

JLBC MEETING

At its December 18th meeting, the Joint Legislative Budget Committee considered the following issues:

Attorney General Review Allocation of Settlement Monies – The JLBC gave a favorable review to the Attorney General’s plan for the allocation of monies received from 3 settlement agreements.

The first settlement involved 3 pharmaceutical companies alleged to have unlawfully extended the copyright period for their drugs. The second settlement involved pharmaceutical companies accused of monopolization and restraint of trade. The third settlement involved Bristol-Myers Squibb, which allegedly monopolized the market for anti-cancer drugs. According to the settlement agreements:

- \$1,648,039 will be distributed to AHCCCS.
- \$377,741 will be distributed to Arizona consumers.
- \$262,857 will be distributed amongst various state agencies.
- \$215,825 will be deposited into the Anti-Trust Enforcement Revolving Fund.
- \$67,442 will be distributed to the Department of Administration.

A fourth settlement involved individuals who allegedly engaged in deceptive sales and advertising practices of medical billing business opportunities. It is not believed that the state will receive any money from this settlement agreement.

Arizona Health Care Cost Containment System (AHCCCS) Review of Comprehensive Medical Dental Program (CMDP) Capitation Rate Changes – The JLBC gave a favorable review of AHCCCS’ proposed capitation rate increase to the

agency’s CMDP program. The approved rate represents an increase of 18.7%, compared to the budgeted rate increase of 7.1%. The General Fund cost of the increase is estimated to be \$593,100. Additionally, the Committee stipulated that its favorable review of the rate increase did not imply an endorsement of any potential supplemental request by the agency.

AHCCCS Report on Cost Sharing Measures – The JLBC heard testimony on cost sharing measures being implemented by the AHCCCS (originally proposed by AHCCCS and assumed in the FY 2004 budget to save \$14 million).

At its September meeting, the Committee had requested AHCCCS to report on the implementation of cost-sharing measures and the expected savings relative to the savings assumed in the FY 2004 budget. Under the latest AHCCCS plan, approximately \$4.8 million in savings will occur in FY 2004. The \$(7.8) million difference is attributable to: 1) federal Centers for Medicare and Medicaid (CMS) restrictions, \$(3.2) million; 2) lower than expected KidsCare (parents and children) enrollment, \$(1.6) million; and 3) a revised implementation schedule, \$(3.0) million.

The item was for information only and no Committee action was taken.

AHCCCS Report on Healthcare Group Marketing Services – The JLBC heard testimony from AHCCCS and Blue Cross/Blue Shield related to AHCCCS’ plan to brand and market HealthCare Group. The JLBC Chairman had asked AHCCCS to report to the Committee on the Request for Proposal (RFP) issued by the agency for Healthcare Group branding and marketing services. AHCCCS had issued the RFP in order to increase Healthcare Group enrollment from 11,250 to 100,000 members in three years.

Healthcare Group is a health insurance plan that is available only to employees of small businesses (1-50 employees), self-employed persons and employees of political subdivisions of the state. Because members cannot be denied enrollment based on a medical condition, Healthcare Group is adversely selected by higher-risk members. In FY 2004, the budget included a \$4 million appropriation from the General Fund for reinsurance costs resulting from catastrophic cases.

AHCCCS' plan for Healthcare Group is to increase enrollment by targeting uninsured individuals within the small business health insurance market in order to eliminate General Fund support for the program. The agency indicated that they did not wish to target competitor market share.

The item was for information only and no Committee action was taken.