630,600 in FY 2025 for Behavioral Health Services in Schools. This amount consists of:

General Fund	3,000,000
Federal Medicaid Authority	5,630,600

Adjustments are as follows:

Formula Adjustments

The Baseline includes a decrease of \$(490,000) from Federal Medicaid Authority in FY 2025 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 are 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 2025 for Non-Medicaid Seriously Mentally Ill (SMI) Services. This amount is unchanged from FY 2024.

Background – This line item provides funding for Non-Medicaid SMI clients. The state was 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 2025 for Supported Housing. This amount consists of:

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

These amounts are unchanged from FY 2024.

Background – This line item funds housing services that enable individuals to live in the community. These funds may serve Medicaid and 100% state-funded recipients. In October 2021, AHCCCS shifted administration of its housing programs from RBHAs to a contracted third-party public housing authority. Available housing services include rental subsidies for permanent supported housing and other housing-related supports, such as eviction prevention, move-in assistance, and move-in deposits. Most of the funding is reserved for members with an SMI designation, though some services are available for individuals without an SMI designation who have a general mental health or substance use disorder. As of October 2023, 2,199 households are enrolled in AHCCCS's housing program.

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 \$24,552,800 was spent for Supported Housing services from the Non-Medicaid Seriously Mentally Ill Services line item in FY 2023.

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. While the "Housing and Health Opportunities" waiver amendment received CMS approval in October 2022, the implementation date of the program has been delayed until October 1, 2024. According to AHCCCS, CMS is requiring 2 additional deliverables defining the program's operational details before the program can start. AHCCCS submitted the first deliverable in April 2023, which addressed protocol for assessment of beneficiary eligibility, infrastructure planning, and provider qualifications for the program.

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 \$69.3 million in Federal Funds annually for housing initiatives through FY 2027.

Obtaining the full federal allocation, however, requires AHCCCS to identify \$5.5 million in additional state monies

over and above existing state housing funding. In FY 2024, the additional state match is being funded from the Housing Trust Fund.

Crisis Services

The Baseline includes \$16,391,300 in FY 2025 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 2024.

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.

Children's Behavioral Health Services Fund Deposit

The Baseline includes no funding in FY 2025 for Children's Behavioral Health Services Fund Deposit. Adjustments are as follows:

Remove One-Time Deposit

The Baseline includes a decrease of \$(250,000) from PDRF - State in FY 2025 to remove a one-time deposit into the Children's Behavioral Health Services Fund established by A.R.S. § 36-3436.

This line item funds behavioral health services rendered to low-income, non-Medicaid students who are referred through an educational institution.

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 2025. The Baseline therefore assumes that Arizona's DSH allocation would be adjusted in FY 2025 through FY 2027 according to the regular federal formula, as outlined below.

Distribution

The Baseline continues to appropriate \$4,202,300 of federal DSH funds associated with uncompensated care at Maricopa Integrated Health System (Valleywise) for distribution to Valleywise. The remaining \$74,162,900 of federal DSH funds associated with uncompensated care in public hospitals (Valleywise and the Arizona State Hospital) are available for General Fund deposit. The \$74,162,900 assumes Valleywise would report uncompensated care of \$92,291,200 in FY 2025.

Change in Uncompensated Care Payments

In FY 2025, the state's total DSH payments are estimated to decrease by \$(4,404,700) from \$191,386,100 in FY 2024 (originally budgeted) to \$186,981,400 due to federal adjustments for inflation. Of the \$186,981,400 of eligible DSH funding in FY 2025, \$145,920,900 is distributed according to the allocations described below and listed in Table 3. The remaining \$41,060,500 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 2025 for Disproportionate Share Payments. This amount consists of:

General Fund	310,700
Federal Medicaid Authority	4,776,400

Adjustments are as follows:

Formula Adjustments

The Baseline includes an increase of \$12,400 from the General Fund and a corresponding decrease of \$(12,400) from Federal Medicaid Authority in FY 2025 to reflect a change in the federal match rate.

Of the \$5,087,100 of total funds appropriated by the Baseline in the Disproportionate Share Payments line, \$884,800 represents distributions to private hospitals, including \$310,700 from the General Fund and \$574,100 in federal expenditure authority. In FY 2022, there were 25 private hospitals that received DSH payments. The

remaining \$4,202,300 represents federal matching funds that the state appropriates to Valleywise.

DSH Payments - Voluntary Match

The Baseline includes \$65,330,500 in FY 2025 for DSH Payments - Voluntary Match. This amount consists of:

Political Subdivision Funds	22,212,400
Federal Medicaid Authority	43,118,100

Adjustments are as follows:

Decreased Funding

The Baseline includes a decrease of \$(4,404,700) in FY 2025 due to DSH Formula adjustments. This amount consists of:

Political Subdivision Funds	(1,295,300)
Federal Medicaid Authority	(3,109,400)

Background – This line item provides DSH payments to hospitals with matching funds provided by political subdivisions. The Baseline continues a provision that gives priority to eligible rural hospitals when allocating voluntary match DSH payments and continues to permit AHCCCS to include Valleywise in allocations of voluntary match DSH payments if Valleywise's CPE and matching Federal Funds exceed \$113,818,500 in FY 2025. (Please see Table 3.)

Graduate Medical Education

The Baseline includes \$469,246,600 in FY 2025 for Graduate Medical Education (GME) expenditures. This amount consists of:

General Fund	9,000,000
Political Subdivision Funds	140,654,500
Federal Medicaid Authority	319,592,100

Adjustments are as follows:

Funding Adjustment

The Baseline includes an increase of \$42,715,100 in FY 2025 for a GME funding adjustment. This amount consists of:

Political Subdivision Funds	40,131,900
Federal Medicaid Authority	2,583,200

The funding adjustment reflects AHCCCS' estimate of hospital participation in the program in FY 2025, as well as changes in the federal match rate.

Table 3

Disproportionate Share Hospital Payments

Eligible Funding ^{1/}	FY 2024 (Enacted)	FY 2024 (Estimated)	FY 2025 (Estimated)
Valleywise - CPE ^{2/}	\$ 92,291,200	\$ 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>69,735,200</u>	<u>58,098,600</u>	<u>65,330,500</u>
Total Funding	\$ 191,386,100	\$ 179,749,500	\$ 186,981,400
General Fund			
Retain FF of CPE (via Valleywise)	\$ 56,977,500	\$ 56,977,500	\$ 55,685,500
Retain FF of CPE (via ASH)	<u>18,876,000</u>	<u>18,876,000</u>	<u>18,477,400</u>
Subtotal - General Fund	\$ 75,853,500	\$ 75,853,500	\$ 74,162,900
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	<u>\$ 5,087,100</u>	<u>\$ 5,087,100</u>	<u>\$ 5,087,100</u>
Total DSH Distributions	\$ 80,940,600	\$ 80,940,600	\$ 80,590,400
Voluntary Match	\$ 69,735,200	\$ 58,098,600	\$ 65,330,500
Total Distributions	\$ 150,675,800	\$ 139,039,200	\$ 145,920,900

^{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 2024 and FY 2025.

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 2023, 23 hospitals received a total of \$381,273,600 for Graduate Medical Education.

The Baseline modifies a footnote included in the FY 2024 General Appropriations Act. The original footnote made the monies appropriated for the GME program in FY 2024 non-lapsing through June 30, 2024. The modified footnote extends the non-lapsing status through June 30, 2025. The Baseline also includes a similar footnote that makes the monies appropriated for the GME program in FY 2025 non-lapsing through June 30, 2026.

Critical Access Hospitals

The Baseline includes \$16,454,300 in FY 2025 for Critical Access Hospitals (CAH). This amount consists of:

General Fund	5,777,100
Federal Medicaid Authority	10,677,200

Adjustments are as follows:

Shift Rural Hospital Inpatient Funding

The Baseline includes a decrease of \$(12,158,100) in FY 2025 to shift funding for the Rural Hospital Reimbursement program to AHCCCS's regular hospital rate schedule. This amount consists of:

General Fund	(4,098,200)
Federal Medicaid Authority	(8,059,900)

Under A.R.S. § 36-2905.02, AHCCCS is required to request approval from the Centers for Medicare and Medicaid Services to make supplemental payments to rural hospitals to increase reimbursement for inpatient services. The agency previously administered these payments through the Rural Hospital Inpatient Fund distribution.

AHCCCS reports that CMS is requiring Arizona to phase out the Rural Hospital Inpatient Fund no later than FY 2027. As a result, effective January 1, 2023, AHCCCS replaced the fund with a \$12.1 million increase to the inpatient portion of its regular hospital rate schedule. The actuaries included this adjustment in AHCCCS's FY 2024 capitation rates. The agency is therefore requesting that the Rural Hospital Inpatient Fund monies in this line item be eliminated and instead reflected in the regular service line items. The Baseline incorporates this adjustment.

Remove One-Time Supplemental Pool Increase

The Baseline includes a decrease of \$(12,462,000) in FY 2025 to remove one-time supplemental payments to Critical Access Hospitals. This amount consists of:

General Fund	(4,200,000)
Federal Medicaid Authority	(8,262,000)

Formula Adjustments

The Baseline includes an increase of \$230,100 from the General Fund and a corresponding decrease of \$(230,100) from Federal Medicaid Authority in FY 2025 due to a change in the federal match.

Background – This line item funds the CAH program, which provides increased reimbursement to small rural hospitals that are federally designated as CAHs. To be eligible as a CAH, the hospital must be in a rural area more than 35 miles from the nearest hospital and maintain no more than 25 inpatient beds. Funding is distributed according to a hospital’s share of the cost in serving Medicaid enrollees during the prior year. In FY 2023, 12 hospitals qualified for funding from CAH.

Targeted Investments Program

The Baseline includes \$56,000,000 in FY 2025 for the Targeted Investments Program. This amount consists of:

Delivery System Reform	17,922,700
Incentive Payment (DSRIP) Fund	
Federal Medicaid Authority	38,077,300

Adjustments are as follows:

Funding Adjustment

The Baseline includes an increase of \$30,000,000 in FY 2025 for increased TI program payments. This amount consists of:

DSRIP Fund	9,601,500
Federal Medicaid Authority	20,398,500

AHCCCS included waiver authority for this program as part of its 2022-2027 waiver renewal application, which received CMS approval in October 2022.

Background – In January 2017, the Centers for Medicare and Medicaid Services (CMS) approved AHCCCS's 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.

On-Call Obstetrics and Gynecological Services

The Baseline includes no funding in FY 2025 for On-Call Obstetrics and Gynecological Services. Adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(7,500,000) from the General Fund in FY 2025 to remove one-time funding for on-call obstetric and gynecological services in low-volume obstetric delivery areas and rural communities.

An FY 2024 General Appropriation Act footnote makes the monies non-lapsing until the end of FY 2026 and instructs AHCCCS to distribute up to \$2,500,000 annually to qualifying community health centers for the unreimbursed cost necessary to maintain on-call services. AHCCCS must submit a report by July 1 annually regarding the use of these monies, including the number of services provided by health care providers receiving funding from this appropriation.

Other Issues

This section includes information on the following topics:

- FY 2024 Adjustments
- Statutory Changes
- Long-Term Budget Impacts
- Health Workforce Development Funding
- Fraud Investigation
- County Contributions
- Program Components
- Tobacco Master Settlement Agreement
- Tobacco Tax Allocations

FY 2024 Adjustments

The Baseline assumes AHCCCS General Fund formula expenses for FY 2024 will be \$(39,944,900) lower than the original FY 2024 General Fund appropriation. The Baseline includes an FY 2024 ex-appropriation of \$(39,944,900) from the General Fund to account for the surplus. The Baseline also includes an FY 2024 supplemental appropriation of \$7,527,500 from the CHIP Fund.

The \$(39,944,900) ex-appropriation primarily reflects the net impact of faster-than-anticipated enrollment declines within Traditional Medicaid, partially offset by slower-than-anticipated enrollment declines within the Proposition 204 Childless Adults and KidsCare programs. This lowers AHCCCS costs relative to the enacted budget. *(See Formula Adjustments for additional information on pandemic-related disenrollment.)*

The final estimated surplus could be higher or lower than \$(39,944,900) as additional caseload and spending data become available during FY 2024.

The \$7,527,500 supplemental primarily reflects slower-than-anticipated enrollment declines within the KidsCare program. The supplemental also accounts for an estimated 6.9% capitation rate adjustment for FY 2024, higher than the 3.1% inflation adjustment included in the FY 2024 enacted budget.

(Please note that the summary table has not been updated to reflect the recommended adjustments.)

Statutory Changes

The Baseline would:

Rates and Services

- As session law, continue the FY 2010 risk contingency rate reduction for all managed care organizations. Continues to allow AHCCCS 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 2025 County Acute Care contribution at \$43,176,200.
- As session law, continue to require AHCCCS to transfer any excess monies back to the counties by December 31, 2025, 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 2025 county Arizona Long Term Care System (ALTCs) contributions at \$399,872,100.

Hospitals

- As session law, continue to establish FY 2025 disproportionate share (DSH) distributions to the Maricopa Special Healthcare District (Valleywise), the Arizona State Hospital, private qualifying disproportionate share hospitals, and Yuma Regional Medical Center. The Valleywise distribution would remain at \$113,818,500 in FY 2025.

- As session law, continue to require AHCCCS to give priority to rural hospitals in Pool 5 distribution, and allow Valleywise 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 2025 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 costs are projected to increase by \$176,607,200 in FY 2026 above FY 2025 and by \$148,935,400 in FY 2027 above FY 2026.

The FY 2026 estimate is based on:

- 1% caseload growth.
- 3.0% capitation growth.
- An estimated 65.06% FMAP.

The FY 2027 estimate is based on:

- 1% caseload growth.
- 3.0% capitation growth.
- An estimated 65.13% FMAP.

Health Workforce Development Funding

The 3-year spending plan associated with the enacted FY 2023 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 opened the grant cycle for the program in January 2023. At the time of this writing, the grant's

advisory board has approved 17 award recipients, encompassing 25 total programs.

The 3-year spending plan associated with the enacted FY 2023 budget 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. AHCCCS reported in February 2023 that Maricopa Community College District will receive \$3,425,600 annually and Navajo County Community College District will receive \$1,058,400 annually. The remaining \$500,000 will support joint programs administered by the community colleges.

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

Fraud Investigation

In May 2023, AHCCCS released preliminary findings of fraud in an ongoing federal investigation. Since that time, AHCCCS has suspended payments to 317 registered behavioral health residential and outpatient treatment providers alleged to have engaged in fraudulent billing activities, including billing for services that were never provided or not medically necessary. For example, some providers billed for services rendered to deceased AHCCCS members or for services rendered to AHCCCS members not physically present. While the exact amount defrauded is currently unknown, the Executive estimated it to be in the "hundreds of millions of dollars" since 2019. AHCCCS has hired a forensic auditor to review all fee-for-service claims submitted in the past 6 years.

We assume that fee-for-service expenditures per enrollee will be lower in FY 2024 and FY 2025 compared with FY 2023 based on reductions in the volume of fraudulent claims. Based on preliminary post-investigation fee-for-service spending data, we estimate that on a Total Funds basis fee-for-service expenditures will total \$2,292,532,400 across all programs in FY 2024, or (38.7)% below FY 2023 actual spending of \$3,741,971,000. The Baseline also does not assume any specific level of fraud recoveries in General Fund revenues.

Beyond contracting a forensic audit, AHCCCS has taken other actions to eliminate fraudulent billing, such as:

- Recategorizing 3 behavioral health provider types as high-risk for all new registrants
- Imposing a moratorium on new provider registrations for specified provider types
- Adding new reporting to flag concerning claims prior to payment
- Setting billing thresholds and requiring prepayment review for specified scenarios

In the future, AHCCCS plans to implement additional fraud prevention measures, including mandating visual attestation of individual billers; requiring third-party billers to disclose terms of compensation; and implementing new rules that allow the administration to exclude payment of individuals affiliated with terminated or suspended providers.

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 2025, the average capitation rate is expected to be approximately \$576 per member per month (or \$6,900 annually). Of that amount, an average of \$156 is from state match and \$420 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.

Table 4

County Contributions

County	FY 2024			FY 2025		
	BNCF ^{1/}	Acute	ALTCS	BNCF ^{1/}	Acute	ALTCS
Apache	\$153,900	\$268,800	692,800	\$162,000	\$268,800	975,500
Cochise	287,100	2,214,800	6,587,900	302,100	2,214,800	973,400
Coconino	283,200	742,900	2,080,000	298,100	742,900	2,928,200
Gila	116,300	1,413,200	2,852,300	122,400	1,413,200	3,161,900
Graham	82,700	536,200	1,540,200	87,000	536,200	1,596,200
Greenlee	21,200	190,700	0	22,400	190,700	43,400
La Paz	44,000	212,100	682,700	46,300	212,100	990,200
Maricopa	0	15,703,400	240,195,400	0	15,145,900	269,359,200
Mohave	330,500	1,237,700	10,847,500	347,900	1,237,700	11,389,600
Navajo	216,700	310,800	2,867,700	228,000	310,800	4,037,000
Pima	1,968,900	14,951,800	56,396,600	2,072,300	14,951,800	62,975,600
Pinal	385,300	2,715,600	18,011,700	405,500	2,715,600	16,370,500
Santa Cruz	91,100	482,800	2,582,800	95,800	482,800	2,880,000
Yavapai	363,900	1,427,800	9,820,100	383,000	1,427,800	9,862,900
Yuma	324,500	1,325,100	11,047,700	341,500	1,325,100	12,328,500
Subtotal	\$4,669,300	\$43,733,700	\$366,205,400	\$4,914,300	\$43,176,200	\$399,872,100
Total			\$414,608,400			\$447,962,600

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

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 Tax Allocations

The Baseline projects AHCCCS and DHS will receive \$141,400,900 in transfers of tobacco tax collections in FY 2025. This amount represents a decrease of \$(1,428,300) from the FY 2024 budgeted amount. *Table 5* summarizes tobacco tax transfers and allocations to the agencies.

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 2025 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.)

Table 5

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

	<u>FY 2023</u>	<u>FY 2024</u>
Medically Needy Account		
<u>Funds Available</u>		
Balance Forward	\$ 0	\$ 12,350,800
Transfer In - Tobacco Tax and Health Care Fund	47,664,100	47,759,400
Transfer In - Tobacco Products Tax Fund	<u>25,987,700</u>	<u>26,039,700</u>
Total Funds Available	\$ 73,651,800	\$ 86,149,900
<u>Allocations</u>		
<i>AHCCCS</i>		
AHCCCS State Match Appropriation	\$ <u>60,601,000</u>	\$ <u>66,558,900</u>
Total AHCCCS Allocations	\$ 60,601,000	\$ 66,558,900
<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*	\$ 12,350,800	\$ 18,891,000
AHCCCS Proposition 204 Protection Account		
<u>Funds Available</u>		
Balance Forward	\$ 5,138,500	\$ 4,982,400
Transfer In - Tobacco Products Tax Fund	<u>36,485,300</u>	<u>36,558,300</u>
Total Funds Available	\$ 41,623,800	\$ 41,540,700
<u>Allocations</u>		
AHCCCS State Match Appropriation	\$ 36,641,400	\$ 36,662,900
Administrative Adjustments	<u>0</u>	<u>0</u>
Balance Forward	\$ 4,982,400	\$ 4,877,800
AHCCCS Emergency Health Services Account		
<u>Funds Available</u>		
Balance Forward	\$ 2,799,500	\$ 723,000
Transfer In - Tobacco Products Tax Fund	<u>15,371,800</u>	<u>17,458,500</u>
Total Funds Available	\$ 18,171,300	\$ 18,181,500
<u>Allocations</u>		
AHCCCS State Match Appropriation	\$ 17,448,300	\$ 17,458,500
Administrative Adjustments	<u>0</u>	<u>0</u>
Balance Forward ^{1/}	\$ 723,000	\$ 723,000
DHS Health Education Account		
<u>Funds Available</u>		
Balance Forward	\$ 16,127,900	\$ 18,513,700
Transfer In - Tobacco Tax and Health Care Fund	12,722,300	11,619,300
Transfer In - Tobacco Products Tax Fund	1,623,000	1,573,200
Smoke-Free Arizona Fund	<u>303,700</u>	<u>294,600</u>
Total Funds Available	\$ 30,776,900	\$ 32,000,800
<u>Allocations</u>		
Tobacco Education and Prevention Program	\$ 10,709,100	\$ 15,840,000
Leading Causes of Death - Prevention and Detection	<u>1,554,100</u>	<u>2,160,000</u>
Balance Forward	\$ 18,513,700	\$ 14,000,800
Health Research Account		
<u>Funds Available</u>		
Balance Forward	\$ 5,534,100	\$ 9,789,000
Transfer In - Tobacco Tax and Health Care Fund	2,729,700	2,614,500
Transfer In - Tobacco Products Tax Fund	<u>4,094,500</u>	<u>3,921,700</u>
Total Funds Available	\$ 12,358,300	\$ 16,325,200
<u>Allocations</u>		
Research Grants	<u>2,569,300</u>	<u>9,550,300</u>
Balance Forward	\$ 9,789,000	\$ 6,774,900

^{1/} Unencumbered funds in Emergency Health Services Account are transferred to Prop 204 Protection Account at end of year.

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 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	98,980,700	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	4,303,100	4,669,300
Year-End Fund Balance	9,800	9,800
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	4,004,000	1,004,000
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 225% of the Federal Poverty Level (FPL), which is approximately \$67,500 for a family of 4.		
Funds Expended	164,829,700	150,833,600
Year-End Fund Balance	7,428,600	7,428,600
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	0	0
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Coronavirus State and Local Fiscal Recovery Fund (HCA2985/U.S. P.L. 117-2)		Federal Funds
Source of Revenue: Federal monies appropriated in the American Rescue Plan Act (P.L. 117-2).		
Purpose of Fund: To provide emergency support to households, small businesses, nonprofits, workers performing essential work, and certain industries negatively impacted by the COVID-19 pandemic. To extend government services that received a reduction in revenue as a result of the COVID-19 pandemic. To make investments in water, sewer, and broadband infrastructure.		
Funds Expended	2,853,100	223,400
Year-End Fund Balance	446,900	223,500
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	397,615,200	409,939,100
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	15,495,200	8,321,200
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	1,900
Year-End Fund Balance	3,800	2,000
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	90,250,300	90,250,300
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	127,389,400	162,130,400
Year-End Fund Balance	2,377,700	2,377,700

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
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	15,697,080,400	14,560,642,600
Year-End Fund Balance	128,922,700	128,922,700
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	330,087,100	588,163,600
Year-End Fund Balance	233,716,800	233,716,800
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	627,866,800	606,180,400
Year-End Fund Balance	55,634,700	55,634,700
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	77,361,800	77,339,200
Year-End Fund Balance	1,915,800	6,950,100
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	14,562,500	40,165,600
Year-End Fund Balance	248,800	750,000

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
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	29,129,900	32,989,600
Year-End Fund Balance	1,001,600	1,001,600
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	147,947,600	193,784,400
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	609,060,300	609,060,300
Year-End Fund Balance	143,346,800	74,372,700
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	165,160,800	165,410,500
Year-End Fund Balance	68,729,900	83,529,400
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	37,352,700	37,352,700
Year-End Fund Balance	10,564,700	10,564,700

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
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	217,300	217,700
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	890,800	0
Year-End Fund Balance	11,569,200	11,569,200
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	17,800	17,800
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	1,461,300	100
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	194,700	194,700
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
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	16,371,300	16,371,300
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	17,448,300	17,458,500
Year-End Fund Balance	723,000	723,000
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	36,641,400	36,662,900
Year-End Fund Balance	780,000	780,000
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	58,500,300	67,258,900
Year-End Fund Balance	0	0